



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006
GROUP FINANCIAL HIGHLIGHTS**

	For the six months ended		Percentage change
	30 June 2006 (HK\$'000)	30 June 2005 (HK\$'000)	
Revenue	2,414,205	1,588,191	↑52%
Profit attributable to equity holders of the Company	318,716	132,434	↑141%
Basic earnings per share (HK cents)	4.80	2.08	↑131%
Dividend per share - interim (HK cents)	1.89	1.00	↑89%
	As At		
	30 June 2006 (HK\$'000)	31 December 2005 (HK\$'000)	Percentage Change
Total assets	26,765,451	27,095,641	↓1%
Shareholders' equity*	10,398,648	10,388,761	↑0.1%
Shareholders' equity per share (HK\$)*	1.55	1.59	↓3%
Gearing ratio	31%	32%	↓3%

* *excluding minority interests*

The directors of Guangzhou Investment Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006 as follows:

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	2006	2005
		HK\$'000	HK\$'000
Revenue	3	2,414,205	1,588,191
Cost of sales		(1,731,277)	<u>(1,237,618)</u>
Gross profit		682,928	350,573
Revaluation surplus on investment properties		68,975	662,539
Loss on disposal of investment in an associated company		(2,470)	—
Other gains		232	3,050
Selling and distribution expenses		(81,956)	(55,125)
General and administrative expenses		(190,651)	<u>(279,046)</u>
Profit from operations	4	477,058	681,991
Interest income		30,440	3,789
Finance costs		(82,908)	(114,092)
Share of profits less losses of			
- Jointly controlled entities		39,209	14,534
- Associated companies		153,010	<u>103,008</u>
Profit before taxation		616,809	689,230
Taxation	5	(141,159)	<u>(327,893)</u>
Profit for the period		475,650	<u>361,337</u>
Attributable to			
Equity holders of the Company		318,716	132,434
Minority interests		156,934	<u>228,903</u>
		475,650	<u>361,337</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)			
- Basic	6	4.80	<u>2.08</u>
- Diluted		4.69	<u>2.05</u>
Interim dividend	7	127,649	<u>64,028</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2006

		As at	
		30 June	31 December
	<i>Note</i>	2006	2005
		<i>Unaudited</i>	<i>Audited</i>
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Interests in toll highways and bridges		1,923,886	1,980,017
Property, plant and equipment		1,945,106	1,614,567
Investment properties		3,643,134	3,301,437
Leasehold land and land use rights		4,594,109	4,372,994
Interests in jointly controlled entities		813,678	685,729
Interests in associated companies		2,808,914	3,089,126
Deferred tax assets		69,972	67,980
Trade receivables, non-current portion		—	108,201
Available-for-sale financial assets		371,376	354,912
		16,170,175	15,574,963
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Current assets			
Properties held for/under development		3,043,599	2,668,674
Properties held for sale		605,797	682,448
Leasehold land and land use rights		2,656,660	3,190,945
Other assets held for sale		—	397,000
Inventories		311,043	319,105
Trade receivables	8	584,123	431,675
Other receivables, prepayments and deposits		449,742	417,254
Tax recoverable		45,292	22,447
Charged bank deposits		508,923	164,892
Bank balances and cash		2,390,097	3,226,238
		10,595,276	11,520,678
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		As at	
	Note	30 June 2006 <i>Unaudited</i> HK\$'000	31 December 2005 <i>Audited</i> HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	9	377,102	374,190
Land premium payables		540,584	617,319
Other payables and accrued charges		4,378,634	4,380,487
Borrowings		1,258,476	1,526,901
Tax payable		52,570	78,589
		<u>6,607,366</u>	<u>6,977,486</u>
Net current assets		<u>3,987,910</u>	<u>4,543,192</u>
Total assets less current liabilities		<u>20,158,085</u>	<u>20,118,155</u>
Non-current liabilities			
Borrowings		3,821,085	3,953,242
Deferred tax liabilities		2,321,180	2,225,426
		<u>6,142,265</u>	<u>6,178,668</u>
Net assets		<u>14,015,820</u>	<u>13,939,487</u>
EQUITY			
Capital and reserves attributable to the Company's equity share holders			
Share capital		672,690	651,894
Other reserves		6,410,243	6,270,299
Retained earnings			
- Proposed dividend		127,649	467,041
- Others		3,188,066	2,999,527
		<u>10,398,648</u>	<u>10,388,761</u>
Minority interests		3,617,172	3,550,726
Total equity		<u>14,015,820</u>	<u>13,939,487</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

2. Accounting policies

The accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005. Although there are new standards, amendments to standard and interpretations for the financial year ending 31 December 2006, the adoption of these new standards, amendments to standard and interpretations has no material impact to the condensed consolidated interim financial information of the Group.

3. Segment information

Primary reporting format - business segments

	Properties		Toll operations			Paper		Group	
			Six months ended 30 June						
	2006	2005	2006	2005	2006	2005	2006	2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	<u>1,656,037</u>	<u>767,512</u>	<u>211,362</u>	<u>204,006</u>	<u>546,806</u>	<u>616,673</u>	<u>2,414,205</u>	<u>1,588,191</u>	
Segment results	<u>387,280</u>	<u>551,399</u>	<u>90,003</u>	<u>87,926</u>	<u>20,348</u>	<u>68,505</u>	<u>497,631</u>	<u>707,830</u>	
Interest income							<u>30,440</u>	<u>3,789</u>	
Unallocated operating costs							<u>(20,573)</u>	<u>(25,839)</u>	
Finance costs							<u>(82,908)</u>	<u>(114,092)</u>	
Share of profits less losses of:									
- Jointly controlled entities	<u>8,720</u>	<u>(5,474)</u>	<u>30,489</u>	<u>20,008</u>	<u>—</u>	<u>—</u>	<u>39,209</u>	<u>14,534</u>	
- Associated companies	<u>33,159</u>	<u>2,220</u>	<u>119,851</u>	<u>100,788</u>	<u>—</u>	<u>—</u>	<u>153,010</u>	<u>103,008</u>	
Profit before taxation							<u>616,809</u>	<u>689,230</u>	
Taxation							<u>(141,159)</u>	<u>(327,893)</u>	
Profit for the period							<u>475,650</u>	<u>361,337</u>	
Capital expenditure	<u>106,654</u>	<u>84,350</u>	<u>749</u>	<u>1,309</u>	<u>358,968</u>	<u>101,569</u>	<u>466,371</u>	<u>187,228</u>	
Depreciation and amortisation	<u>113,614</u>	<u>79,094</u>	<u>54,904</u>	<u>52,057</u>	<u>33,208</u>	<u>57,964</u>	<u>201,726</u>	<u>189,115</u>	

	Properties		Toll operations		Paper		Group	
	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>17,804,742</u>	<u>17,398,149</u>	<u>2,387,214</u>	<u>2,468,584</u>	<u>2,744,263</u>	<u>2,127,807</u>	<u>22,936,219</u>	<u>21,994,540</u>
Interests in jointly controlled entities	<u>210,044</u>	<u>210,180</u>	<u>603,634</u>	<u>475,549</u>	<u>—</u>	<u>—</u>	<u>813,678</u>	<u>685,729</u>
Interests in associated companies	<u>1,144,441</u>	<u>1,402,584</u>	<u>1,664,473</u>	<u>1,686,542</u>	<u>—</u>	<u>—</u>	<u>2,808,914</u>	<u>3,089,126</u>
Unallocated assets							<u>206,640</u>	<u>1,326,246</u>
Total assets							<u>26,765,451</u>	<u>27,095,641</u>
Segment liabilities	<u>7,246,323</u>	<u>6,743,262</u>	<u>529,988</u>	<u>610,764</u>	<u>1,660,138</u>	<u>1,014,947</u>	<u>9,436,449</u>	<u>8,368,973</u>
Unallocated liabilities							<u>3,313,182</u>	<u>4,787,181</u>
Total liabilities							<u>12,749,631</u>	<u>13,156,154</u>

Secondary reporting format - geographical segments

	Revenue		Capital expenditure		Total assets	
	For the six months ended 30 June				As at	As at 31
	2006	2005	2006	2005	30 June	December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2006	2005
					HK\$'000	HK\$'000
Hong Kong	649,621	82,853	14,460	1,686	975,392	1,460,136
China	1,764,076	1,504,457	451,911	185,533	25,592,258	23,984,427
Overseas	508	881	—	9	36,746	35,711
	<u>2,414,205</u>	<u>1,588,191</u>	<u>466,371</u>	<u>187,228</u>	<u>26,604,396</u>	25,480,274
Unallocated assets					161,055	1,615,367
Total assets					<u>26,765,451</u>	<u>27,095,641</u>

4. Profit from operations

The following items have been charged / (credited) to the profit from operations during the period:

	Six months ended	
	2006	2005
	HK\$'000	HK\$'000
Amortisation/depreciation of interests in toll highways and bridges	53,728	50,779
Amortisation of leasehold land and land use rights	70,754	58,664
Depreciation:		
- Owned property, plant and equipment	77,227	79,659
- Leased property, plant and equipment	17	13
Provision for doubtful debts	—	49,272
Provision for impairment in value of property, plant and equipment	—	10,418
Reversal of provision for impairment loss of properties held for/under development	(9,691)	—
Write-down of properties held for/under development to net realizable value	—	31,850
	<u>—</u>	<u>31,850</u>

5. Taxation

- Hong Kong profits tax has been provided at the rate of 17.5 per cent (2005:17.5 per cent) on the estimated assessable profit for the period.
- China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated companies and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at 18 per cent to 33 per cent (2005: 18 per cent to 33 per cent). Under the China Tax Law, certain of the Group's subsidiaries, associated companies and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.
- China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent (2005: 30 per cent to 60 per cent) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditure.

(d) The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Current taxation		
- Hong Kong profits tax	1,927	809
- China enterprise income tax	41,461	33,821
- China land appreciation tax	4,009	2,210
Under provision in prior years	47,738	5,545
Deferred taxation	<u>46,024</u>	<u>285,508</u>
	<u>141,159</u>	<u>327,893</u>

Share of China enterprise income taxation attributable to the following are included in the income statement as share of results of jointly controlled entities and associated companies:

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Jointly controlled entities		
- current taxation	—	602
- deferred taxation	1,037	1,668
Associated companies		
- current taxation	9,489	8,521
- deferred taxation	<u>15,882</u>	<u>5,648</u>

6. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30 June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>318,716</u>	<u>132,434</u>
Weighted average number of ordinary shares in issue ('000)	<u>6,636,625</u>	<u>6,362,643</u>
Basic earnings per share (HK cents)	<u>4.80</u>	<u>2.08</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the period which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Six months ended	
	30 June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>318,716</u>	<u>132,434</u>
Weighted average number of ordinary shares in issue ('000)	6,636,625	6,362,643
Adjustments for - share options ('000)	<u>160,641</u>	<u>96,957</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>6,797,266</u>	<u>6,459,600</u>
Diluted earnings per share (HK cents)	<u>4.69</u>	<u>2.05</u>

7. Interim dividend

	Six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
2006 interim, proposed of HK1.89 cents (2005: HK1.00 cent) per share	<u>127,649</u>	<u>64,028</u>

8. Trade receivables

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

	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
0 - 30 days	182,374	117,983
31 - 90 days	75,070	92,634
91 - 180 days	44,826	40,969
181 - 365 days	92,151	45,295
Over 1 year	<u>189,702</u>	<u>134,794</u>
	<u>584,123</u>	<u>431,675</u>

9. Trade payables

Trade payables include trade balances with creditors and retention money payable on construction contracts. The ageing analysis of the trade payables is as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 - 30 days	15,840	103,911
31 - 90 days	13,451	52,172
91 - 180 days	285,341	14,714
181 - 365 days	3,378	41,454
Over 1 year	<u>59,092</u>	<u>161,939</u>
	<u>377,102</u>	<u>374,190</u>

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

Business review and prospects

The Group is engaged mainly in property business, with its focus in Guangzhou, Guangdong Province. Benefiting from the relatively mature property market, strong demand and the diminishing impact from the changes in accounting policy, revenue for the Group for the six months ended on 30 June 2006 was HK\$2.414 billion, representing an increase of 52% as compared to HK\$1.588 billion recorded for the same period in 2005; attributable profit increased to HK\$319 million representing an increase of 141% as compared to HK\$132 million for the same period last year.

Property business

With the impact on revenue resulting from the changes in the accounting policy last year, where the Group's property sales recognition basis was changed from percentage of completion method to completed delivery, being substantially reflected last year, property sales by area during the period increased substantially by 568% to 167,000 square meters from 25,000 square meters recorded for the same period last year, basically returning to normal level. Property sale proceeds increased to HK\$1.239 billion from HK\$277 million for the same period last year, representing an increase of 347%. Major properties sold were from the projects in Springland Garden, Glade Village District C, Southern Le Sand Phase 2 and Lung Wah International Godown, Tsuen Wan International Centre. There was an investment property revaluation gain in the amount of HK\$69 million.

Other businesses

During the period, the Group's toll road operation realized a revenue of HK\$211 million, representing an increase of 3.6% as compared to the same period last year. The jointly controlled entity Guangzhou Northern Second Ring Expressway Co., Limited continued to demonstrate outstanding performance, contributing HK\$30.49 million to the Group's attributable profit from the entity, representing a 52% increase as compared to HK\$20

million for the same period last year. The attributable profit in associated companies amounted to HK\$120 million, representing an increase of 18.9% as compared to the same period last year of HK\$101 million. Overall profit of the toll roads operation increased by 17.9% as compared to the same period last year.

During the period, the 31.3% interest in GZI Real Estate Investment Trust (“GZI REIT”) held by the Group brought about attributable profit of HK\$33 million.

During the period, newsprint production was affected by the shut down of certain production lines for inspection and maintenance during the Chinese New Year and also a drop in sales price, with revenue decreased by 11%.

Future development strategy and business outlook

In the first half of 2006, Guangzhou City, where most of the Group’s businesses are located, has a gross domestic product reaching RMB272.97 billion, representing an increase of 14.2% as compared to the previous year, which is 3.3% higher than the growth in national average. Economic development in the region is maintaining a growth trend.

With keen internal demand and a rapid development of the Guangzhou property market for the period of January to June, overall property price increased by 15.7% as compared to the same period last year, and average transaction price reached RMB6,153 per square meter. The Central Government introduced new macro-economic control measures in May 2006 stipulating that at least 70% of the residential units must be small units of less than 90 meters squares in size. The Group believes that these macro-economic control measures would render the already relatively mature Guangzhou property market to become even more rational and healthy. For the Group, apart from increasing development in commercial projects, recent urban residential developments comprised mainly of units of less than 90 square meters, which is in line with the Central Government’s policy as well as fitting with the demands of the general public in the market; the overall good performance for the period from January to June registered an average sales price of RMB7,000 per square meter, which is relatively higher than the market average price. Gross floor area (“GFA”) of property under development during the period was over 1.3 million square meters, providing sufficient stock for the future.

Looking into the future, the rapid growth of the economy of Guangzhou would consolidate the position of the City as the economic and cultural centre of South China. With the continued improvement of the economy, the relatively mature property market, better understanding of the essence of the control measures introduced by the Central Government, the Guangzhou property price was showing a stable growth trend. Recent land auctions showed an average GFA price of around RMB3,500 to RMB4,000 per square meter. Apart from realising the relative low cost advantage of its land bank, the Group will actively engage in land auctions in Guangzhou to increase its land reserve for the purpose of sustainable development.

On toll road operations, the Group will actively pursue opportunities in promising expressway projects to increase the scale of operation, either through acquisition or participation, in order to ensure long term stable growth in return to shareholders.

On newsprint production, following the upgrade and trial-run of production line 1 in June 2006 and the continued upgrade to be carried out to the other production lines, the Group's newsprint capacity is expected to increase substantially, bringing a larger market share, increased competitiveness and better return to shareholders.

Financial review

Results

For the six months ended 30 June 2006, the Group recorded a revenue of approximately HK\$2,414 million (6 months ended 30 June 2005: HK\$1,588 million), representing an increase of 52% as compared with the same period of the last year. The increase is mainly contributed from the increase in property sales as a result of the booming property market in the People's Republic of China ("PRC") and the disposal of Hong Kong properties. The revenue derived from toll roads has increased steadily due to the continual economic growth in the PRC. Because of keen market competition, the overall performance of the newsprint business was less than promising, recording a decrease in revenue by 11% as compared with the same period of the last year despite the tonnage sold in the first half year has slightly increased by 1% as compared to the same period in 2005. Apart from this, the Group recorded a decrease in rental income after a portion of investment properties were sold through the spin-off of GZI REIT in late December 2005. Despite the decrease in portfolio size of the investment properties, the overall rental rate continued to increase. There was a significant increase in the share of results of associated companies by HK\$50 million which was mainly contributed from GZI REIT. As at 30 June 2006, the Group held approximately 31.3% equity interest in GZI REIT on a long-term basis. In addition, finance costs were decreased significantly by approximately 27% because approximately HK\$700 million bank borrowings were repaid by the Company during the first half of the year.

Interim dividend

The board of directors of the Company has resolved to declare an interim dividend for 2006 of HK1.89 cents (2005: HK1.00 cent) per share payable on 13 November 2006 to shareholders whose names appear on the register of members on 25 October 2006.

Liquidity and financial resources

The Board believes the importance of healthy liquidity position to sustainability of the operation of the Group. The Group's major sources of liquidity are from recurring cash flow of the business and committed banking facilities. At 30 June 2006, the Group had net current assets of approximately HK\$3,988 million (31 December 2005: HK\$4,543 million). The Group generally finances its operation with internally generated resources and bank borrowings. As at 30 June 2006, the Group had free cash reserves of approximately HK\$2,390 million (31 December 2005: HK\$3,226 million) for general working capital purposes.

Working capital

As at 30 June 2006, the Group's net current assets amounted HK\$3,988 million (31 December 2005: HK\$4,543 million). The decrease was mainly attributable from a decrease in bank balances and cash for repayment of bank borrowings. As at 30 June 2006, the Group's cash and cash equivalents amounted to HK\$2,388 million (31 December 2005: HK\$3,199 million).

Indebtedness

The indebtedness of the Group was summarised as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$ '000
Secured bank borrowings	2,654,332	3,371,645
Unsecured bank borrowings	1,980,333	1,571,725
Unsecured other borrowings	442,674	509,396
Obligations under finance leases	75	92
Bank overdrafts	<u>2,147</u>	<u>27,285</u>
	<u>5,079,561</u>	<u>5,480,143</u>
Ageing analysis:		
Repayable within one year	1,258,476	1,526,901
In the second year	1,210,929	812,512
In the third to fifth year	2,185,738	2,718,866
With no fixed repayment terms	<u>424,418</u>	<u>421,864</u>
	<u>5,079,561</u>	<u>5,480,143</u>

As at 30 June 2006, the Group's total indebtedness was HK\$5,080 million, a decrease of HK\$400 million from HK\$5,480 million as at 31 December 2005. The main reason for the decrease was the repayment of certain bank borrowings with the net proceeds from the spin-off transaction completed in late December 2005. As a consequence, the Group's indebtedness position has strengthened and the ratio of the indebtedness to total assets was decreased to 19% as at 30 June 2006 from 20% as at 31 December 2005.

Capital structure

The Group's capital structure was summarised as below:

	30 June 2006		31 December 2005	
	HK\$'000	%	HK\$'000	%
Bank borrowings	4,634,665	30.8	4,943,370	32.2
Shareholders' funds (excluding minority interests)	<u>10,398,648</u>	<u>69.2</u>	<u>10,388,761</u>	<u>67.8</u>
Total capitalisation	<u>15,033,313</u>	<u>100.0</u>	<u>15,332,131</u>	<u>100.0</u>
Gearing ratio	31%		32%	

As a result of improving capital efficiency of the Group, total bank borrowings share smaller portion of the total capitalisation of the Group, which is reduced from 32.2% to 30.8%. As at 30 June 2006, total bank borrowings was HK\$4,635 million, representing a decrease of 6% comparing to total bank borrowings of HK\$4,943 million as at 31 December 2005. The ratio of total bank borrowings to total capitalisation (gearing ratio) was reduced to 31% as at 30 June 2006 from 32% as at 31 December 2005. As at 30 June 2006, shareholders' fund amounted to HK\$10,399 million which accounted for 69.2% of the Group's total capitalisation.

Capital expenditure

During the six months ended 30 June 2006, the Group had capital expenditure totaling HK\$98 million (six months ended 30 June 2005: HK\$53 million) for the additional equity capital contribution to a jointly controlled entity. Other than the above, capital expenditure incurred on the purchase of property, plant and equipment and investment properties amounted to approximately HK\$466 million (six months ended 30 June 2005: HK\$187 million).

Capital expenditure commitments

At 30 June 2006, the Group had financial commitments in respect of equity capital to be injected to a jointly controlled entity of approximately HK\$101 million (31 December 2005: HK\$199 million). Other than the above, the Group also has capital commitments in respect of property, plant and equipment amounted to approximately HK\$98 million as at 30 June 2006 (31 December 2005: HK\$266 million).

Contingent liabilities

During the six months ended 30 June 2006, the Group had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations for repayment of loans. As at 30 June 2006, the total contingent liabilities exposure amounted to HK\$502 million (31 December 2005: HK\$264 million).

Employees and remuneration policy

As at 30 June 2006, the Group employed approximately 8,080 employees (31 December 2005: 7,900 employees), of whom approximately 7,950 employees (31 December 2005: 7,750 employees) were primarily engaged in the properties, toll roads and newsprint business.

The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2006, except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ou Bingchang is the Chairman and General Manager of the Company. The Chairman is responsible for overseeing the operation of the Board and providing leadership and direction towards achieving the Company’s objectives. In contrast the General Manager of the Company is responsible for the operation of the business under the direction of the Board and the implementation of the policies and strategies set by the Board. The combination of the roles of the Chairman and the General Manager in one person is intended to ensure that the Board is in full control of the affairs of the Company and that the policies and strategies set by the Board would be efficiently and effectively implemented.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

The Audit Committee and the Company’s auditors, PricewaterhouseCoopers, have reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2006.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 October 2006 to Wednesday, 25 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 20 October 2006.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

By order of the Board
Ou Bingchang
Chairman

Hong Kong, 15 September 2006

As at the date of this announcement, the Board of the Company comprises:

Executive Directors: Ou Bingchang, Liang Yi, Li Fei, Chen Guangsong, Tang Shouchun and Wang Hongtao.

Independent Non-executive Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose.
Directors: