



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

FINANCIAL HIGHLIGHTS

1. Revenue increased 7.8% to HK\$ 4.87 billion.
2. Profits attributable to the shareholders increased 110.5% to HK\$86.61 million.
3. Basic earnings per share increased 35.4% to HK 17.6 cents.
4. During the period, 23 new contracts were awarded amounting to HK\$6.03 billion.
5. Interim dividend per share at HK 9 cents, dividend pay-out ratio is 51.1%.
6. As at 30 June 2006, bank balances and cash were HK\$1.65 billion.

The board of directors (the "Board") of China State Construction International Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follow:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue	3	4,867,069	4,516,954
Contract cost		(4,697,814)	(4,343,634)
Gross profit		169,255	173,320
Other income		38,432	13,026
Administrative expenses		(99,707)	(83,708)
Distribution costs		(1,228)	(2,408)
Other expenses		(4,665)	(26,473)
Share of results of associates		5,444	4,393
Finance costs		(723)	(7,995)
Profit before tax		106,808	70,155
Income tax expense	5	(20,184)	(13,148)
Profit for the period		86,624	57,007
Attributable to:			
Equity holders of the parent		86,608	41,139
Minority interests		16	15,868
		86,624	57,007
Interim dividend	6	44,290	-
Earnings per share:	7		
Basic (HK cents)		17.60	13.00
Diluted (HK cents)		16.66	N/A

UNAUDITED CONSOLIDATED BALANCE SHEET

	As at 30 June 2006 <i>HK\$'000</i>	As at 31 December 2005 <i>HK\$'000</i> <i>(Restated)</i>
Non-current Assets		
Property, plant and equipment	81,176	65,536
Investment properties	10,252	10,534
Prepaid lease payment – non-current	11,765	12,388
Interests in associates	34,952	45,545
Held-to-maturity financial assets	127,312	–
Available-for-sales investments	971	20,388
Amounts due from an investee company	10,909	10,909
	277,337	165,300
Current Assets		
Inventories	7,787	6,659
Properties for sales	20,408	20,408
Amounts due from customers for contract work	139,574	215,301
Trade and other receivables	2,436,821	2,417,383
Deposits and prepayments	216,334	143,224
Amounts due from jointly controlled entities	37,613	79,426
Tax prepaid	15,210	20,101
Prepaid lease payments – current	345	425
Pledged bank deposits	32,413	32,223
Bank balances and cash	1,616,255	1,710,944
	4,522,760	4,646,094
Assets held for sales	21,283	–
	4,544,043	4,646,094
Current Liabilities		
Amounts due to customers for contract work	492,085	707,429
Trade and other payables	2,946,239	2,978,160
Deposits received and receipt in advance	352,458	93,289
Amounts due to jointly controlled entities	23,276	5,739
Amounts due to holding company	10,175	100,792
Amounts due to fellow subsidiaries	14,442	7,088
Amount due to an associate	7,218	5,959
Tax payable	55,962	31,308
Dividend payable	44,290	–
Obligations under finance lease – current	202	135
Bank loans and overdrafts, unsecured	743	52,826
	3,947,090	3,982,725
Net Current Assets	596,953	663,369
	874,290	828,669
Capital and Reserves		
Share capital	49,211	49,211
Reserves	824,335	778,595
	873,546	827,806
Equity attributable to equity holders of the parent	873,546	827,806
Minority interests	541	525
	874,087	828,331
Non-current Liabilities		
Obligations under finance lease – non-current	203	338
	874,290	828,669

Notes:

(1) Basis of Preparation

On 9 May 2006, a Sales and Purchase Agreement was entered into between the Company, China Overseas Holdings Limited (“COHL”) and China Overseas Construction Limited whereby the Company and/or its nominees agreed to acquire the entire paid up share capital of China Construction Engineering (Macau) Company Limited (“CCEM”). The acquisition was completed on 29 June 2006.

The acquisition of the controlling interests in CCEM as mentioned above is regarded as common control combinations. Accordingly, the unaudited interim consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as if CCEM had existed and had been a wholly-owned subsidiary of the Company throughout the reporting periods.

The Company completed its group reorganization including the acquisition of the construction business of China Overseas Land & Investment Ltd. (“COLI”) and China State Construction Engineering (Hong Kong) Limited (“CSCEHK”) in June 2005. COLI and CSCEHK are both controlled by COHL and the reorganization was regarded as common control combinations. As AG5 has not yet been issued when the interim report of 2005 was prepared, the interim report of 2005 was prepared using Hong Kong Financial Reporting Standard (“HKFRS”) 3 “Business Combinations” which requires using acquisition method for business combinations. After AG5 became effective from November 2005, the Group adopted AG5 for common control combinations and the consolidated financial statements were prepared using merger accounting. Accordingly, the comparative figures in the interim report of 2006 were restated.

The unaudited interim consolidated financial statements have been prepared under the historical cost convention and complied with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. The unaudited interim consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

(2) Adoption of new/amended Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards

The accounting policies and methods of computation used in the preparation of these unaudited interim consolidated financial statements are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2005. The following new standards, amendments and interpretations which are relevant to Group’s operations are mandatory for financial year ending 31 December 2006.

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains A Lease
HK (IFRIC) – Int 5	Rights to Interests Arising from Decommissioning Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

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

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

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

(3) Revenue

	For the six months ended 30 June	
	2006	2005
	HK’000	HK’000
		<i>(Restated)</i>
Revenue from construction contracts	4,829,651	4,483,091
Project management fee income	8,000	7,429
Sales of goods	26,698	20,249
Income from leasing of machinery	2,720	6,185
	<u>4,867,069</u>	<u>4,516,954</u>

(4) Segment Information

	For the six months ended 30 June			
	2006		2005	
	Revenue HK'000	Profit before tax HK'000	Revenue HK'000 (Restated)	Profit before tax HK'000 (Restated)
Hong Kong	3,620,845	111,727	3,763,569	109,299
Macau	810,369	36,513	723,363	23,598
Other	435,855	(10,898)	30,022	(13,423)
	<u>4,867,069</u>	<u>137,342</u>	<u>4,516,954</u>	<u>119,474</u>
Unallocated corporate expenses		(35,255)		(28,606)
Unallocated other expenses		–		(17,111)
Share of results of associates		5,444		4,393
Finance costs		(723)		(7,995)
Profit before tax		<u>106,808</u>		<u>70,155</u>

(5) Income Tax Expense

	For the six months ended 30 June	
	2006 HK'000	2005 HK'000 (Restated)
The charge comprises of		
Current period:		
Hong Kong profits tax	14,933	11,125
Other jurisdictions income tax	5,251	3,842
	<u>20,184</u>	<u>14,967</u>
Under(over) provision in prior periods:		
Hong Kong profits tax	–	(1,500)
Other jurisdictions income tax	–	(319)
	<u>–</u>	<u>(1,819)</u>
	<u>20,184</u>	<u>13,148</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Taxation on profits generated in other jurisdictions has been provided at the rate of taxation prevailing in the country in which those profits arose.

(6) Interim Dividend

The Board declared an interim dividend of HK9 cents (2005: nil) per share.

(7) Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to shareholders for the period of HK\$86,608,000 (2005: HK\$41,139,000) and on the number of 492,108,002 (2005: 316,425,445) ordinary shares in issue during the period. The calculation of the diluted earnings per share is based on the profit attributable to shareholders for the period of HK\$86,608,000 and on the weighted average number of 519,734,847 ordinary shares in issue during the period (2005: N/A).

INTERIM DIVIDEND

The Board declared an interim dividend of HK 9 cents (2005: nil) per share to the shareholders whose names appear in the register of members of the Company on 15 September 2006. The interim dividend will be payable on 28 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 September 2006 (Wednesday) to 15 September 2006 (Friday), both days inclusive, during such 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 Branch Share Registrar, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 12 September 2006 (Tuesday).

BUSINESS REVIEW

Despite the adverse impacts of the inequilibrium of the global economic development, with the strong growth impulse of the previous year, the global economy continued to sustain stable with faster growth in the first half of 2006.

Results

The unaudited profit attributable to the shareholders was HK\$86,608,000 representing an increase of 110.5% compared to HK\$41,139,000 of the corresponding period of last year. When compared both using the same basis, the actual growth of 2006 would be 17% over the same period of last year. Basic earnings per share increased 35.4% from HK13 cents of the corresponding period of last year to HK 17.6 cents. The Board of Directors declared an interim dividend of HK 9 cents per share. No interim dividend was declared for the six months ended 30 June 2005 as the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 July 2005.

Hong Kong Market

Benefited from the favourable external environment, the external trade of Hong Kong performed well in the first half of the year. With significantly rising consumer demands together with the drive of upsurging demand for investment in machines and equipments, the Hong Kong economy continued growing in all aspects. However, the value of net production and new contracts in the construction industry keep on declining. The unemployment rate of the construction industry is still high. The construction industry is far behind from the overall recovery pace of the economy and the competition in the industry is vigorous.

The Group insists on a stable operation strategy of "low-cost competition, high-quality management". Under the unfavourable impact of the continuous decline of the total market turnover, the Group continued to maintain its competitiveness in the Hong Kong market in the first half of 2006 and achieved better operating results.

Macau Market

The Macau economy sustained rapid growth in recent years. Positive development prospects have attracted investors from all over the world to enter into the Macau market. At the same time, Macau government improves and optimises its local business environment through increasing investment in infrastructure, triggers off an investment fervor in the construction market in Macau. These led to an explosive rise of the Macau construction sector.

On 9 May 2006, a sale and purchase agreement has been entered between the Company, China Overseas Holdings Limited ("COHL") and its wholly-owned subsidiary, China Overseas Construction Limited ("COCL"). COHL and COCL agreed to sell the entire paid up share capital of China Construction Engineering (Macau) Company Limited ("CCEM") at a cash consideration of HK\$86,185,000. This acquisition displayed the full support of the parent company to the Group, enhanced the development potentials of the Group in both the Hong Kong and Macau markets and created favourable conditions for the Group to enter into the Macau construction market.

Dubai Market

The Dubai economy sustained the growth momentum. The local government committed to reduce its sole reliance on petroleum resources to initiate economic growth, strongly promote the tourism, entertainment, commercial and services sectors. The United Arab Emirates is incubating amendment to its existing company law to attract more foreign investment and further stimulate the demand in the leasing market. The implementation of the new measures will drive the continuous growth of the Dubai construction market.

Despite founded on the breakthrough achievement in the Dubai market in 2005, the Group still insisted on a prudent operation strategy and has made new progress in the first half of 2006.

Indian Market

The Indian economy continued to record a rapid growth that called for a higher demand for infrastructure. The Indian government has increased investments in infrastructure and residential property sectors allowed individual investors to participate in the construction of the relevant projects, bringing new motivating force into the Indian construction market.

The Indian construction market still maintained satisfactory growth in the first half of 2006. The Group adhered to its prudent, levelheaded operation strategy, fully carried out construction projects on schedule, selectively submitted tenders for target projects, thus ensuring steady development of the Company in the Indian market.

Completed Projects

In Hong Kong, the Group completed 10 projects in the first half of 2006, major completed projects included Cyberport Residential Development for Phases RIII & RIVA, the Construction of Proposed Learning Resource Centre at Chai Wan for Vocational Training Council, Infrastructure for Penny's Bay Development– Contract 2, Deep Bay Link-Southern Section, Enhancement of Bridge Parapets, Discovery Bay North Development Resort Hotel, as well as Building Services Installation for Marine Police North Division at Ma Liu Shui.

New Awarded Projects

In the first half of 2006, the Group was awarded 23 new projects with contract value of HK\$6.03 billion, among which:

	Hong Kong Market	Macau Market	Overseas Market
Number of projects	17	4	2
Contract value (HK\$' Billion)			
Building construction	0.82	1.98	1.56
Civil engineering	1.24	0.14	–
Other engineering	0.20	0.09	–
Total	2.26	2.21	1.56

Major new awarded projects were Design and Construction for a Sports Ground at Area 45, Tseung Kwan O, Proposed Commercial Building at 196-206 Queen's Road East, Wanchai, Design and Construction of Sewerage Pumping Station at Colane Extension, Macau, Landslide Preventive Works at Po Shan Road, Mid-Levels, 2008 Olympic Equestrian Venue, Foundation for Redevelopment of Shatin Pass Estate, Lease Office Building, JAFZ South and Residential Development of Golf Tower Phase III in Dubai.

Projects in Progress

As at 30 June 2006, the Group had 72 projects in progress (including those from CCEM) amounting to HK\$28.85 billion. The incomplete contract value was HK\$17.52 billion.

Between 30 June 2006 and the date of this announcement, the Group was further awarded 3 new projects, totalling HK\$1.04 billion, among which two are C9 Residential Development of Praya Grande, Macau and Construction of Foundation and Basement Structure for St. Paul's Hospital Redevelopment, Hong Kong respectively.

	Projects in progress as at 30 June 2006			New contracts awarded after reporting date	
	No.	Contract value <i>HK\$' Billion</i>	Incomplete contract value <i>HK\$' Billion</i>	No.	Contract value <i>HK\$' Billion</i>
Hong Kong Project					
Building construction	27	8.75	4.70	1	0.11
Civil engineering	19	8.46	4.12	–	–
Other engineering	9	0.42	0.3	1	0.02
Macau Project	11	5.89	3.56	1	0.91
Dubai Project	4	3.78	3.54	–	–
India Project	2	1.55	1.30	–	–
Total	72	28.85	17.52	3	1.04

The progress of projects in progress is satisfactory. The Group strictly adhered to the relevant statutory regulations of different regions and contract requirements and through strengthening the quality, safety, environmental protection, also cost controls together with professional management provide high-quality services to customers.

In conclusion, as at the date of announcement, the Group has a total of 75 projects in progress with contract value of HK\$29.89 billion, and the sum of incomplete contract value is HK\$18.56 billion.

Corporate Governance

The Group is fully committed to maintain the high standard of corporate governance. Since its listing, the Group has established and integrated the structure of various committees under the Board of Directors, well defined the duties and responsibilities and the functions of each committee. Through effective supervision by the Board of Directors, the Group proactively communicate with the community; release relevant information on time; enhance investors' knowledge and understanding about the Company; and promote the continuous strengthening of the standard of corporate governance.

Corporate Citizenship

The Group is enthusiastic of taking part in various safety and environmental protection activities. In the first half of 2006, the Group achieved brilliant results and was awarded several safety and environmental protection awards:

- (a) The joint venture site of the North Point Sewerage Pumping Station won the only gold prize in the "Public Sector Category" in the 2005 Considerate Contractors Site; the joint venture site of Sha Tin Heights Tunnel and Approaches was awarded the silver prize; the Centralised Science Laboratories of the Chinese University, Foundation and Railway Depot Works for

Ho Tung Lau and Construction of Proposed Through-Train Schools at Tseung Kwan O were awarded excellence prizes by the Environment, Transport and Works Bureau respectively;

- (b) For occupational safety, the Company was awarded numerous safety awards by the Labour Department, including a silver prize for the Civil Engineering Site Award for its joint venture North Point Sewerage Pumping Station, two bronze prizes for its Central Reclamation Phase III joint venture site and its residential and commercial site at Tsuen Wan 398 and other five sites were awarded for excellence prizes in the Construction Industry Safety Awards 2005/2006. The residential and commercial site at Tsuen Wan 398 was also awarded “Excellence Achievement Award” by the Hong Kong Occupational Safety and Health Council and other authorities in “Hearing Conservation Best Practices Award Scheme 2006”;
- (c) For environmental protection, the offices of the Company were awarded the “Gold Wastewi\$e Logo” by the Environmental Protection Department. China State Construction Engineering (Hong Kong) Limited was awarded “The Environmental Merit Award” by the Hong Kong Construction Association. The joint venture site of Sha Tin Heights Tunnel and Approaches was awarded a bronze prize in waste management by the Environment, Transport and Works Bureau and other authorities in the Considerate Contractors Site Award Scheme 2005 while the Centralised Science Laboratories of the Chinese University and the joint venture site of the North Point Sewerage Pumping Station won excellence prizes.

BUSINESS PROSPECTS

The trends of the oil price and interest rate are still an important factors for the future global economic development. Although both of them are at a high level, it is expected that the global economy would achieve a stable growth this year.

The Board of Directors believes that with the favourable factors such as the continuously improving external environment and the expected interest rate cap, and overall sentiment in consumer market Hong Kong economy will continue to sustain a moderate growth. The improvement of the overall economic position will also urge the Government to speed up the launch of infrastructure projects and realise the Government’s promise in the 2006 Budget. The operation environment of the construction sector will be improved progressively. With its years of in-depth knowledge of the market, the Board of Directors is confident that the Group can maintain its position as one of the biggest construction contractors in Hong Kong.

The successful acquisition of CCEM has created favourable conditions for the Group to take part in Macau buildings construction, civil engineering works and structural engineering projects, as well as building up an operation platform between Hong Kong and Macau. The Board of Directors believes that CCEM’s knowledge about the local market developed over the years together with the Group’s management and financial strength can attain complementing and resources sharing, thus facilitating the promotion of CCEM’s competitiveness in the Macau market. CCEM will become another important profit centre of the Group.

Becoming a “leading international contractor” is the long-term goal of the Group. It is necessary to adopt an internationalisation strategy in order to achieve this goal and establishing an overseas regional operation platform is an important strategic measure to explore the international contracting market. The Board of Directors is confident in the prospects of the Dubai market. The Group will well perform the existing projects as the base to capture opportunities arising in the booming Dubai construction market. It will also capitalise the advantage of the Group’s ability to employ labour forces from China, enthusiastically and steadily expand the market scale, and build up the Dubai market as an important regional platform of overseas development of the Group. Simultaneously, the Group will pay close attention to the development of the Indian construction market and prudently select projects.

It is expected that 12 projects will be completed in the second half of 2006. The Board of Directors believes that these projects will be completed on time, meeting the Group's target of attaining a continual growth of profit.

Other Business Opportunities

The Group will closely attend to the development of the Mainland China market, and study the feasibility of investing in the land resources related projects in the Mainland China. The Group will further diversify into construction related services, specifically setting up an Investment and Development Department, actively seeking investment opportunities and expanding investment channels. It will also study other business opportunities like BT ("Build-Transfer" mode), PPP ("Public Private Partnership" mode) and participate in first-hand land development as well as the possibility of investing in projects which will bring in contracting business in order to capitalise the financial strength of the Group and maximize shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt a prudent finance strategy in order to maintain a higher liquidity level. As at 30 June 2006, the Group has bank balances and cash of HK\$1.65 billion and bank borrowings of HK\$743,000. The financial position is sound. At the same time, the Group had unutilised banking facilities (including bank loans, surety bonds and letter of credit) of HK\$1.95 billion to meet the demands for business development. As for the overseas markets, the Group paid close attention to their economic development and explore ways to avoid or counteract foreign exchange exposures. Up to now, the Group has not taken any hedging measure.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

During the six months ended 30 June 2006, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry to all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2006.

REVIEW OF ACCOUNTS

The Group's unaudited interim results for the six months ended 30 June 2006 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

APPRECIATION

I would like to take this opportunity to express gratitude for the leadership of the members of the Board of Directors, support of all shareholders, assistance of all levels of the society and diligence of the staff.

By order of the Board
Kong Qingping
Chairman and Non-executive Director

Hong Kong, 21 August 2006

As at the date of this announcement, the Board comprises Mr. Kong Qingping (Chairman and Non-executive Director), Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam (Executive Director), Mr. Fu He (Executive Director), Mr. Zhou Hancheng (Executive Director), Mr. Cheong Chit Sun (Executive Director), Dr. Raymond Ho Chung Tai (Independent Non-executive Director), Mr. Adrian David Li Man Kiu (Independent Non-executive Director), Mr. Raymond Leung Hai Ming (Independent Non-executive Director) and Mr. Lee Shing See (Independent Non-executive Director).

“Please also refer to the published version of this announcement in The Standard.”