



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)

**AUDITED RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

FINANCIAL HIGHLIGHTS

1. Revenue increased 34.3% to HK\$10.29 billion.
2. Profits attributable to the equity shareholders increased 46.2% to HK\$222 million.
3. Basic earnings per share increased 20.0% to HK45.05 cents.
4. During the year, 36 new contracts were awarded amounting to HK\$14.09 billion.
5. Proposed final dividend per share at HK10 cents, dividend pay-out ratio is 42.2%.
6. As at 31 December 2006, bank balances and cash was HK\$1.74 billion. The available banking facilities were HK\$2.56 billion.

The board of directors (the "Board") of China State Construction International Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the audited comparative figures for the year ended 2005 as follow:

AUDITED CONSOLIDATED INCOME STATEMENT

| | <i>Notes</i> | For the year ended 31 December | |
|--------------------------------|--------------|--------------------------------|--------------------------------|
| | | 2006 HK\$'000 | 2005 HK\$'000 (Restated) |
| Revenue | 3 | 10,294,826 | 7,664,252 |
| Contract costs | | <u>(9,835,776)</u> | <u>(7,299,798)</u> |
| Gross profit | | 459,050 | 364,454 |
| Investment income | | 64,490 | 36,108 |
| Other income | | 13,253 | 17,943 |
| Administrative expenses | | (249,711) | (187,624) |
| Distribution costs | | (4,820) | (3,611) |
| Other expenses | | (16,525) | (20,934) |
| Share of profits of associates | | 6,860 | 9,284 |
| Finance costs | | <u>(1,553)</u> | <u>(14,096)</u> |
| Profit before tax | | 271,044 | 201,524 |
| Income tax expense | 5 | <u>(49,181)</u> | <u>(33,296)</u> |
| Profit for the year | | <u>221,863</u> | <u>168,228</u> |
| Attributable to : | | | |
| Equity holders of the Company | | 222,182 | 152,021 |
| Minority interests | | <u>(319)</u> | <u>16,207</u> |
| | | <u>221,863</u> | <u>168,228</u> |
| Dividends | 6 | <u>88,580</u> | <u>-</u> |
| Earnings per share | 7 | | |
| Basic (HK cents) | | <u>45.05</u> | <u>37.54</u> |
| Diluted (HK cents) | | <u>42.43</u> | <u>37.28</u> |

AUDITED CONSOLIDATED BALANCE SHEET

| | As at 31 December | |
|--|--------------------------|------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Non-current Assets | | |
| Property, plant and equipment | 96,579 | 65,536 |
| Investment properties | 10,065 | 10,534 |
| Prepaid lease payments - non-current | 12,448 | 12,388 |
| Interests in associates | 34,013 | 45,545 |
| Available-for-sale investments | 23,786 | 20,388 |
| Amount due from an investee company | 10,909 | 10,909 |
| | 187,800 | 165,300 |
| Current Assets | | |
| Inventories | 8,715 | 6,659 |
| Properties held for sale | 20,408 | 20,408 |
| Amounts due from customers for contract work | 224,772 | 214,270 |
| Trade and other receivables | 2,682,688 | 2,407,038 |
| Deposits and prepayments | 251,090 | 149,525 |
| Amounts due from jointly controlled entities | 96,281 | 89,842 |
| Amounts due from the partners of jointly controlled entities | 129,224 | 71,553 |
| Amounts due from fellow subsidiaries | 43,151 | 2,808 |
| Amount due from ultimate holding company | - | 1,600 |
| Tax recoverable | 20,697 | 20,101 |
| Prepaid lease payments - current | 427 | 425 |
| Pledged bank deposits | 41,783 | 32,223 |
| Bank balances and cash | 1,701,104 | 1,711,001 |
| | 5,220,340 | 4,727,453 |

AUDITED CONSOLIDATED BALANCE SHEET - (CON'T)

| | As at 31 December | |
|--|-------------------|----------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Current Liabilities | | |
| Amounts due to customers for contract work | 329,983 | 707,485 |
| Trade and other payables | 3,440,233 | 2,974,069 |
| Deposits received and receipt in advance | 363,779 | 93,310 |
| Amounts due to jointly controlled entities | 165,139 | 43,764 |
| Amounts due to the partners of jointly controlled entities | 46,103 | 45,570 |
| Amounts due to immediate holding companies | - | 100,155 |
| Amount due to ultimate holding company | 13,842 | 2,225 |
| Amounts due to fellow subsidiaries | 7,952 | 7,279 |
| Amount due to an associate | 2,733 | 5,959 |
| Tax liabilities | 49,443 | 31,307 |
| Bank overdrafts, unsecured | 14,275 | 4,439 |
| Bank loans, unsecured | - | 48,388 |
| Obligations under finance leases | 179 | 134 |
| | 4,433,661 | 4,064,084 |
| Net Current Assets | 786,679 | 663,369 |
| Total Assets less Current Liabilities | 974,479 | 828,669 |
| Capital and Reserves | | |
| Share capital | 49,896 | 49,211 |
| Share premium and reserves | 924,305 | 778,595 |
| Equity attributable to equity holders of the Company | 974,201 | 827,806 |
| Minority interests | - | 525 |
| | 974,201 | 828,331 |
| Non-current Liabilities | | |
| Obligations under finance leases | 278 | 338 |
| | 974,479 | 828,669 |

NOTES :

(1) Basis of preparation

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 25 March 2004 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and its shares were listed on The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited ("COHL") (incorporated in Hong Kong) and its ultimate holding company is China State Construction Engineering Corporation (established in the PRC).

On 9 May 2006, a Sale and Purchase Agreement was entered into between the Company, COHL and China Overseas Construction Limited ("COCL"), a fellow subsidiary of the Company, whereby COHL and COCL agreed to transfer the entire paid up share capital of China Construction Engineering (Macau) Company Limited ("CCEM") to the Company and/or its nominees. The transfer of controlling interests was completed on 29 June 2006.

The transfer of the controlling interests in CCEM as mentioned above is regarded as common control combination. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the transfer of the controlling interests in CCEM has been completed as at 1 January 2005. Accordingly, the comparative figures of the consolidated financial statements have been restated.

The effects of the combination of CCEM on the result of the Group for the year ended 31 December 2005 and the financial position of the Group at 31 December 2005 are summarised below:

| | For the year ended 31 December 2005 (previously stated) HK\$'000 | Combination of CCEM HK\$'000 | For the year ended 31 December 2005 (restated) HK\$'000 |
|-------------------------------|---|------------------------------------|--|
| Revenue | 6,862,530 | 801,722 | 7,664,252 |
| Contract costs | (6,531,393) | (768,405) | (7,299,798) |
| Gross profit | 331,137 | 33,317 | 364,454 |
| Other income and expenses | (154,286) | (8,644) | (162,930) |
| Profit before tax | 176,851 | 24,673 | 201,524 |
| Income tax expense | (30,317) | (2,979) | (33,296) |
| Profit for the year | 146,534 | 21,694 | 168,228 |
| Attributable to : | | | |
| Equity holders of the Company | 130,666 | 21,355 | 152,021 |
| Minority interests | 15,868 | 339 | 16,207 |
| | 146,534 | 21,694 | 168,228 |

| | As at 31 December 2005 (previously stated) HK\$'000 | Combination of CCEM HK\$'000 | Adjustments HK\$'000 | As at 31 December 2005 (restated) HK\$'000 |
|--|--|------------------------------------|-------------------------|---|
| Non-current assets | 95,694 | 69,606 | | 165,300 |
| Current assets | | | | |
| Trade and other receivables | 2,174,920 | 232,118 | | 2,407,038 |
| Bank balances and cash | 1,615,767 | 95,234 | | 1,711,001 |
| Other current assets | 477,984 | 55,621 | 75,809 | 609,414 |
| | 4,268,671 | 382,973 | | 4,727,453 |
| Current liabilities | | | | |
| Amounts due to customers for contract work | 656,233 | 51,252 | | 707,485 |
| Trade and other payables | 2,730,531 | 243,538 | | 2,974,069 |
| Amount due to immediate holding company | - | 13,970 | 86,185 | 100,155 |
| Other current liabilities | 139,885 | 66,681 | 75,809 | 282,375 |
| | 3,526,649 | 375,441 | | 4,064,084 |
| Net current assets | 742,022 | 7,532 | | 663,369 |
| Total assets less current liabilities | 837,716 | 77,138 | | 828,669 |
| Total capital and minority interests | 837,378 | 77,138 | (86,185) | 828,331 |
| Non-current liabilities | 338 | - | | 338 |
| | 837,716 | 77,138 | | 828,669 |

The effect of the combination of CCEM on the Group's equity at 1 January 2005 are summarized below:

| | As at 1 January 2005 (previously stated) HK\$'000 | Combination of CCEM HK\$'000 | As at 1 January 2005 (restated) HK\$'000 |
|-----------------------|---|------------------------------------|--|
| Special reserve | 999,993 | (85,994) | 913,999 |
| Translation reserve | 584 | (817) | (233) |
| PRC statutory reserve | - | 358 | 358 |
| Retained profits | 76,158 | 55,526 | 131,684 |
| Minority interests | 189,467 | 18,111 | 207,578 |
| | 1,266,202 | (12,816) | 1,253,386 |

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

(2) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|---------------------|--|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments : Disclosures ¹ |
| HKFRS 8 | Operating Segments ² |
| HK (IFRIC) - Int 7 | Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economics" ³ |
| HK (IFRIC) - Int 8 | Scope of HKFRS 2 ⁴ |
| HK (IFRIC) - Int 9 | Reassessment of Embedded Derivatives ⁵ |
| HK (IFRIC) - Int 10 | Interim Financial Reporting and Impairment ⁶ |
| HK (IFRIC) - Int 11 | HKFRS 2 - Group and Treasury Share Transactions ⁷ |
| HK (IFRIC) - Int 12 | Service Concession Arrangements ⁸ |

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

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 March 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

⁵ Effective for annual periods beginning on or after 1 June 2006.

⁶ Effective for annual periods beginning on or after 1 November 2006.

⁷ Effective for annual periods beginning on or after 1 March 2007.

⁸ Effective for annual periods beginning on or after 1 January 2008.

(3) Revenue

The amount represents the revenue arising on construction contracts, project management fee, net amounts received and receivable for pre-cast structures and building materials sold by the Group to outside customers, less returns and allowances and machinery leasing income. An analysis of the Group's revenue for the year is as follows :

| | For the year ended 31 December | |
|---|--------------------------------|------------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Revenue from construction contracts | 10,216,136 | 7,617,921 |
| Project management fee income | 15,329 | 13,004 |
| Sales of pre-cast structures and building materials | 59,253 | 13,936 |
| Machinery leasing income | 4,108 | 19,391 |
| | 10,294,826 | 7,664,252 |

(4) Geographical Information

The Group is principally engaged in the construction activities and other activities are insignificant. Accordingly, no segment information by business segment is presented. For management purposes, the Group is currently organised into four geographical segments - Hong Kong, Macau, Dubai and India. These segments are the basis on which the Group reports its primary segment information.

Segment information about these geographical segments by location of assets is presented below.

For the year ended 31 December 2006

| | Hong Kong | Macau | Dubai | India | Sub-total | Inter-segment eliminations | Consolidated |
|--------------------------------|----------------------|------------------|-----------------|-----------------|-------------------|---------------------------------------|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| REVENUE | | | | | | | |
| External sales | 7,509,542 | 1,536,636 | 794,504 | 454,144 | 10,294,826 | - | 10,294,826 |
| Inter-segment sales | 15,492 | - | - | - | 15,492 | (15,492) | - |
| Total revenue | <u>7,525,034</u> | <u>1,536,636</u> | <u>794,504</u> | <u>454,144</u> | <u>10,310,318</u> | <u>(15,492)</u> | <u>10,294,826</u> |
| RESULT | | | | | | | |
| Segment gross profit | <u>336,743</u> | <u>107,383</u> | <u>6,731</u> | <u>8,193</u> | <u>459,050</u> | - | <u>459,050</u> |
| Segment results | 289,319 | 79,081 | (17,630) | 13,173 | 363,943 | - | 363,943 |
| Inter-segment result | <u>16,051</u> | <u>(7,506)</u> | - | - | <u>8,545</u> | <u>(8,545)</u> | - |
| | <u>305,370</u> | <u>71,575</u> | <u>(17,630)</u> | <u>13,173</u> | <u>372,488</u> | <u>(8,545)</u> | <u>363,943</u> |
| Unallocated corporate expenses | | | | | | | (98,206) |
| Share of profits of associates | | | | | | | 6,860 |
| Finance costs | | | | | | | <u>(1,553)</u> |
| Profit before tax | | | | | | | 271,044 |
| Income tax expense | | | | | | | <u>(49,181)</u> |
| Profit for the year | | | | | | | <u>221,863</u> |

(4) Geographical Information - (CON'T)

For the year ended 31 December 2005 (Restated)

| | Hong Kong | Macau | Dubai | India | Sub-total | Inter-segment eliminations | Consolidated |
|--------------------------------|------------------|------------------|-----------------|----------------|------------------|-------------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| REVENUE | | | | | | | |
| External sales | 6,356,267 | 1,213,930 | 47,546 | 46,509 | 7,664,252 | - | 7,664,252 |
| Inter-segment sales | - | - | - | - | - | - | - |
| Total revenue | <u>6,356,267</u> | <u>1,213,930</u> | <u>47,546</u> | <u>46,509</u> | <u>7,664,252</u> | <u>-</u> | <u>7,664,252</u> |
| RESULT | | | | | | | |
| Segment gross profit | <u>296,708</u> | <u>67,746</u> | <u>-</u> | <u>-</u> | <u>364,454</u> | <u>-</u> | <u>364,454</u> |
| Segment results | 255,948 | 58,295 | (19,882) | (1,162) | 293,199 | | 293,199 |
| Inter-segment result | <u>2,708</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,708</u> | <u>(2,708)</u> | <u>-</u> |
| | <u>258,656</u> | <u>58,295</u> | <u>(19,882)</u> | <u>(1,162)</u> | <u>295,907</u> | <u>(2,708)</u> | <u>293,199</u> |
| Unallocated corporate expenses | | | | | | | (86,863) |
| Share of profits of associates | | | | | | | 9,284 |
| Finance costs | | | | | | | <u>(14,096)</u> |
| Profit before tax | | | | | | | 201,524 |
| Income tax expense | | | | | | | <u>(33,296)</u> |
| Profit for the year | | | | | | | <u>168,228</u> |

(5) Income tax expense

| | For the year ended 31 December | |
|--------------------------------------|--------------------------------|-----------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Current year | | |
| Hong Kong | 38,498 | 40,426 |
| Other jurisdictions | <u>11,149</u> | <u>7,936</u> |
| | <u>49,647</u> | <u>48,362</u> |
| (Over)under provision in prior years | | |
| Hong Kong | (466) | 3,692 |
| Other jurisdictions | <u>-</u> | <u>(319)</u> |
| | <u>(466)</u> | <u>3,373</u> |
| Deferred tax | | |
| Current year | <u>-</u> | <u>(18,439)</u> |
| Income tax expense for the year | <u>49,181</u> | <u>33,296</u> |

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

(6) Dividends

| | 2006 | 2005 |
|--|----------------------|----------|
| | HK\$'000 | HK\$'000 |
| Dividends recognised as distributions during the year: | | |
| 2006 Interim, paid - HK 9 cents (2005 : Nil) per share | 44,290 | - |
| 2005 Final, paid - HK 9 cents (2005 : Nil) per share | 44,290 | - |
| | <u>88,580</u> | <u>-</u> |

The final dividend of HK10 cents (2005: HK9 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

(7) Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | 2006 | 2005 |
|--|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Earnings | | |
| Earnings for the purposes of basic earnings and diluted earnings per share | <u>222,182</u> | <u>152,021</u> |
| | | |
| | 2006 | 2005 |
| | '000 | '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 493,206 | 404,989 |
| | | |
| Effect of dilutive potential ordinary shares: | | |
| Share options issued by the Company | <u>30,383</u> | <u>2,825</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>523,589</u> | <u>407,814</u> |

FINAL DIVIDEND

The Board will recommend a final dividend of HK10 cents (2005: HK9 cents) per share to the shareholders whose names appear in the register of members of the Company on 5 June 2007. The final dividend will be payable on 13 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 May 2007 (Wednesday) to 5 June 2007 (Tuesday), both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the final 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 29 May 2007 (Tuesday).

REVIEW OF OPERATION

In 2006, the rapid economic growth of emerging nations such as China and India spur the global economy to maintain a steady increase. The Group adheres to its sound operation strategy of "Competing by low cost and high quality of management" and succeeds in maintaining its competitiveness in the market of Hong Kong, expanding to other markets, and has achieved satisfactory results of operation.

The Hong Kong Market

The economy of Hong Kong continued to recover. The robust economy of China again gave impetus to the growth of the export trade and economy of Hong Kong. However, the construction industry still lagged behind the overall economic development amid the intense competition. In the long-term, with the sound fundamentals of Hong Kong and a host of new investments in infrastructure to follow soon, the construction industry will recover. The total contract works as well as the contract sum will rise steadily with it.

The Macau Market

The overall economy of Macau is rosy. With the continuous rapid growth in GDP, investors from around the world came pouring into Macau. Also, the Macau government has done a lot to maintain Macau being attractive to the investors by increasing investment in infrastructure and improving the local operation environment and hardware facilities. As such, the Macau

market in future remains optimistic.

On 9 May 2006, a sales and purchase agreement was entered between the Company, China Overseas Holdings Limited (“COHL”) and its wholly-owned subsidiary China Overseas Construction Limited (“COCL”), pursuant to which COHL and COCL agreed to transfer the entire paid up share capital of China Construction Engineering (Macau) Company Limited (“CCEM”) at a cash consideration of HK\$86,185,000. The transfer of controlling interest demonstrated the strong support by the Group’s parent company. It has opened up further room for the Group’s development by creating the platform on which the Group may participate more fully in the market of Macau with the operations of both Hong Kong and Macau at its feet.

The Market of the United Arab Emirates

The economy of Dubai of the United Arab Emirates enjoys strong growth and becomes one of the fastest economic growth areas in the world, drawing a large number of investors to the Dubai market. The construction business of Dubai continues to see a prosperous future as it has become an important driver for the local employment, increasing in income and economic growth. Large projects from both the public and the private sector have been launched onto the market one after another. As the investment environment of the United Arab Emirates favors business expansion, the Group has the strategy in place to seize opportunities at the right time, while adhering to its prudent operation strategy to explore the local business and to make new progress.

The Indian Market

India is a major country in the South Asia region with an emerging economy, where the growth is rapid. In 2006, the construction market of India continued to be thriving, and with its prudent and sound operation strategy, the Group worked hard to implement its construction-in-progress and selectively took part in a few targeted tender processes, thus ensuring its steady development in the Indian market.

Projects Completed, New Contracts and Projects in Progress

In 2006, the Group completed 29 projects. The Group secured 36 new contracts in 2006, the aggregate attributable contract value of which amounted to approximately HK\$14.09 billion, of which the Hong Kong market accounted for 32.2%, the Macau market accounted for 56.7% and the overseas market accounted for 11.1%.

As at 31 December 2006, the Group had 60 projects in progress. The attributable contract

value of these projects amounted to HK\$32.20 billion, and the contract value of projects to be completed amounted to HK\$20.03 billion.

Projects in progress has been smoothly underway, and the Group continue to put great efforts in the quality, safety, environmental protection, progress and cost control area in accordance with the laws of the local government and contract requirements, so as to provide products and services of the best quality. In short, as at the date of this report, the Group has a total of 65 projects on hand, with a total attributable contract value of HK\$33.66 billion, and the contract value of projects to be completed amounted to HK\$21.49 billion.

Corporate Governance

The Group strictly complies with the Rules and Regulations and the Rules of The Stock Exchange of Hong Kong Limited. By effective monitoring of the Board and regular communication with the investors and timely release of the relevant information to let investors have a better understanding of the Company, the standard of corporate governance is further improved.

The Group will maintain an effective corporate governance structure and continue to improve the internal risk monitoring system to ensure that the interests of shareholders are better protected.

Financial Management

The Group has been adhering to the principle of prudent financial management. The Group's financial, capital management and external financing function are centralized at head office level. As at 31 December 2006, the Group had bank deposits of HK\$1.74 billion, bank borrowings of HK\$14 million, thus, the financial position was very healthy. The Group also has sufficient committed but unused facilities (including bank loans, surety bonds and letter of credit, etc.) of HK\$2.56 billion to meet the need for business development. As for the overseas market, the Group is closely monitoring the local economic to heed any risk in currency or interest rate.

At the annual inhouse business and finance conference, the Group has made a strategic evaluation and analysis its overall operations which become an important guideline to the Group's business development.

Human Resources Management

The Group firmly believes that people are the most important asset of a company. The Group

has been consistently trying its best to provide the staff with a working environment which is both challenging and harmonious. The Group promotes life-time learning culture and provides training and development opportunities, thereby widening the perspective of the staff and improving the quality of the staff to help them to grow and mature. The Group also provides opportunities for promotion. The Group firmly believes that people are the base of everything and the Group shares the fruits of operation with them. This is a way to pay back the community and to practice good corporate citizenship.

Social Responsibilities

Taking to heart its traditional idea and value for the corporate social responsibilities, other than the pursuit of the best interests for the shareholders, the Group also emphasizes customer service, environmental protection and staff welfare.

The Group regularly organizes voluntary work to visit with care and love those are living alone elderly, and the Group also organizes voluntary team of workers to play programs for the senior citizens, and in doing so, we bring them joy and blessings. The Group also participated in community activities and charity, including the love and care team of 300 persons for the “walk for the million” held on Hong Kong Island, the “Community Chest Treasure Hunting Game”, and the “MTR Charity Game” to raise money to help the needed.

Key Awards

The Group received the “2006 Hong Kong Industrial and Commercial Award: Productivity and Quality Award” organized by the HKSAR Government and seven industrial or commercial organizations. The Group is the only construction company that was awarded the honour.

The infrastructure work of Penny’s Bay Disneyland (Phase I and II) undertaken by the Group received the “Sixth Zhan Tianyou Civil Engineering Grand Price” awarded jointly by the China Civil Engineering Academy and the Zhan Tianyou Development Fund for Civil Engineering Technology.

The Group has also actively participated in various safety and environment protection competitions. In 2006, the Group has achieved splendid results and won a number of safety and environmental protection prizes.

Corporate Culture

The Group as a creative enterprise is filled with energetic to grow along with time. The

Group is not only a platform for creating wealth, but is also creating a two-way stream for feelings and fun for premises owners, partners and its staff. The Group practice of “to serve with heart every day”, serving its customers satisfactorily with love, patience, enthusiasm, sincerity, perseverance, truthfulness and care.

BUSINESS PROSPECTS

The movements of oil price and interest rate remain important factors affecting the global economic development in future. It is anticipated that the global economy this year will see steady growth.

The Hong Kong Market

With the peripheral environment continue to be favourable, improvement in consumers' confidence and the perception that interest rate may drop, the economy of Hong Kong will continue to enjoy moderate growth. This is favorable to the government's realizing its undertakings in the financial budget for 2007 to speed up the implementation of large infrastructure projects and improve the business environment step by step. The Board is confident that the Group can maintain its position as one of the largest construction contractors in Hong Kong.

The Macau Market

The Group has successfully entered the Macau market by acquiring CCEM. The Board believes that CCEM is well-positioned as it is familiar with the local market. In addition, with its professional management and financial strength, the Group shall be able to achieve synergy and share resources to enhance its competitiveness in the Macau market and to turn Macau as an important source of revenue.

The Market of the United Arab Emirates

The Group is highly confident in the prospects of the United Arab Emirates market. On the basis of executing well projects which the Group is undertaking, the Group will seize the further opportunity of the growing construction market in Dubai and full display its competitive strengths, so that the Group shall grow stronger and bigger in Dubai. Where its resources permit, the Group may enter into the market of Abu Dhabi.

The Indian Market

The Board will closely monitor the development of the Indian construction market. The

Indian government will further expand its investment in infrastructure and real estate market, and the private investment is now permitted to participate in the construction of related projects, this added new momentum to the construction market of India. It is anticipated that the volume of contracting for Indian projects will be huge and the prospects are thus very attractive. The Group will prudently select target investment and explore the Indian market step by step.

Operation Strategy

Business layout. The Group will give more emphasis on the balance between scale and benefits, opportunities and risk, and in consolidating its market shares in Hong Kong and Macau and expanding the markets in the United Arab Emirates and India. The Group insists that operation on its own should be the main stream and joint venture should be the supplement. The major overseas market is Dubai, but the Group is also well-prepared to enter into the Abu Dhabi market. At the same time, the Group will maintain its construction operations in India and explore selectively.

Project management. The Group believes in “pursuit for excellence”. When its business development is moving on a fast track, the Group shall enhance on project management and to implement comprehensive quality service. The Group promotes the [5+3] model of project management, namely: balanced development in five major aspects: project quality, progress, safety, environmental protection and cost. The Group also emphasizes that the three assurance systems on workflow, process and responsibility are practiced at the decision-making, management and operating levels so that the contract responsibility, operation responsibility and social responsibility are organically integrated. All these are aimed at making sure that projects are managed superbly. The Group will extend its proven [5+3] model of project management to other places in the world and have it adjusted according to the local regulatory requirements and practices so as to minimize any disparity which will affect the quality. The Group aims at consolidating its advantage in brand name and maintains its good reputation.

Investment opportunities. With construction as the core business, the Group shall further expand into other construction-related businesses, thereby balancing market risk and increasing its profitability. As such, the Group has formed an investment and development division to look for investment opportunities, “can generate sustainable profit” is the fundamental target for the Group’s business expansion and operations. The Group will closely study the development of the domestic market on the Mainland and examine the BT (Build-Transfer) model and PPP (Public-Private-Partnership) model and seek to enter the Mainland market, thereby maximizing shareholders’ value.

Financial Management

The Group will continue to strengthen its capital management, pay more attention to taxation management, and increase the utilization rate of capital by optimizing cash flow efficiency while meeting the need of business development, the financial safety will not be undermined. The Group will also continue to make an active effort to promote its ERP system aiming at strengthening the flow of project and financial information and cost control, so as to ensure the overall financial safety and improve its operation efficiency and risk management capability.

Company Mission

The Group has been engaged in the construction business for over 20 years, and by its continued development and accumulation of experience, the Group has established competitive advantages in five major aspects: firstly, well-experienced highly efficient and talented management team; secondly, mature and highly efficient internal management control systems; thirdly, good working relationships with subcontractors and suppliers; fourthly, reputation and proven track records; fifthly, strong financial and technical support from its parent company.

The Group strongly believes that by using people well, and by continued innovations and reinforcing its core competitiveness, added value will be created for the Group's products, customers, shareholders and staff. To further enhance the interests of the Company, the Group places more emphasis on the creation of a harmonious and win-win working environment. The Group has also put effort on raising its standard on corporate governance and ethical values to strengthen the proactive attitude of its staff, which will eventually turn into a win-win situation for shareholders, business partners, staff, the community and the Group.

The Group will focus on its core business, continue to enhance its competitiveness, and to maintain its position as an industry leader. By applying its principle of prudent financial management to strengthen its cash management and, the shareholders' value can be maximized. The Group will then develop into an evergreen corporation.

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

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

CORPORATE GOVERNANCE

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

REVIEW OF ACCOUNTS

The Group's final results for the year ended 31 December 2006 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement."

ACKNOWLEDGEMENT

May I take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for lending their strong support, and to the community for their enthused help, and last but not least, to our staff for their dedicated efforts!

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

Hong Kong, 21 March 2007

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.