



# 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 FOR THE SIX MONTHS ENDED 30 JUNE 2007

### FINANCIAL HIGHLIGHTS

1. Revenue increased 6.88% to HK\$ 5,202 million.
2. Profits attributable to the equity holders of the Company increased 33.56% to HK\$116 million.
3. Basic earnings per share increased 31.59% to HK 23.16 cents.
4. During the period, 19 new contracts were awarded amounting to HK\$9,180 million.
5. Interim dividend per share at HK 9 cents.
6. As at 30 June 2007, bank balances and cash were HK\$1,480 million.
7. On 20 July 2007, the Company entered into Acquisition Agreements with China Overseas Holdings Limited (“COHL”), pursuant to which, the Company has conditionally agreed to purchase (i) all shares in China Overseas Insurance Limited and China Overseas Insurance Services Limited; (ii) all shares in COHL (Macao) Commercial and Industrial Company Limited; and (iii) all interest in 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) from COHL, for a total purchase price of not more than HK\$520 million.
8. As announced in the announcement dated 23 July 2007, the Company proposes to rise not less than approximately HK\$999,668,000 by way of Open Offer at a price HK\$10.00 per Offer Share with an assured allotment of one Offer Share for every five existing Shares.

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 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follow:

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Revenue	(b)	<b>5,202,037</b>	4,867,069
Contract costs		<b>(4,956,102)</b>	(4,697,814)
Gross profit		<b>245,935</b>	169,255
Investment income		<b>28,477</b>	28,120
Other income		<b>10,911</b>	10,312
Administrative expenses		<b>(117,223)</b>	(99,707)
Distribution costs		<b>(2,756)</b>	(1,228)
Other expenses		<b>(25,905)</b>	(4,665)
Share of profits of associates		<b>1,171</b>	5,444
Finance costs		<b>(80)</b>	(723)
Profit before tax		<b>140,530</b>	106,808
Income tax expense	(d)	<b>(24,857)</b>	(20,184)
Profit for the period		<b>115,673</b>	86,624
Attributable to :			
Equity holders of the Company		<b>115,673</b>	86,608
Minority interests		<b>-</b>	16
		<b>115,673</b>	86,624
DIVIDEND	(e)	<b>44,290</b>	44,290
EARNINGS PER SHARE :	(f)		
Basic (HK cents)		<b>23.16</b>	17.60
Diluted (HK cents)		<b>21.68</b>	16.66

## CONSOLIDATED BALANCE SHEET

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
<b>Non-current Assets</b>		
Property, plant and equipment	97,980	96,579
Investment properties	9,813	10,065
Prepaid lease payments - non-current	12,243	12,448
Interests in associates	32,664	34,013
Available-for-sale investments	28,334	23,786
Amounts due from an investee company	10,909	10,909
	<u>191,943</u>	<u>187,800</u>
<b>Current Assets</b>		
Inventories	9,171	8,715
Properties held for sale	20,408	20,408
Amounts due from customers for contract work	162,132	224,772
Trade and other receivables	2,876,591	2,682,688
Deposits and prepayments	198,566	251,090
Amounts due from jointly controlled entities	78,795	96,281
Amounts due from the partners of jointly controlled entities	161,080	129,224
Amounts due from fellow subsidiaries	34,308	43,151
Tax recoverable	16,565	20,697
Prepaid lease payments - current	427	427
Deposits with financial institutions	17,842	-
Pledged bank deposits	47,869	41,783
Bank balances and cash	1,431,896	1,701,104
	<u>5,055,650</u>	<u>5,220,340</u>

## CONSOLIDATED BALANCE SHEET (continued)

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
<b>Current Liabilities</b>		
Amounts due to customers for contract work	392,293	329,983
Trade and other payables	3,166,005	3,440,233
Deposits received and receipt in advance	342,850	363,779
Amounts due to jointly controlled entities	167,816	165,139
Amounts due to the partners of jointly controlled entities	38,513	46,103
Amount due to ultimate holding company	-	13,842
Amounts due to fellow subsidiaries	9,658	7,952
Amount due to an associate	17,305	2,733
Tax liabilities	70,973	49,443
Bank overdrafts, unsecured	553	14,275
Obligations under a finance lease	179	179
	<u>4,206,145</u>	<u>4,433,661</u>
<b>Net Current Assets</b>	<u>849,505</u>	<u>786,679</u>
<b>Total Assets less Current Liabilities</b>	<u>1,041,448</u>	<u>974,479</u>
<b>Capital and Reserves</b>		
Share capital	49,961	49,896
Share premium and reserves	991,298	924,305
Equity attributable to equity holders of the Company	<u>1,041,259</u>	<u>974,201</u>
<b>Non-current Liabilities</b>		
Obligations under a finance lease	189	278
	<u>1,041,448</u>	<u>974,479</u>

Notes:

**(a) Basis of preparation of financial statements**

These 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited interim consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The accounting policies and methods of computation used in the preparation of these unaudited interim consolidated financial statements are consistent with those of the audited consolidated financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, the following new standards, amendment and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for financial year beginning on or after 1 January 2007.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

The adoption of the above new HKFRSs has no material impact on the accounting policies and the results and financial position of the Group.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Group anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 11	HKFRS 2: “Group and Treasury Share Transactions” <sup>2</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

## (b) Revenue

The amount represents the revenue arising on construction contracts, project management fee income, net amounts received and receivable for pre-cast structures and building materials sold to customers, less returns and allowances and machinery leasing income. An analysis of the Group's revenue for the six months ended 30 June 2007 was as follows:

	For the six months ended 30 June	
	2007	2006
	HK'000	HK'000
Revenue from construction contracts	5,139,679	4,829,651
Project management fee income	23,278	8,000
Sales of pre-cast structures and building materials	32,007	26,698
Machinery leasing income	7,073	2,720
	<u>5,202,037</u>	<u>4,867,069</u>

## (c) Segment 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 divided 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 six months ended 30 June 2007

	Hong Kong	Macau	Dubai	India	Sub-total	Inter-segment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	eliminations	HK\$'000
						HK\$'000	
<b>REVENUE</b>							
External sales	2,608,584	1,346,779	907,323	339,351	5,202,037	-	5,202,037
Inter-segment sales	15,453	-	-	-	15,453	(15,453)	-
Total revenue	<u>2,624,037</u>	<u>1,346,779</u>	<u>907,323</u>	<u>339,351</u>	<u>5,217,490</u>	<u>(15,453)</u>	<u>5,202,037</u>
<b>RESULT</b>							
Segment gross profit	98,443	90,824	47,732	8,936	245,935	-	245,935
Segment results	57,275	79,241	32,438	13,021	181,975	-	181,975
Inter-segment result	4,691	-	-	-	4,691	(4,691)	-
	<u>61,966</u>	<u>79,241</u>	<u>32,438</u>	<u>13,021</u>	<u>186,666</u>	<u>(4,691)</u>	<u>181,975</u>
Unallocated corporate expenses							(42,536)
Share of profits of associates							1,171
Finance costs							(80)
Profit before tax							140,530
Income tax expense							(24,857)
Profit for the period							<u>115,673</u>

For the six months ended 30 June 2006

	Hong Kong HK\$'000	Macau HK\$'000	Dubai HK\$'000	India HK\$'000	Sub-total HK\$'000	Inter-segment eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	3,622,450	810,369	209,216	225,034	4,867,069	-	4,867,069
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	<u>3,622,450</u>	<u>810,369</u>	<u>209,216</u>	<u>225,034</u>	<u>4,867,069</u>	<u>-</u>	<u>4,867,069</u>
<b>RESULT</b>							
Segment gross profit	<u>129,778</u>	<u>39,477</u>	<u>-</u>	<u>-</u>	<u>169,255</u>	<u>-</u>	<u>169,255</u>
Segment results	111,297	36,513	(12,717)	2,249	137,342	-	137,342
Inter-segment result	<u>4,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,174</u>	<u>(4,174)</u>	<u>-</u>
	<u>115,471</u>	<u>36,513</u>	<u>(12,717)</u>	<u>2,249</u>	<u>141,516</u>	<u>(4,174)</u>	<u>137,342</u>
Unallocated corporate expenses							(35,255)
Share of profits of associates							5,444
Finance costs							<u>(723)</u>
Profit before tax							106,808
Income tax expense							<u>(20,184)</u>
Profit for the period							<u><u>86,624</u></u>

**(d) Income tax expense**

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong	<b>8,798</b>	14,933
Other jurisdictions	<b>15,425</b>	5,251
	<u><b>24,223</b></u>	<u>20,184</u>
Under provision in prior periods:		
Hong Kong	<b>634</b>	-
Deferred tax:		
Current period	<u>-</u>	<u>-</u>
Income tax expense for the period	<u><b>24,857</b></u>	<u>20,184</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the period. Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**(e) Dividend**

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends recognised as distributions during the period:		
2006 Final, paid - HK 9 cents (2006 : HK 9 cents) per share	<u><b>44,290</b></u>	<u>44,290</u>

The Board declared the payment of an interim dividend for 2007 of HK9 cents per share (2006: HK9 cents). The amount of the interim dividend was based on the assumption of the success of the Open Offer as per the announcement dated 23 July 2007.

**(f) Earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$115,673,000 (2006: HK\$86,608,000) and on the number of 499,473,461 (2006: 492,108,002) ordinary shares in issue during the period. The calculation of the diluted earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$115,673,000 (2006: HK\$86,608,000) and on the weighted average number of 533,637,746 (2006: 519,734,847) ordinary shares in issue during the period.

**INTERIM DIVIDEND**

The Board declared an interim dividend of HK9 cents (2006: HK9 cents) per share to the shareholders whose names appear in the register of members of the Company on Thursday, 20 September 2007. The interim dividend will be payable on Friday, 28 September 2007.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 14 September 2007 to Thursday, 20 September 2007, 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 Hong Kong Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 13 September 2007.



## **BUSINESS REVIEW**

In the first half of 2007, the global economy remained steady and healthy and the emerging economies such as the Mainland China and India continued to achieve a rapid growth.

### **The Hong Kong Market**

The robust economy of the Mainland China will continue to give impetus to the economic growth in Hong Kong. However, the construction industry still lagged behind the overall economic development amid the intense competition. In a long-run, the growth of Hong Kong economy will boost the activities of the construction industry. Following launch of some large-scale infrastructure projects, the construction industry in Hong Kong bound to recover. The total market value will rise steadily accordingly.

Adhered to its sound operations strategy of “Competing by Low Cost and High Quality of Management”, the Group has remained competitive in the Hong Kong market and has still achieved satisfactory results of operation.

### **The Macau Market**

The overall economy of Macau is rosy. In 2006, the revenue from the gaming industry in Macau outpaced the Las Vegas, ranking the number one in the world and its GDP per capita also surpassed Hong Kong for the first time. The prospect for development is promising that it has lured the investors around the world to enter into Macau market. Furthermore, the Macau government has done a lot to maintain the attractiveness of Macau to the investors by increasing investment in infrastructure and by improving and optimizing the local business environment and infrastructure. As such, the Macau market remains optimistic in future.

The Group will leverage its competitive edges in Hong Kong and Macau, reinforcing the synergies in both territories and increasing its market share in Macau.

### **The Market of the United Arab Emirates**

The Dubai market of the United Arab Emirates remains vibrant with a lot of large-scale projects in both public and private sectors in the pipeline. It is estimated that the value of contracts in the Dubai market over the next five years will amount to HK\$700 billion. The inflow of capital from the Middle East to the Abu Dhabi market rejuvenates the construction industry. The increasing population, increased level of urbanisation and developing tourism will pose a strong growth for the construction market and the outlook is unlimited.

As the investment sentiments of the United Arab Emirates favors business development, the Group has the strategies in place to seize opportunities on the timing while adhering to its prudent operation strategy and new progress had been made.

## The Indian Market

The economy of India continued to grow rapidly, whereby its government further increased the investment in infrastructure and residential developments, and allowed private investments to take up the construction of the related projects, becoming a new driving force in the construction market in India. With expected substantial volume of contract works of India in the future, the room for development is ample.

With its prudent and sound operation strategies, the Group has smoothly implemented its construction-in-progress and selectively participated in targeted tenders, so as to ensure its steady development in the Indian market.

## Projects Completed During the Period

The six completed projects during the period included “Enterprise Square 5 NKIL 5927, Kowloon Bay”, “Centralised Science Laboratories, Chinese University”, “Design and Construction of Hin Tin Swimming Pool Phase 2, Shatin” and “Formation and Associated Infrastructure Works for Development at Choi Wan Road and Jordan Valley”.

## New Contracts

The Group secured 19 new contracts during the period with a total contract value of HK\$9.18 billion. Of which:

	Total	Hong Kong Market	Macau Market	Overseas Market	Mainland Market
Number of contract	19	11	5	2	1
Contract sum (HK\$'Billion)					
Building construction	8.64	3.30	3.73	1.51	0.10
Civil engineering works	0.53	0.53	-	-	-
Others	0.01	0.01	-	-	-
<b>Total</b>	<b>9.18</b>	<b>3.84</b>	<b>3.73</b>	<b>1.51</b>	<b>0.10</b>

The new constructions mainly include: “Proposed Residential Development (Package 2) (Phase 1) – Carcas Contract at Tseung Kwan O”, “Replacement and Rehabilitation of Water Mains, Stage 2 – Mains in Kowloon City and West Kowloon”, and “Central Park at TKOTL70, Area 86, Tseung Kwan O” in Hong Kong; “The Commercial and Residential Development at Lot U, Macau”, “Wynn Macau Diamond Tower” and “Residential Development at Lot TN25b & TN26d at Taipa” in Macau; and “Trident Grand Residence”, “Dubai Sports City – Profile Project Development” in the United Arab Emirates.

## Projects in Progress

As at 30 June 2007, the Group had 70 projects in progress with a total attributable construction contract value of HK\$35.04 billion, and the contract value of projects to be completed amounts to HK\$25.02 billion.

From 30 June 2007 up to the reporting date, the Group had been awarded 4 projects with a total attributable contract value of HK\$0.26 billion.

	Contracts on hand as at 30 June 2007			New contracts awarded after 30 June 2007	
	No.	Attributable contract sum HK\$' Billion	Uncompleted contract sum HK\$' Billion	No.	Attributable Contract sum HK\$' Billion
Hong Kong Projects					
Building construction	27	10.09	6.72	-	-
Civil engineering works	15	5.92	2.93	2	0.24
Other projects	5	0.20	0.11	2	0.02
Macau Projects	15	13.14	11.29	-	-
Dubai Projects	6	5.29	3.75	-	-
India Projects	1	0.30	0.12	-	-
Mainland China Project	1	0.10	0.10	-	-
<b>Total</b>	<b>70</b>	<b>35.04</b>	<b>25.02</b>	<b>4</b>	<b>0.26</b>

The laws of the local governments and the contract requirements are strictly complied with and the quality, safety, environmental protection, progress and cost control and management are reinforced, so as to provide high quality services. All in all, up to the reporting date, the Group had 74 projects on hand with a total attributable contract value of HK\$35.30 billion.

## BUSINESS PROSPECTS

General speaking, despite of the increase in the risk of worldwide economic adjustment brought the slow economic growth in the United States and continuous fluctuations in global stock markets and oil prices, the basis of the global economic growth remains strong and it is expected that the global economy will grow steadily in the second half of the year.

The Group will continue to fully implement the development strategy of “cross-region operations”, with an aim to create an operating platform for the three major geographical areas of Hong Kong-Macau, overseas and Mainland China.

The Board believes that under the favorable conditions of the positive peripheral conditions with an improvement in the consumer confidence in Hong Kong, the Hong Kong economy will sustain an optimal growth. The Hong Kong construction market will eventually recover and the volume of the construction market is expected to increase gradually. The Board is confident in its advantages of

understanding the Hong Kong local market gained over the years, its position as one of the largest construction contractors in Hong Kong would be retained.

The Macau construction market remains steady with further enhancement in infrastructure and investment environment. The Board believes that by capitalizing the knowledge in the local market which China Construction Engineering (Macau) Company Limited (“CCEM”) developed over the years, together with its management and financial advantages of the Group, reinforcing the model of merge of Hong Kong and Macau, as well as achieving synergies and resources sharing, which will enhance the competitive edges of CCEM, and Macau would become an important profit stream of the Group.

The prospect of the United Arab Emirates market is promising. On the basis of smooth implementation of secured projects, the Group captures the opportunity in the robust growing construction market in Dubai and fully leverages its competitive advantages in supplying labours from the Mainland China, making Dubai market even bigger and stronger. Where its resources are balanced, the Group may enter into the market of Abu Dhabi.

In the construction market in India, the business development of the Group has been focused on the high-rise building projects in New Delhi and Mumbai. The Group will prudently select tender projects, and at the same time seek opportunities in the construction related investment market.

Following years of rapid growth in the economy, it is anticipated that the GDP of the Mainland China will replace Germany to rank the third of the world. As the economy has continued to grow rapidly, the progress of urbanization of the Mainland China picks up and the investments of infrastructure increases, whereby the investment in the construction market and infrastructure in the Mainland China will grow at an unprecedented rate in the future, which provides a prime macroscopic setting and ample space for the development of the construction industry and related investment activities.

The Board believes that, strategically speaking, it is a vital option for the Board to enter the Mainland China, through which “to achieve a profit with sustainable growth” is set as a fundamental objective for business development and operations, and to select construction contracting and strategic investments businesses.

It was announced by the Company on 23 July 2007 that it proposed to raise funds of approximately HK\$1 billion before expenses by means of an Open Offer. It was also intended that not more than HK\$520,000,000 from the proceeds of the Open Offer would be applied in the acquisition of various assets of the operations of construction and insurance, investments in Macau and Shenzhen China Overseas Construction Limited in Shenzhen from the parent company. The Board believes that it is in the interests of the Group and the Shareholders to raise long-term capital through the proposed Open Offer in a view to enhance the financial condition and the equity base of the Company for the expansion of the core businesses. If the said acquisition of assets from the parent company successfully completed, the Board believes that it plays a significant role as to enter Mainland China, to tap from the Macau market and to involve in the construction and insurance businesses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopted a prudent financial policy, strictly monitored its payments and receipts, and had various credits to meet its working capital requirement. As at 30 June 2007, the Group's bank balance amounted to HK\$1,480 million (2006: HK\$1,743 million) of which HK\$48 million (2006: HK\$42 million) was pledged for the surety bonds and the working visa of the foreign workers in Dubai. As at 30 June 2007, the Group had no bank borrowing for the two periods end except for the unsecured bank overdrafts of HK\$553,000 (2006: HK\$14 million) which was mainly arising from a jointly controlled entity.

Together with the unutilized banking facilities (including bank loan, surety bonds, bank overdrafts and Letter of Credit) of HK\$3,020 million from various reputation banks in Hong Kong, the financial position of the Group is sound and has sufficient financial resource for the requirement of future business development.

The decrease in the bank balances was mainly due to the outcome of settlement of accounts payable with a great span. In addition, most of the new projects were still in the preliminary stage together with the projects at early stage in line of negative cash flow.

During the period, the Group held no financial instruments for currency hedging purpose. But the Group is closely monitoring the India Rupee and keep close eye with the economic development in Dubai and India.

### ***Credit Exposure***

The Group deals with credit exposure according to the risk management policies. Credit extended to business associates are based on the reputation and financial capacity owned by employers. In connection with projects in progress (no matter in Hong Kong or Macau or overseas), the major Employers are the local Government, certain institutional organizations and certain reputable property developers. Therefore, no significant credit risk is exposed with the Group.

## **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 2007.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2007, 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.

## **SUBSEQUENT EVENTS**

On 20 July, 2007, the Company entered into (i) the Hong Kong Agreement; (ii) the Macau Agreement; and (iii) the PRC Agreement collectively, (“Acquisition Agreements”)with China Overseas Holdings Limited, pursuant to which, the Company has conditionally agreed to purchase (i) all the shares of China Overseas Insurance Limited and China Overseas Insurance Services Limited; (ii) all the shares of COHL (Macao) Commercial and Industrial Company Limited; and (iii) all the interest of 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) from COHL, for a total purchase price of not more than HK\$520 million.

As announced in the announcement dated 23 July 2007, the Company proposes to rise not less than approximately HK\$999,668,000 before expenses, by issuing not less than 99,966,800 new shares and not more than 100,514,800 new shares by way of Open Offer at a price HK\$10.00 per Offer Share with an assured allotment of one Offer Share for every five existing Shares held on 14 August 2007.

## **REVIEW OF ACCOUNTS**

The Group’s unaudited interim results for the six months ended 30 June 2007 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, 14 August 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).*