

Results

The board of directors (the "Board") of China State Construction International Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period in 2004. The consolidated profit attributable to shareholders was HK\$31,979,000, representing an increase of 166% as compared to the corresponding period in 2004. The earnings per shares is HK6.50 cents, representing an increase of 166% as compared to the corresponding period last year.

Consolidated Income Statement

	Six months ended 30 June		
		2005	2004
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Continuing operations			
Turnover	(3)	3,185,651	2,879,760
Construction cost	(-)	(3,109,853)	(2,858,392)
Gross profit		75,798	21,368
Other operating income		16,851	3,912
Administrative expenses		(26,090)	(822)
Other operating expenses		(17,429)	(5,112)
Profit from operations	(5)	49,130	19,346
Finance costs		(5,997)	(4,934)
Profit from ordinary activities			
before taxation		43,133	14,412
Income tax expense	(6)	(11,154)	(1,813)
Profit from continuing operations for the period		31,979	12,599
Loss from discontinued operation for the period	(7)		(575)
Net profit for the period		31,979	12,024
		HK cents	HK cents
Basic earnings per share	(8)		
- Continuing operations & discontinued operation		6.50	2.44
- Continuing operations		6.50	2.56

Consolidated Balance Sheet

		30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
	Notes	(Unaudited)	(Unaudited)
Non-current Assets Properties, plant and equipment Interests in associate Rental prepaid Goodwill	(9)	50,742 27,144 12,468 346,921	10,811
		437,275	10,811
Current Assets Inventories Non-current assets held for sales Trade and other receivables Deposits and prepayments	(10)	6,368 19,500 1,671,329 57,506	- - 1,105,975 18,876
Amounts due from customers for contract work Amount due from holding companies Amount due from fellow subsidiaries Tax prepaid Pledged bank deposit		441,486 535,394 - 22,888	18,285 1,165,677 328,715 - 7,800
Bank balances and cash Current Liabilities		1,376,467 4,130,938 	905,695 3,551,023
Trade and other payables Amounts due to customers for contract work	(11)	2,592,194 713,157	1,668,157 475,920
Amounts due to fellow subsidiaries Tax liabilities Bank loan – unsecured		39,743 200,000	208,610 18,085 200,000
		3,545,094	2,570,772
Net Current Assets		585,844	980,251
		1,023,119	991,062
Capital and Reserves Share capital Reserves		49,211 973,908	49,211 941,851
		1,023,119	991,062

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES NET CASH INFLOW FROM INVESTING ACTIVITIES	(79,898) 506,811	291,552 36,913
INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT 1 JANUARY	(68,582) 358,331 769,605	27,762 356,227 464,940
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,127,936	821,167
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS Bank balances and cash – the Company and		
its subsidiaries Bank balances and cash – the jointly controlled entities	1,127,936 248,532	821,167 130,090
	1,376,468	951,257

Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Special reserve HK\$'000	Capital reserves HK\$'000	Exchange reserve HK\$'000	Retained profits (Deficits) HK\$'000	Total HK\$'000
At 1 January 2004	49,211	795,220	-	-	(102,600)	741,831
Arising from reorganisation - Disposal of Interest in Subsidiaries - Acquisition of subsidiary Exchange differences on	-	(3,650)	192,263	-	-	192,263 (3,650)
translation of overseas operations Profit for the period		- -	<u>-</u>	(1)	12,024	(1) 12,024
At 30 June 2004	49,211	791,570	192,263	(1)	(90,576)	942,467
At 1 January 2005 Exchange differences on	49,211	791,570	192,263	(1)	(41,981)	991,062
translation of overseas operations Profit for the period				78 	31,979	78 31,979
At 30 June 2005	49,211	791,570	192,263	77	(10,002)	1,023,119

Remark: The 492,108,002 shares of HK\$0.1 each were deemed to be issued on 1 January 2004.

Notes to the Financial Statements

For the six months ended 30 June 2005

(1) Group Reorganization and Basis of Preparation

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 25 March 2004. Pursuant to the reorganization as disclosed in the Company's Prospectus dated 14 June 2005 (the "Prospectus") (the "Reorganisation"), prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by introduction, the Company then become the holding company of the subsidiaries now comprising the Group and acquired the construction business ("Project Management Group") held by China Overseas Land & Investment Ltd. ("COLI") on 30 June 2005. The shares of the Company was listed on the Stock Exchange on 8 July 2005.

The financial report of the Group for the six months ended 30 June 2005 have been prepared under the historical cost convention and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

(2) Adoption of New Hong Kong Financial Reporting Standards

The unaudited consolidated interim accounts has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which became effective on 1 January 2005.

The accounting policies and methods of computation used in the preparation of these consolidated interim accounts are consistent with those adopted in the Prospectus, except that the Group has altered certain accounting policies following its adoption of the newly issued and revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted the New HKFRSs in the Prospectus. The applicable New HKFRSs adopted in these interim accounts are set out below and the comparatives have been restated in accordance with the relevant requirements.

(2) Adoption of New Hong Kong Financial Reporting Standards (continued)

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

The adoption of HKAS 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 32, 33 and 39 did not result in substantial changes to the Group's accounting policies.

Based on the assessment so far, the Group has initially identified certain HKFRSs that might have impacts on the Group's accounting policies as follows:

- (a) HKFRS 3 "Business Combinations" relating to business combinations is applicable to business combinations for which the agreement date is on or after 1 January 2005.
- (b) Upon adoption of HKAS 31 "Interests in Joint Ventures", the assets, liabilities and revenues of jointly controlled entities have been proportionally consolidated into the Group.

The turnover for the six months ended 30 June 2005 included the Group's share of turnover of jointly controlled entities at the amount of HK\$1,249,042,000 (2004: HK\$871,900,000).

(3) Turnover

	Six months ended 30 June		
	2005	2004	
	HK\$'000	HK\$'000	
Continuing operations			
Building construction	1,211,609	1,311,041	
Civil engineering works	1,886,363	1,431,301	
Other works	87,679	137,418	
	3,185,651	2,879,760	
Discontinued operation			
Property letting		5,017	
	3,185,651	2,884,777	

(4) Segmental information

The principal activity of the Group is mainly construction business, thus no business segment information is provided. The Group's operations are principally located in Hong Kong, Macau, Dubai and India. The following table provides an analysis of the Group's turnover and profit from operations by geographical market:

	Six mon	Six months ended		ths ended
	30 Jur	30 June 2005		ne 2004
	Turnover	Profit from	Turnover	Profit from
		operations		operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,971,120	41,355	2,879,760	19,346
Macau	214,531	14,015	_	_
Dubai	_	(5,740)	_	_
India	-	(500)	_	_
	3,185,651	49,130	2,879,760	19,346

(5) Operating profit

		onths 30 June
	2005	2004
	HK\$'000	HK\$'000
Operating profit has been arrived at after charging (crediting):		
Depreciation	1,191	_
Interest income	(5,211)	(119)

(6) Income tax expense

	ended 30 June		
	2005	2004	
	HK\$'000	HK\$'000	
The charge comprises: Continuing operations			
The Company and its subsidiaries			
 Hong Kong profits tax 	8,500	276	
Jointly controlled entities	410	1 527	
- Hong Kong profits tax	419	1,537	
Overseas profits tax	2,235		
	11,154	1,813	
Discontinued operations			
 Hong Kong profits tax 		510	
	11,154	2,323	

Hong Kong Profits Tax is calculated at the rate of 17.5% (2004: 17.5%) of the estimated assessable profit for the period. Taxation assessable on profits generated outside Hong Kong has been provided at the rate of taxation prevailing in the country in which those profits arose.

Six months

(7) Discontinued operation

The Group held 100% equity interest in certain subsidiaries which was engaged in the property investment ("**Property Interest Subsidiaries**") prior to the reorganisation. As part of the reorganisation, the Group disposed the Property Interest Subsidiaries in June 2004 and the result arising from the Property Interest Subsidiaries was considered as the discontinued operation in the Income Statement. The loss after tax of the discontinued operation was accounted for up to the date of disposal.

(8) Earnings per share

The calculation of the basic earnings per share for the continuing operations and discontinued operation is based on the profit for the period attributable to shareholders of HK\$31,979,000 (2004: HK\$12,024,000) and on the number of 492,108,002 (2004: 492,108,002) ordinary shares in issue during the period. The 492,108,002 shares were issued on 3 June 2005 with the resolution passed on the same date. The shares were deemed to be issued on 1 January 2004 for the purpose of calculation of the earnings per share.

The calculation of the basic earnings per share for the continuing operations is based on the net profit from continuing operations of HK\$31,979,000 (2004: HK\$12,599,000) and on the number of 492,108,002 (2004: 492,108,002) ordinary shares in issue as mentioned above.

(9) Goodwill

On 3 June 2005, the Company entered into an agreement with COLI and COHL in relation to acquire from COLI the 100% interest of the Project Management Group for a consideration of HK\$788,089,000 ("Agreement"). The acquisition was completed upon the fulfillment of the conditions contemplated under the Agreement. The Goodwill stated in the balance sheet as at 30 June 2005 represented the excess of the consideration of acquisition over the Group's interest in the fair value of the identifiable net assets of the Project Management Group. The goodwill was recognised as initial accounting determined provisionally and the Group will recognise any adjustments to those provisional fair values as a result of comparing the initial accounting within twelve months of the acquisition date.

(10) Trade and other receivables

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

	30 June 2005	31 December 2004
	HK\$'000	HK\$'000
Receivables, aged		
0-30 days	828,887	823,260
31-90 days	69,996	13,504
Over 90 days	112,531	_
Retentions receivable	659,915	269,211
	1,671,329	1,105,975

(11) Trade and Other Payables

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

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Payables, aged		
0-30 days	1,550,242	1,210,168
31-90 days	187,666	92,664
Over 90 days	220,358	2,151
Retentions payable	633,928	363,174
	2,592,194	1,668,157

(12) Contingent liabilities

As at 30 June 2005, outstanding counter indemnities for surety bonds issued in respect of the construction projects amounted to HK\$1,315,917,000 (2004: HK\$880,534,000).

Review of Operations

During the first half of 2005, overall business sentiment has improved with the satisfactory growth in major global economies. Hong Kong economy continued to be benefited from Mainland China, with growth in number tourists from Mainland China and CEPA policy leading to healthy economy growth. Despite the above, Hong Kong's construction sector has not shared the benefit of the general improvement in market sentiment. The recovery of general local construction market, is facing increasing competitions and challenges, is lagged behind that of the overall economic growth of Hong Kong. Nevertheless, by consistently adhering to its policy of "Compete with low cost and manage for high quality", making greater efforts to exploit overseas markets and capitalizing on the vigor and opportunities, such as opportunities located in Dubai and India markets, the Group continued to maintain its competitiveness in the local market and achieved substantial breakthroughs in exploiting overseas construction markets in the period reported. During the first half of 2005, the Group successfully procured the ARMADA TOWERS residential project in Dubai and a highway project in Madhya Pradesh, India.

On 3 June 2005, the Group, China Overseas Holdings Limited ("COHL") and COLI entered into a sale and purchase agreement pursuant to which COLI agreed to sell Project Management Group at a consideration of HK\$788 million to be satisfied by transfer of the shares of the Company. COHL subsequently completed restructuring of the construction business of the Group and the shares of the Company were listed on the Stock Exchange by way of introduction on 8 July 2005, becoming the flagship of COHL to expand construction business in Hong Kong and overseas by focusing on the development of buildings structures and civil engineering. The Board is satisfied that the Group is able to capitalize on every business opportunity to expand market and maintain its steady growth while maintaining premium quality of its construction works in a highly competitive environment.

The Group acquired the Project Management Group on 30 June 2005, thus the interim results must not include the results of the Project Management Group for the six months ended 30 June 2005. In order to provide an additional information for reference, the turnover and the net profit of the Project Management Group for the six months ended 30 June 2005 were HK\$959 million and HK\$32,510,000 respectively. (This part does not form part of the interim results)

During the first half of 2005, the Group (including the Project Management Group) was awarded 21 new projects with total contract sum of HK\$3.87 billion, of which 62%, 10%, 25% and 3% were contributed by Hong Kong building construction projects, Hong Kong civil projects, overseas projects and other works respectively.

New contracts awarded	Contract	Value	
in the first half of 2005	Hong Kong Market HK\$^ billion	Overseas Market HK\$' billion	
Building construction	2.42	0.67	
Civil engineering works	0.38	0.30	
Other works	0.10		
Total	2.90	0.97	

Review of Operations (continued)

During the first half of 2005, the Group (including the Project Management Group) had 16 completed projects, 15 projects operated by the Group (such as Redevelopment of Kwai Chung Estate Phase IV, Construction of Tai Kok Tsui Complex Phase 2, Penny Bay Development Contract 1, Main Contract for Hang Hau Station Development and Proposed Residential Development at TWTL395 Tsuen Wan) and one jointly controlled project (i.e. Hong Kong Disneyland Resort Project-Space Mountain and Buzz Lightyear). Other projects in progress are progressing smoothly. The Group will continuously follow up the progress and the cost control of such projects.

As at 30 June 2005, the aggregate number of contracts of the Group (including the Project Management Group) was 50 projects with total contract sum HK\$20.17 billion (uncompleted contract value is HK\$11.64 billion). Subsequent to the period end date, the Group was further awarded 13 new projects with total contract sum of approximately HK\$ 3.35 billion including three building construction projects for Hong Kong Housing Authority (with total contract value of HK\$ 0.91 billion), the Kowloon-Southern Link of Kowloon-Canton Railway Corporation (with total contract value of HK\$ 1.08 billion) and the Passenger Terminal Building Works for Hyderabad International Airport of India (with total contract value of HK\$ 1.25 billion equivalent).

	Contracts on hand as at 30 June 2005			New contracts awarded subsequent to the period end		
	Number of contracts	Contract sum HK\$' billion	Uncompleted HK\$' billion	Number of contracts	Contract sum HK\$' billion	
Hong Kong Projects						
 Building construction 	23	9.84	7.31	6	0.96	
 Civil engineering works 	14	8.95	3.16	1	1.08	
- Other works	11	0.41	0.20	5	0.06	
Dubai Projects	1	0.67	0.67	-	-	
India Projects	1	0.30	0.30	1	1.25	
Total	50	20.17	11.64	13	3.35	

In summary, as at the date of this report, the Group has 63 projects on hand with total contract sum of HK\$ 23.52 billion (uncompleted contract value is HK\$ 14.99 billion).

Review of Operations (continued)

The Group puts great emphasis on safety, environment protect and the quality of its construction works, and is well recognized by its customers and the public. In the first half of 2005, the Group won a number of awards of safety and environment activities as follows:

- (a) Work safety the Cyberport Residential Development project won the Silver Prize of the "Technical Safety Award Scheme" and Ho Tung Lau project won the Silver Prize of the "Construction Safety Award Scheme".
- (b) Environmental the head office and two projects got the "Gold Wastewi\$e Schemes Logo"; Sha Tin Heights Tunnel and Approaches project got the Silver Prize of the "Waste Management"; and
- (c) Several construction sites being recognized as Considerate Contractors Sites in the "Considerate Contractors Site Award Scheme".

Prospects

The Board is very optimistic about the future of the Group and is cautiously optimistic towards the global economy in the coming years. The Board anticipates Hong Kong economy to perform well in the near future. The Group will continue to improve the strengths and competitiveness of our various business segments and therefore increasing the return on shareholders.

Hong Kong Market

As the global integration of economy speeds up, factors like the volatility of oil prices and the consecutive upward adjustments to the US interest rates would have some impacts on the stability of the global economy in the near future. However, as China has become one of the major forces driving the comprehensive development of the economy of Hong Kong. There are macro-economic measures implemented by the Mainland government to modulate the pace of its economic growth and there are other measures to maintain a sustainable and healthy economic development. The Board are of the view that those measures will be beneficial to the development of Hong Kong in long term. However, the Board is cautiously optimistic on the economic development of Hong Kong in the near term.

Hong Kong government expects that the full year target economic growth rate of 5% for 2005 which the Board anticipated to be achievable and the general economy would continue its upward trend in the near future. In view of the positive trend of the economy, the good results of land sales and the improve in financial strength of the government, the Board believe that Hong Kong government will take proper measures to increase investments in infrastructures and maintain Hong Kong's status as the world class city. The Board believe this will bring more opportunities for the construction sector in Hong Kong. We will make full use of the experiences and technologies we have and take an active part in various biddings so as to expand our market share.

Overseas Market

One of the principal strategies of the Group's business development is to exploit overseas market opportunities, so as to expand market coverage, diversify business risks and enhance profitability level. We are currently developing Dubai and India as our overseas markets, whose population saw rapid growth but with little infrastructure investment made by the governments in the past. The old, incomplete infrastructure facilities have severely hindered the development of those economies. As those governments invest more in the improvement and expansion of transportation networks, property development and town planning, there would be more opportunities for the Group to develop overseas business.

Given that the Group is one of the largest construction companies in Hong Kong for over twenty years and is on the list of Approved Contractors (Group C) for Public Works, coupled with our rich operation experiences, technologies and quality management, the Board believes that our strengths will enable us to be competitive in above overseas market. The Board is prudently optimistic that these overseas businesses will become main sources for the Group's earnings in future.

Prudent Financial Policy

The Group will continue to adopt a prudent financial policy for the business development to ensure the persistent and healthy growth of the Group with providing a reasonable rate of return for shareholders. As at end of June 2005, the Group had bank balances and cash amounted HK\$1.38 billion of which the amount of HK\$257 million was held by the jointly controlled entities. At present, the Group has ample cash and unutilised general banking facilities amounting to HK\$1.74 billion. The Group is hence general financially sound and has adequate financial resources to provide a strong financial support to meet the best business opportunity in Hong Kong and overseas markets such as Dubai and India.

Other Business Opportunity

The Group has been aware the rapid recent development of the economy of the Mainland China and Macau recently. The expansion of certain cities in the Mainland China has changed of each passing day. The Group will pay close attention of the development business opportunity of the two regions. The Group will make the feasibilities study of the business opportunity in the two regions and actively participate when the good opportunities arise from time to time.

To conclude, the Group will continue to pursue its development goals, maintain its business growth, improve the corporate governance, take full advantage of its current competitive strengths and expand in the emerging markets aggressively so as to facilitate the steady business growth and thus enhancing the shareholders' value.

Management Discussion and Analysis

The following financial analysis has not included the half year result of Project Management Group. The financial data for the corresponding period of 2004 represented solely for the continuing operations.

Overall Performance

During the period reported, the turnover of the Group was HK\$3,186 million (2004: HK\$2,880 million), representing an increase of 11% as compared to the corresponding period last year. The operating profits after adjusting for finance expenses of HK\$5,997,000 (2004: HK\$4,934,000) was HK\$43,133,000 (2004: HK\$14,412,000), representing an increase of 199% as compared to the corresponding period last year. Profit attributable to shareholders was HK\$31,979,000 (2004: HK\$12,599,000), representing an increase of 154% as compared to the corresponding period last year. Basic earnings per share was HK6.50 cents (2004: HK2.56 cents). As at 30 June 2005, the Group's total shareholders' funds amounted to HK\$1,023 million (2004: HK\$991 million) while the net asset value per share was HK\$2.08 (2004: HK\$2.01).

Income

During the period reported, the turnover of the Group was HK\$ 3,186 million, representing an increase of 11% as compared to the corresponding period last year. This is mainly due to the substantial completion of several building construction and civil engineering projects, such as the projects operated by the Group like the expansion of Asia Airfreight Terminal and Deep Bay Link (Southern Section), and the jointly-controlled projects like Cyberport Residential Development Project, Wynn Resort Macau, Central Reclamation Phase III and Sha Tin Heights Tunnel and Approaches.

Operating Profit

The competition in the Hong Kong construction market remained fierce which lead to tight profit margin in the construction business. The gross profit margin of the Group was 2.38%, representing an increase of 1.64% from 0.74% of the corresponding period of 2004. The operating profit of the Group for the period was HK\$49,130,000, representing an increase of 154% from HK\$19,346,000 of the corresponding period last year. The improvement in gross profit margin is mainly attributable to the cost control and construction improvement measures implemented by the Group, which significantly improved the profits of a number of completed and completing projects. On the other hand, two new projects contracted by jointly-controlled entities recorded losses in the first half of 2004 as these two projects were required to pay 7% project management fees to the Project Management Group, those fees were higher than the profits generated by the respective projects. There are no such events in the first half of 2005.

Administrative Expenses

The administrative expenses in the first half of 2005 were HK\$26,090,000, representing a sharp increase of 30 times from HK\$822,000 of the corresponding period of 2004. The sharp increase is mainly attributable to payment of HK\$18,000,000 to all charges and fees related to the Group's listing. In addition, the Group started to exploit overseas market in the second half of last year, and set up subsidiary company and project office in Dubai, United Arab Emirates and Delhi, India respectively, which increased administrative expenses in this respect.

The Group is required to pay 7% project management fee to the Project Management Group which undertook the most of the administrative expenses. Upon the completion of Group Reorganisation (effective from 1 July 2005), the Project Management Group had been acquired by the Group and the administrative expenses will be accounted for in the Group. Thus, the administration expenses will increase in the second half of the year accordingly.

Finance Expenses

The Finance Expenses in the first half of 2005 were HK\$5,997,000, representing an increase of 22% from HK\$4,934,000 of the corresponding period of 2004. This is the result of the arising in interest rate started from second half 2004.

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 of 30 June 2005, the bank borrowing was HK\$200 million (2004: HK\$200 million) and the bank balances and cash amounted to HK\$1.38 billion of which the amount of HK\$257 million was held by jointly-controlled entities. During the period reported, the Group has no financial instruments for currency hedging purpose.

Employees and Remuneration Policies

As at 30 June 2005, the Group had a total of 2,540 employees in which 2,491 of them were based in Hong Kong and 49 in Dubai and India. Each department has set up a target responsibility system, which has started to have positive effect. To enhance the quality and capability of our human resources as well as their team spirit and the corporate culture, the Group has organized many professional and comprehensive training programs during the period. The employees' remuneration is regularly determined by the Group according to the nature of work, staff performance, group results as well as market conditions, and is evaluated on a regular basis.

Share Capital

The Company's total issued share capital as at 30 June 2005 was 492,108,002 ordinary shares of HK\$0.10 each ("the Share").

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2005, no register under Section 352 of the Securities and Futures Ordinance ("SFO") was maintained by the Company.

Upon the listing of the Company on 8 July 2005, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long positions in ordinary shares of the Company and associated corporation

				Nature of	Number of ordinary	% of total
	Interests in	Name of Director	Capacity	interests	shares held	issued shares
1.	The Company	Kong Qingping	Beneficial owner	Personal	200,000	0.04%
		Yip Chung Nam	Beneficial owner	Personal	122,222	0.02%
		Zhou Hancheng	Beneficial owner	Personal	10,000	0.002%
2.	China Overseas Land	Kong Qingping	Beneficial owner	Personal	3,600,000	0.056%
	& Investment	Yip Chung Nam	Beneficial owner	Personal	2,200,000	0.034%
	Ltd. ("COLI") (fellow subsidiary)	Zhou Hancheng	Beneficial owner	Personal	180,000	0.003%

(b) Long positions in underlying shares of the Company and associated corporation

Share options Number of ordinary shares attached to the share options Exercised Outstanding Outstanding Granted Date of Interest Name of at 1 January during during at 8 July Exercise Exercise the period in Director 2005 the period 2005 price period grant COLI Kong 17.07.1997 1,000,000 1,000,000 HK\$4.06 17.07.1998 to Qingping 16.07.2007 14.02.1998 10,720,000 (280,000)10,440,000 HK\$1.08 14.02.1999 to 13.02.2008 30.09.1998 920,000 (460,000) 460,000 HK\$0.52 30.09.1999 to 29.09.2008 04.01.2000 1,200,000 (400,000)800,000 HK\$0.58 04.01.2001 to 03.01.2010 18.06.2004 3,360,000 3,360,000 HK\$1.13 18.06.2005 to 17.06.2014 17,200,000 16,060,000 Zhou 17.07.1997 20,000 20,000 HK\$4.06 17.07.1998 to Yong 16.07.2007 14.02.1998 150,000 150,000 HK\$1.08 14.02.1999 to 13.02.2008 30.09.1998 60,000 60,000 HK\$0.52 30.09.1999 to 29.09.2008 04.01.2001 to 04.01.2000 180,000 180,000 HK\$0.58 03.01.2010 18.06.2004 HK\$1.13 18.06.2005 to 1,920,000 1,920,000 17.06.2014 2,330,000 2,330,000 Yip Chung Nam 17.07.1997 800,000 800,000 HK\$4.06 17.07.1998 to 16.07.2007 18.06.2005 to 18.06.2004 2,000,000 2,000,000 HK\$1.13 17.06.2014

2,800,000

2,800,000

(continued)

				Share o				
			Number of ordinary shares attached to the share options					
Interest in	Name of Director	Date of grant	Outstanding at 1 January 2005	Granted during the period	Exercised during the period	Outstanding at 8 July 2005	Exercise price	Exercise period
COLI	Fu He	17.07.1997	250,000	-	-	250,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	280,000	-	(70,000)	210,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	220,000	-	(100,000)	120,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	360,000	-	(120,000)	240,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	2,000,000	-	-	2,000,000	HK\$1.13	18.06.2005 to 17.06.2014
			3,110,000			2,820,000		
	Zhou Hancheng	17.07.1997	100,000	-	-	100,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	160,000	-	(40,000)	120,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	160,000	-	(80,000)	80,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	320,000	-	(160,000)	160,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	640,000	-	-	640,000	HK\$1.13	18.06.2005 to 17.06.2014
			1,380,000			1,100,000		

Save as disclosed above, upon the listing of the Company on 8 July 2005, none of the directors nor their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2005, no register under Section 336 of the SFO was maintained by the Company.

Upon the listing of the Company on 8 July 2005, the following persons had interests in shares and underlying shares of the Company as record in the register required to be kept by the Company under Section 336 of the SFO:

Long positions of substantial shareholders in the shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares held	% of total issued share
China Overseas Holdings Limited ("COHL")	Beneficial owner	316,318,956	-	64.3%
China State Construction Engineering Corporation ("CSCEC")	Interest of a controlled corporation/ beneficial owner	316,318,956	_	64.3%

COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 316,318,956 Shares directly owned by COHL.

Save as disclosed above, upon the listing of the Company on 8 July 2005, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Share Option Scheme

The Company adopted a share option scheme on 9 June 2005 (the "**Option Scheme**"). Since its listing on 8 July 2005, no share option was granted or exercised. The detailed terms of the Option Scheme were disclosed in the Prospectus.

Interim Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: nil).

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 since its listing on 8 July 2005.

Corporate Governance

The Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules was come into effect on 1 January 2005. As the Shares were listed on the Stock Exchange since 8 July 2005, the Code was not applicable to the Company for the six months ended 30 June 2005. The Company intends to comply with all the code provisions of the Code. Audit Committee and Remuneration Committee were set up.

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company 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 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein since the listing of the Company's shares on the Stock Exchange on 8 July 2005.

Review by Audit Committee

The 2005 Interim Report has been reviewed by the Company's Audit Committee which comprises three Independent Non-executive Directors.

On behalf of the Board, I would like to take this opportunity to express our gratitude for the support of the shareholders and our business partners and the contribution of our staff.

By order of the Board

Kong Qingping

Chairman and Non-executive Director

Hong Kong, 26 August 2005