



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Stock Code: 03311)

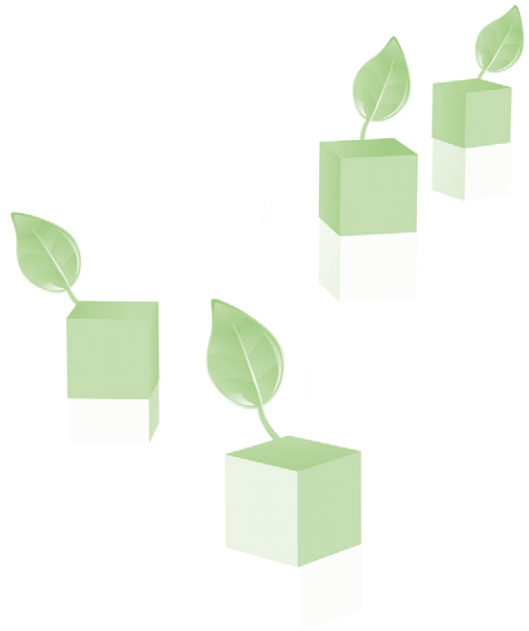
Interim Report 2009



Exercise caution in **details and implementation**  
Build a strong foundation **to seek greater success**

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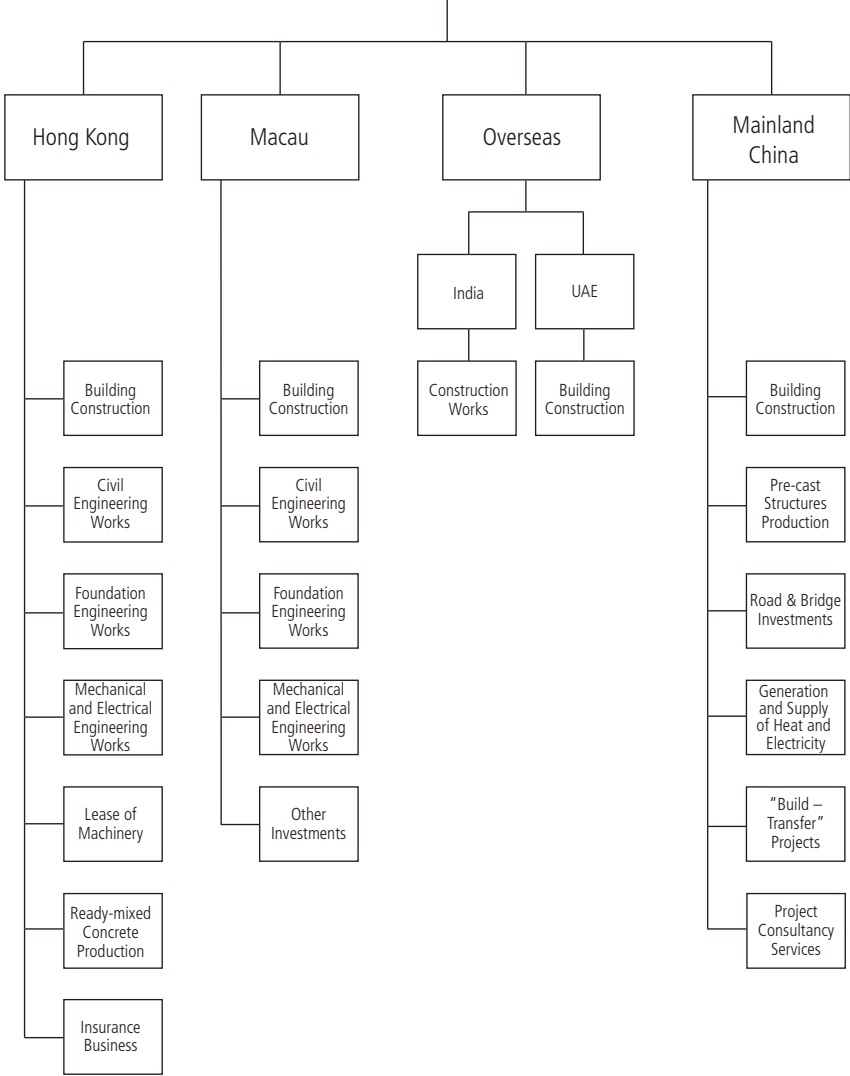
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# Corporate Structure



 **中國建築國際集團有限公司**  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED



# Board of Directors and Committees



## Board of Directors

### Chairman and Non-executive Director

Kong Qingping

### Honorary Chairman

#### (Non-board Member)

Sun Wen Jie

### Executive Directors

Zhou Yong

*(Vice-chairman and Chief Executive Officer)*

Yip Chung Nam

Fu He

Zhou Hancheng

Cheong Chit Sun

### Independent Non-executive Directors

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

## Audit Committee

Raymond Ho Chung Tai *(Chairman)*

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

## Remuneration Committee

Kong Qingping *(Chairman)*

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

## Nomination Committee

Kong Qingping *(Chairman)*

Zhou Yong

Fu He

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

# Corporate Information



## Authorised Representatives

Kong Qingping  
Zhou Yong

## Auditor

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## Company Secretary

Connie Chiang Yuet Wah

## Legal Advisor

JSM

## Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street, P.O. Box 705  
George Town, Grand Cayman  
Cayman Islands

## Principal Bankers

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
    Hong Kong Branch  
BNP Paribas Hong Kong Branch  
CALYON  
DBS Bank Ltd., Hong Kong Branch  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking  
    Corporation Limited

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Hong Kong

## Stock Code

3311

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## Website

[www.csci.com.hk](http://www.csci.com.hk)

## Head Office and Principal Place of Business in Hong Kong

28th Floor, China Overseas Building  
139 Hennessy Road, Wanchai  
Hong Kong

## Financial Calendar

### Interim Results Announcement

17 August 2009

### Closure of Register of Members

17 September 2009 to 18 September 2009  
(both days inclusive)

### 2009 Interim Dividend Payable

28 September 2009

# Chairman's Statement



## **Exercise Caution in Details and Implementation Build a Strong Foundation to Seek Greater Success**

### **Results**

The Group's unaudited profit attributable to the shareholders and earnings per share for the six months ended 30 June 2009 increased by 17.9% to HK\$303 million and 17.5% to HK12.40 cents respectively as compared to the announced results of the corresponding period last year. As at 30 June 2009, equity attributable to the shareholders increased to HK\$2,756 million while net assets per share amounted to HK\$1.12.

### **Review of Operation**

During the first half of 2009, countries around the world unprecedentedly joined hands to adopt proactive fiscal and monetary policies. In Europe and US, despite the slowing down of economic deterioration and the restoration in corporate and consumer confidence, the economic fundamentals were still weak. Growth in emerging economies, as represented by China and India, was above expectation, and these countries became the new engine that drove the global economic recovery.

### **Market Conditions**

Under the impacts of the financial tsunami, Hong Kong's export sector experienced severe difficulties, demands continued to be weak with higher unemployment rate. The number of newly-completed private buildings and those with consent to commence work drastically dropped. However, benefited from the policies of the Government of the Hong Kong Special Administrative Region in infrastructure investments promotion, fiscal stimulus and job creation, the Hong Kong construction market is still full of opportunities. Equipped with the highest qualification in Hong Kong market, the five Group C licenses, the Group maintained its steady and healthy business strategy of "Competing by Low Cost and High Quality of Management", which preserved our competitiveness in the Hong Kong market.

Macau was not immune from such economic crisis, under the tightening of the Mainland China's individual travel scheme, the slowing down or suspension of investment and development plans by some developers of gambling concession projects, and the shrinkage in the newly-launched government and private projects. Our construction projects already in progress in Macau, however, proceeded as scheduled in a neat and organized manner, and generated good profit contribution.

# Chairman's Statement

(continued)



In Dubai of the United Arab Emirates (“UAE”), the impact of the financial crisis continued, with some property projects coming to a halt as property owners became financially difficult. However, the local government’s continuing capital injections offered an opportunity for Dubai’s economy to rest and recover. Facing challenges, we adhered to the strategy of prudent operation and effectively confined risks under controllable scope. In Abu Dhabi, where the construction market was still booming, the market demand was substantial, and we fully took advantage of our mature experience in Hong Kong to engage ourselves in business expansion and operation in that region.

In Mainland China, the state’s launch of the 4-trillion investment stimulus scheme specifically, the 10 industry revival plans, and some other macroscopic policies on improvement of people’s livelihood and stabilization of exports, had resulted in the rebound and recovery of the economy as a whole. Adhering to “obtaining sustainable growth in profits” as its ultimate goal of business expansion and operation, the Group prudently selected those construction businesses having foreign investments and those build-transfer (“BT”) model investment businesses that have promising prospects of profits.

## Corporate Governance

The Group operated lawfully by strictly complying with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited. Effective monitoring by the Board, enhanced investor relations, timely release of relevant information and enhanced investor understanding about the Company, contributed to the continual enhancement in the standard of corporate governance of the Company.

The Group will maintain a sound and effective corporate governance structure and enhance its strategy of regional operation and development. In order to cope with the challenge in the market posed by the financial tsunami, the Group will adjust its strategic planning in a timely manner and enhance its overall risk management system. It will also fully leverage the role of the Group’s Cross-region Decision Committee to ensure that the Group is operated in a highly effective manner. It will further enhance its brand building to highlight its brand image, with a view to promoting the steady growth of its business operations.

# Chairman's Statement

(continued)



## Risk Management

The Group exercised full-scale enhancement of its risk management by establishing a Risk Management Control Committee and establishing a corresponding comprehensive risk control mechanism and system at the Group's level. From a strategic perspective, the Group accurately evaluated the market conditions and adjusted its strategy in a decisive and timely manner, ensuring the effective implementation of major operations strategy. Risk control in various operating segments was enhanced. Safety production was highly emphasized and materials procurement was closely monitored. By optimizing management procedures, it helped to enhance management performance. These had contributed to enhancing operational effectiveness of the enterprise and benefits to the society. Regarding to our investment business, the Group had gradually built up a set of systems and procedures to treat risk control as our top priority. Team building, decision-making system and establishment of systems were given priority, and systems and procedures for investment decisions were set up in an organized manner, in order to maximize protection of our investments against risks.

## Financial Management

Our financial management, fund management and external financing were centrally managed and controlled at our headquarters. In line with its principles of prudent finance, the Group maintained very sound financial position. For its overseas market, the Group closely monitored the local economic development of the respective markets, and focused on avoiding currency exchange rate risks and interest rate risks. By holding quarterly economic activity analysis and thematic session on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are made to ensure the healthy expansion and operation of the Group's various business segments.

## Capital Operation and Related Investment Business

On 16 July 2009, the Group announced the "Proposed rights issue on the basis of one rights share for every five existing shares held" proposal. Upon completion of the rights issue, HK\$1.37 billion before expenses would be raised for the long term equity capital of the Group. The fund raising ensures the Group's ability to capture investment opportunities in Mainland China, enlarge the capital base of the Company and strengthen the Company's financial position.



# Chairman's Statement

(continued)



The Group captured the valuable opportunities arising from the investment stimulus plan in Mainland China and fostered its BT investment business. Related efforts were fully launched and breakthroughs were already achieved. The Group and China State Construction Engineering Corporation Limited (“CSCECL”), the controlling shareholder, entered into a Joint Venture Agreement, pursuant to which both parties shall form a joint venture company for the construction of the 唐山市濱海大道項目 (“Tangshan Binhai Avenue”). In addition, the Group entered into a Wuhan Joint Venture Agreement with CSCECL and its subsidiary to construct the Wuhan Infrastructure Project.

## Corporate Citizenship

In addition to the pursuit of profits for its shareholders, the Group attached great emphasis to social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship, taking to heart a traditional idea for corporate citizenship. The Group’s care for the community, active participation in community affairs and charitable deeds contributed to the society and raised funds to help people in need. The Group has active participation in the charitable “Walk for a Million” in Hong Kong. As always, the Group highly valued the construction quality, safety and environmental issues, and was actively involved in various activities regarding quality, safety and environmental protection. Our efforts were highly recognized by the clients and various parties and we have received various awards in relation to safety and environmental protection.

## Key Awards

During the first half of 2009, “China State Construction” was conferred the “Caring Company Logo 2008/09” by the Hong Kong Council of Social Service in recognition of its commitment to corporate citizenship during the previous year; China State Construction Engineering (Hong Kong) Limited was conferred Merit (Construction Industry) by the Environmental Campaign Committee; the Site Formation Works at Anderson Road Project was conferred Civil Engineering Sites Bronze Award in the Construction Industry Safety Award Scheme 2008/2009 held by the Labour Department of Hong Kong etc.; the Maintenance Project for Roads in Sha Tin was conferred Considerate Contractors Site Award 2008 Silver Award by the Development Bureau of Hong Kong.

We were conferred an “Overall Annual Report Bronze Award” in the 22nd “Mercury Awards International” in respect of the Group’s Annual Report 2007. In addition, we were conferred the “Cover Photo/Design Gold Prize” and “Honor for Overall Annual Report” in the “International ARC Awards”, the world’s largest annual report competition, in respect of the Group’s Annual Report 2008.

# Chairman's Statement

(continued)



## Business Prospects

Although, to a certain extent, there were signs of recovery of the global economy, the pace of recovery will be slow and lack of luster. The global economy is now at a critical stage, showing an upward trend yet facing potential challenges.

## Market Conditions

Under the dual impact of the financial tsunami and the H1N1 Novel Influenza, Hong Kong's economy will still potentially face its downside in the second half of 2009. However, driven by the strong economic recovery in Mainland China, as well as the large scale infrastructure investment by the Government of the Hong Kong Special Administrative Region with a view to stimulating the economy, signs of economic recovery already appeared. Construction of large scale public infrastructure projects will also commence in succession. There are full of business opportunities in the construction market in Hong Kong. In Macau, the expedited diversification of the region's economy, and the launch of infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge will have positive effects on the recovery of the construction market in Macau.

The series of fund injection and stimulus packages introduced by the local government of Dubai will be conducive to the recovery of economy and the stabilization and recovery of the real estate market in Dubai. In Abu Dhabi, population growth, town planning and the tourism industry are expected to drive remarkable growth in the construction market and bring forth promising prospects.

The increase in investment and the resulting increase in local investment in Mainland China will provide advantageous environment and spacious room for development for the Group's construction and investment business. At the same time, the Central Government's strategy to encourage and support potential enterprises to accelerate their "Going Out" initiatives, and the stepped-up efforts in external investment and cooperation, also provide beneficial policy environment for the implementation of the Group's internationalization strategy.

# Chairman's Statement

(continued)



## Operation Strategies

The Group will continue to be in full gear to implement the developing strategy of “Cross-region Operation”, building an operation platform for three regions of Hong Kong and Macau, overseas region and Mainland China and to strike a balance for scale versus efficiency, and risks versus opportunities.

With firm determination to maintain and enhance the development of the scale of its business in Hong Kong and Macau, the Group will take full leverage on synergy of the integration of both places, striving to maintain and concrete its current market share and assuring its position as one of the largest construction contractors in the region of Hong Kong and Macau to further boost its profitability.

In respect of Mainland China, the Group will continue its great development trend to bring its international and national operating ability and resources in full play and adhere to contracting sizeable projects which are mainly the foreign-invested to guard itself against risks and maximize its gains; on the back of the good investment opportunities in Mainland China, the Group will utilize its competitive strengths to focus on its investments in the Mainland China's infrastructure construction, namely the BT and BOT projects, endeavoring to establish a new engine for profit growth in investment business. Meanwhile, the Group will continue to actively seek for co-operation and exploration opportunities in respect of environmental protection and clean energy investment.

Our overseas business will focus on Dubai and Abu Dhabi of the UAE, striving for gains while keeping stability. At the same time, the Group will adopt the strategy of “selective tendering” in Indian market. In other overseas markets, the principle of case-by-case exploration will be adhered to, focusing the resources on participating in those economic assistance projects under the “Going Out” strategic framework formulated by the Central Government.

# Chairman's Statement

(continued)



## Operation Management

The Group has been engaging in the construction business for almost 30 years, and has developed five major competitive strengths and core competitiveness with high regard on the promotion of the “5+3” project management model. The Group will enhance its management innovation and foster more refined management to boost effectiveness in management. The Group will actively foster the development of its information computerization with due regard to its strategic development plan. Implementation of the NC system and ERP system will also be fostered to enhance the management standard of the Company.

## Risk Management

The Group will continue to step up its efforts in risk management and control as well as comprehensive inspection and auditing, enhancing risk prevention and being conscious of risk alert, to reasonably guard itself against risks. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment. Following further internationalization of its business, the Group will step further to optimize the risk management and control structure for its overseas businesses.

## Financial Management

Financial management is continuously strengthened to further improve our capability in capital operation and fund raising and effectively support our business expansion. The Group will continue to make active efforts to promote its ERP system aiming at strengthening the run-through of information for projects and operations, actively control its costs, and optimize its cashflow, so as to improve the Group's overall operation efficiency and risk management capability.

## Human Resources Management

The Group has long been regarding “the formulation of an international team of talents with fine strengths and high efficiency under a clear and reasonably-established structure” as an important element for securing the sustainable development of its business. The Group will further improve and optimize its advanced human resources management structure, and formulate a talented team which practically suits the trend of its business development, so as to secure a pool of talents for the Group's future development.

# Chairman's Statement

(continued)



## Company Mission

With an assertion on using talents well, the Group makes continuing innovations and reinforces its core competitiveness, to achieve a harmonious and win-win operating environment for the products, customers, shareholders and staff.

In pursuit of its philosophy of **“Exercise caution in details and implementation. Build a strong foundation to seek greater success”**, the Group focuses on details and advocates pragmatic works. Consistently pursuing the professionalism of “Achieving superb quality in each process thus making each property of superb quality”, the Group is committed to offering excellent products and services in excess of their own values, facilitating the urbanization and enhancing the living environment quality, actively performing its responsibilities as a corporate citizen, improving competitiveness and shareholder's value, and striving to build up an evergreen business regime.

## Appreciation

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiast help, and last but not least, to our staff for their dedicated efforts.

### Kong Qingping

*Chairman and Non-executive Director*

Hong Kong, 17 August 2009

# Management Discussion and Analysis



## Overall performance

For the six months ended 30 June 2009, the consolidated revenue and gross profit of the Group were HK\$5,502 million and HK\$465 million respectively, whilst gross profit margin was 8.4%. Before the restatement of the comparative figures in the same period last year, the profit attributable to the owners of the Company increased by 17.9% to HK\$303 million and the basic earnings per share increased by 17.5% from HK10.55 cents to HK12.40 cents. The Board of Directors declared an interim dividend per share of HK3.60 cents for the shareholders (including the new allotment of the Rights Shares), equivalent to a dividend payout ratio of approximately 35%.

As at 30 June 2009, total assets of the Group were HK\$9,494 million of which current assets were HK\$7,312 million, representing approximately 1.3 times of current liabilities. The equity attributable to owners of the Company was HK\$2,756 million.

For the six months ended 30 June 2009, the Group has improved its cash flow position, cash and cash equivalents of the Group increased by HK\$188 million to HK\$2,086 million, whilst net cash inflow from operating activities was HK\$473 million (corresponding period in 2008: net cash outflow HK\$210 million).

The acquisition of the infrastructure project investment in the second half of 2008 was treated as common control combination. Merger accounting was adopted as if the acquisition had been completed as at 1 January 2008. Thus, the following comparative figures used for the analysis were based on the restated figures.

## Revenue and Gross Profit

For the six months ended 30 June 2009, the Group recorded a revenue of HK\$5,502 million (corresponding period in 2008: HK\$5,439 million) and achieved a gross profit of HK\$465 million (corresponding period in 2008: HK\$430 million).

Revenue was mainly generated from construction business, supply of heat and electricity business and infrastructure project investment. Construction business continues to dominate the business segment of the Group, which contributed revenue of HK\$5,241 million, equivalent to 95.3% of the Group's revenue. The revenue from supply of heat and electricity business increased by 30.5% to HK\$194 million as compared to the same period last year because of the increase in the area of heat supply. The revenue from infrastructure project investment remained stable at HK\$31 million as compared to the same period last year.

# Management Discussion and Analysis

(continued)



## By geographical sectors

### (i) Hong Kong market

For the six months ended 30 June 2009, revenue and gross profit derived from the Hong Kong market increased by 18.0% to HK\$3,352 million and 39.1% to HK\$163 million respectively as compared to the same period last year. The Hong Kong market remained the major revenue contributor of the Group, which contributed 60.9% of the overall revenue. The gross profit margin increased from 4.1% in the first half of 2008 to 4.9% for the period because of the improvement of market competition environment and effective cost control policies.

### (ii) Mainland China market

The revenue arising from the Mainland China market increased by 93.1% to HK\$616 million as compared to the same period last year, which mainly comprised the revenue from (a) construction business at the amount of HK\$382 million (corresponding period in 2008: HK\$123 million), (b) supply of heat and electricity business at the amount of HK\$194 million (corresponding period in 2008: HK\$149 million) and (c) infrastructure project investment for the both periods at the amount of HK\$31 million.

The revenue from the construction business increased by 2.1 times as compared to the same period last year, because the Group has been awarded several building construction projects and the projects have progressed satisfactorily during the period. In addition, owing to the increase in the area of heat supply in the fourth quarter last year, the revenue from supply of heat and electricity for the period increased by 30.5% as compared to the same period last year.

The gross profit contributed from Mainland China market was HK\$166 million for the period (corresponding period in 2008: HK\$118 million), representing an increase of 40.7%. The gross profit arising from both of construction business and supply of heat and electricity business increased by 36.2% to HK\$64 million and 50% to HK\$54 million respectively, as compared to the same period last year.

# Management Discussion and Analysis

(continued)



## (iii) Macau market

The revenue and gross profit contributed from the Macau market decreased by 30.3% to HK\$889 million and 22.4% to HK\$108 million respectively, as compared to the same period last year. The major reason was the negative effects caused by the financial tsunami, resulting in the suspension or forfeiture of private sectors investment plans, and no large scale governmental project launched during the period.

## (iv) UAE market

The revenue and gross profit arising from the UAE market decreased by 31.8% to HK\$644 million and 47.1% to HK\$28 million respectively, as compared to the same period last year. It was because two projects were completed in last year, the remaining projects are in the final stage of completion and the newly awarded project is still in the preliminary stage as at 30 June 2009.

## Administrative Expenses

Administrative expenses decreased by 4.4% to HK\$159 million for the six months ended 30 June 2009 as compared to the same period last year.

## Finance Costs

Although the bank loan of HK\$1 billion was fully drawn down in the fourth quarter last year, the finance costs for the six months ended 30 June 2009 decreased from HK\$6.65 million to HK\$5.64 million as compared to the same period last year due to the drop in interest rate during current period and an arrangement fee was included in the finance costs in the same period last year.

## Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$303 million (corresponding period in 2008: HK\$280 million) and on the weighted average number of 2,446,450,000 (corresponding period in 2008: 2,437,547,000) ordinary shares in issue during the period.



# Management Discussion and Analysis

(continued)



## New Projects Awarded

From 1 January 2009 to the date of this report, the Group secured 31 new contracts with a total attributable contract value of HK\$11,140 million as shown below:

	Up to the date of this report						For the corresponding	
	First half of 2009		After 30 June 2009		Total		period in 2008	
	No.	HK\$' Million	No.	HK\$' Million	No.	HK\$' Million	No.	HK\$' Million
Hong Kong Project	17	4,404	3	2,466	20	6,870	16	6,814
Mainland China Project	8	3,142	1	794	9	3,936	2	716
Macau Project	1	2	—	—	1	2	5	1,476
UAE Project	—	—	—	—	—	—	—	—
Indian Project	—	—	1	332	1	332	—	—
<b>Total</b>	<b>26</b>	<b>7,548</b>	<b>5</b>	<b>3,592</b>	<b>31</b>	<b>11,140</b>	<b>23</b>	<b>9,006</b>

Major projects awarded:

- Hong Kong:** Construction of Tin Shui Wai Public Library cum Indoor Recreation Centre; Construction of Un Chau Estate Phase 5; Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4; Replacement and Rehabilitation of Water Mains, Stage 3 Mains in Central and Western District; and
- Mainland China:** 唐山市濱海大道海港開發區至曹妃甸段內線工程項目(“Tangshan Binhai Avenue (Section from Seaport Development Zone to Caofeidian Inner Link)”).

# Management Discussion and Analysis

(continued)



## Projects in Progress

As at 30 June 2009, the Group had a total of 90 projects in progress, with a total attributable contract value of HK\$43,943 million while value of incomplete contracts was HK\$22,767 million as shown below:

	30 June 2009			30 June 2008	
	No.	Attributable contract value HK\$' Million	Value of incomplete contract HK\$' Million	No.	Attributable contract value HK\$' Million
Hong Kong Project	60	23,295	12,738	55	19,314
Mainland China Project	11	4,084	3,709	8	1,113
Macau Project	12	10,426	3,568	16	12,006
UAE Project	7	6,138	2,752	7	5,267
Indian Project	—	—	—	1	309
Total	90	43,943	22,767	87	38,009

Projects in progress have been smoothly undertaken and with great effort in control and management on quality, safety, environmental protection, progress and cost in accordance with the laws of the government of various places and the contractual requirements. Clients are served with services of the best quality.

# Management Discussion and Analysis

(continued)



## Corporate Finance

The management and control of the Group's financial, capital management and external financing functions are centralized. The Group has been adhering to the principle of prudent financial management.

## Liquidity

As at 30 June 2009, the Group had bank balances and cash of HK\$2,101 million (31 December 2008: HK\$1,917 million). The portfolio of the currencies of bank deposits was listed as follow:

	30 June 2009	31 December 2008
Hong Kong Dollars	43%	58%
Renminbi	30%	36%
Macao Patacas	9%	4%
United Arab Emirates Dirhams	10%	1%
Indian Rupees	1%	1%
US Dollars	7%	—

## Financing Credit and Financial Resources

As the Group has a sound operations for over thirty years and maintains a good relationship with a number of well established banks both in Hong Kong and Mainland China.

On 16 July 2009, the Company announced to raise not less than approximately HK\$1,366,094,000 before expenses by way of rights issue of 489,639,491 Rights Share at a price of HK\$2.79 per Rights Share on the basis of one Rights Share for every five existing Shares held on 7 August 2009. The net proceeds will be used for enlarging capital base of the Company, strengthening the Company's financial position and further investment in the construction of infrastructure projects included in the proposed RMB4 trillion market-rescuing plan in Mainland China.

In August 2009, the Group obtained a credit facility from a local bank in Mainland China at the amount of RMB800 million for the period of 3 years.

As at 30 June 2009, the Group had net cash and bank balances at HK\$1.1 billion. Together with the expected proceeds from the rights issue and the committed and unutilized banking facilities (including the letter of guarantee, working capital and term loan facilities), the Group has sufficient financial resources to meet the funding requirements for business development opportunities in Hong Kong, Macau, Mainland China and overseas markets.

# Management Discussion and Analysis

(continued)



## Utilisation of Financial Resources

The Group has commenced to participate in the construction-related investment projects by fully taking advantage of its strong financial capability and substantial experience in the construction of infrastructure projects.

In April 2009, the Group entered into a joint venture agreement with its controlling shareholder to form a joint venture company to tender the large scale construction of infrastructure project in Mainland China. Subsequently, the joint venture company was awarded a build-transfer (“BT”) project in Tangshan City. The construction period will be 2 years and government buy-back period will be 3 years.

In July 2009, the Group entered into another joint venture agreement with its controlling shareholder and its subsidiary in relation to the establishment of joint venture company to undertake a BT project in Wuhan City. The construction period will be 2 years and government buy-back period will be 3 years.

After completion of the first part of Phase IV for the heat plant in Shenyang, the Group has further expansion plan for the second part of Phase IV in the near future. The heat supply area will be expected to increase. The Group will keep seeking other newly developed residential zone for further expansion.

The Group will cautiously seek for the development opportunity with a view to balance the risk and opportunity in maximizing shareholder’s value.

## Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangement

The Group’s bank borrowings have been made at floating rates.

The Group operates in various regions with different foreign currencies, therefore the Group reviews the exchange risk regularly and monitors closely to the foreign exchange exposure and continuously tracks the local economic development, monetary policies and conditions that would have an impact on exchange rates in local markets.

Renminbi has been relatively stable in the reporting period, but the Group will continue to keep a close attention to the trend of Renminbi and will make proper adjustment if necessary. The exchange rates for UAE Dirhams and Macao Patacas are relatively stable.

The Group has no hedging arrangement for foreign currencies or interest rates and has not involved in the financial derivatives.

# Management Discussion and Analysis

(continued)



## Credit Exposure

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

## Risk Management

The global financial market and financial system are seriously affected by the financial tsunami and moving towards economic recession obviously. From a strategic perspective, the Group evaluated the market conditions and adjusted its strategy in a timely manner and made determined decisions, to ensure the effective implementation of major operations strategies.

The Risk Management Control Committee of the Group evaluates and builds up corresponding risk control system in various segments including: (1) timely review the financial position of the clients; (2) create contract management to ensure sound control of risks in various parts of its operations; (3) improve its materials procurement management by keeping track of market trend to minimise the price fluctuation risk and (4) strengthen the assets management to safeguard the assets of the Group.

The Group continues to strengthen the internal control system and risk control system of the overseas operations. The management regularly reviews the local market risk, legal risk, contract risk and credit risk of the customers of the overseas markets.

Due to the increase in the amount of investment in Mainland China, the Group has established the investment evaluation system and a professional team was formed to executed to review the investment opportunities. The investment decision is based on the evaluation of the rate of return, operation risk, policy risk, the contract risk and the exit mechanism of the project.

# Unaudited Consolidated Income Statement



For the six months  
ended 30 June

	Notes	2009 HK\$'000	2008 HK\$'000 (Restated)
Revenue	3	5,501,951	5,439,138
Contract costs		(4,870,294)	(4,823,688)
Other costs of sales		(167,111)	(185,764)
Gross profit		464,546	429,686
Investment income	5	17,658	15,121
Other income		26,053	18,781
Administrative expenses		(159,136)	(166,419)
Distribution and selling expenses		(6,751)	(1,219)
Other expenses		(5,282)	(1,491)
Reversal of impairment loss of properties held for sales		—	18,298
Share of profits of associates		3,550	4,899
Finance costs		(5,639)	(6,654)
Profit before tax	6	334,999	311,002
Income tax expense	7	(31,648)	(23,814)
Profit for the period		303,351	287,188
Attributable to:			
Owners of the Company		303,351	280,070
Non-controlling interests		—	7,118
		303,351	287,188
Earnings per share (HK cents)	9		
Basic		12.40	11.49
Diluted		11.96	10.96

# Condensed Consolidated Statement of Comprehensive Income



	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000 (Restated)
Profit for the period	<b>303,351</b>	287,188
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	<b>(1,671)</b>	58,320
Fair value changes of available-for-sale investments	<b>10,866</b>	(8,464)
	<b>9,195</b>	49,856
Total comprehensive income for the period	<b>312,546</b>	337,044
Total comprehensive income attributable to:		
Owners of the Company	<b>312,546</b>	329,926
Non-controlling interests	<b>—</b>	7,118
	<b>312,546</b>	337,044

# Consolidated Balance Sheet



	Notes	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	1,091,367	1,107,275
Investment properties		44,012	44,692
Investment in lands consolidation		49,837	49,814
Interests in infrastructure project investment		458,447	466,876
Trade receivables from build-transfer project		113,443	—
Prepaid lease payments		77,428	78,536
Interests in associates		40,083	41,258
Available-for-sale investments		103,284	98,169
Amounts due from investee companies		204,218	181,940
		<b>2,182,119</b>	2,068,560
<b>Current Assets</b>			
Interests in infrastructure project investment		17,526	15,782
Prepaid lease payments		2,239	2,238
Inventories		25,725	55,509
Properties held for sale		8,477	9,309
Amounts due from customers for contract work		854,402	506,385
Trade and other receivables	11	3,548,884	3,703,163
Deposits and prepayments		311,799	232,690
Amounts due from jointly controlled entities		33,924	67,951
Amounts due from the partners of jointly controlled entities		280,860	292,098
Amounts due from fellow subsidiaries		123,392	108,291
Amount due from holding company		954	2,238
Tax recoverable		2,649	2,414
Deposits with financial institution		—	177
Pledged bank deposits		14,333	16,690
Bank balances and cash		2,087,132	1,900,169
		<b>7,312,296</b>	6,915,104



# Consolidated Balance Sheet

(continued)



	Notes	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Amounts due to customers for contract work		437,629	301,089
Trade and other payables	12	3,992,823	3,690,426
Deposits received and receipt in advance		589,946	623,762
Amounts due to jointly controlled entities		280,154	308,820
Amounts due to the partners of jointly controlled entities		27,939	46,879
Amount due to intermediate holding company		33,766	86,583
Amounts due to fellow subsidiaries		4,941	4,270
Amount due to an associate		8,519	10,139
Tax liabilities		122,696	114,622
Borrowings		831	37,128
Obligations under finance leases		81	162
		<b>5,499,325</b>	5,223,880
<b>Net Current Assets</b>			
		<b>1,812,971</b>	1,691,224
<b>Total Assets less Current Liabilities</b>			
		<b>3,995,090</b>	3,759,784
<b>Capital and Reserves</b>			
Share capital	14	61,204	61,119
Share premium and reserves		2,695,178	2,462,138
		<b>2,756,382</b>	2,523,257
<b>Non-current Liabilities</b>			
Deferred income		161,241	165,320
Deferred tax liabilities		77,393	71,133
Unsecured bank loan		1,000,000	1,000,000
Obligations under finance leases		74	74
		<b>1,238,708</b>	1,236,527
		<b>3,995,090</b>	3,759,784

# Unaudited Consolidated Statement of Changes in Equity



## Attributable to owners of the Company

	Share capital		Special redemption reserve		Share investment options revaluation reserve		Translation reserve	Statutory reserve	Retained profits	Non-controlling interests		Total
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000				HK\$'000	HK\$'000	
At 1 January 2008 (audited)												
As previously stated	60,821	997,528	(271,597)	—	5,121	2,532	81,041	11,192	1,269,045	2,155,683	—	2,155,683
Effect of combinations under common control	—	—	(183,826)	—	—	—	—	—	181,514	(2,312)	86,386	84,074
As restated	60,821	997,528	(455,423)	—	5,121	2,532	81,041	11,192	1,450,559	2,153,371	86,386	2,239,757
Profit for the period	—	—	—	—	—	—	—	—	280,070	280,070	7,118	287,188
Fair value changes of available-for-sale investments	—	—	—	—	—	(8,464)	—	—	—	(8,464)	—	(8,464)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	58,320	—	—	58,320	—	58,320
Total comprehensive income for the period	—	—	—	—	—	(8,464)	58,320	—	280,070	329,926	7,118	337,044
Issue of ordinary shares upon exercise of share options and warrants	139	1,639	—	—	(338)	—	—	—	—	1,440	—	1,440
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	13,634	13,634
Recognition of equity-settled share based payments	—	—	—	—	844	—	—	—	—	844	—	844
2007 final dividend paid	—	—	—	—	—	—	—	—	(109,726)	(109,726)	—	(109,726)
At 30 June 2008 (unaudited)	60,960	999,167	(455,423)	—	5,627	(5,932)	139,361	11,192	1,620,903	2,375,855	107,138	2,482,993
At 1 January 2009 (audited)	61,119	1,004,848	(494,777)	337	5,252	(12,131)	121,706	11,556	1,825,347	2,523,257	—	2,523,257
Profit for the period	—	—	—	—	—	—	—	—	303,351	303,351	—	303,351
Fair value changes of available-for-sale investments	—	—	—	—	—	10,866	—	—	—	10,866	—	10,866
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(1,671)	—	—	(1,671)	—	(1,671)
Total comprehensive income for the period	—	—	—	—	—	10,866	(1,671)	—	303,351	312,546	—	312,546
Issue of ordinary shares upon exercise of share options and warrants	85	1,016	—	—	(207)	—	—	—	—	894	—	894
Recognition of equity-settled share based payments	—	—	—	—	467	—	—	—	—	467	—	467
2008 final dividend paid	—	—	—	—	—	—	—	—	(80,782)	(80,782)	—	(80,782)
At 30 June 2009 (unaudited)	61,204	1,005,864	(494,777)	337	5,512	(1,265)	120,035	11,556	2,047,916	2,756,382	—	2,756,382

# Unaudited Consolidated Statement of Changes in Equity

(continued)



Notes:

- (a) Special reserve as at 1 January 2008 arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiaries, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited (“Fuller Sky”) and Value Idea Investments Limited (“Value Idea”) under common control. The amount represents excess of considerations paid over the share capital of the acquired companies and net of distribution to the former shareholders.
- (b) The ordinary shares of the Company are repurchased out of the Company’s retained profits, the amount by which the Company’s issued share capital is diminished on cancellation of the shares repurchased was transferred to the capital redemption reserve.
- (c) The statutory reserve of the Group represents general and development fund reserve applicable to the overseas and People’s Republic of China (“PRC”) subsidiaries which was established in accordance with the relevant regulations.

# Unaudited Condensed Consolidated Cash Flow Statement



For the six months  
ended 30 June

	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>472,542</b>	(209,841)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(88,050)</b>	(94,324)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(196,114)</b>	389,323
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>188,378</b>	85,158
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>1,900,169</b>	1,544,547
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(2,246)</b>	(239)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>2,086,301</b>	1,629,466
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>2,087,132</b>	1,629,814
Bank overdrafts	<b>(831)</b>	(348)
	<b>2,086,301</b>	1,629,466

# Notes to the Financial Statements



## (1) Basis of preparation

On 6 October 2008, Ever Power Group Limited (“Ever Power”), an indirect wholly-owned subsidiary of the Company, has entered into two Sale and Purchase Agreements, with Massive Information Enterprises Limited, an indirect wholly-owned subsidiary of China Overseas Holdings Limited (“COHL”), the immediate holding company of the Company, and China Overseas Road & Bridge Holdings Limited, an indirect wholly-owned subsidiary of China Overseas Land & Investment Ltd., a listed fellow subsidiary of the Company respectively, whereby Ever Power shall acquire the entire issued share capital and the loan amount of Fuller Sky Enterprises Limited (“Fuller Sky”) and Value Idea Investments Limited (“Value Idea”) at the consideration of HK\$235 million and HK\$220 million, respectively. All the transfers were completed in November 2008.

The transfer of the entire interests in Fuller Sky and Value Idea (the “Acquired Companies”) as mentioned above are common control combinations and the Group and the Acquired Companies are regarded as continuing entities. 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 Acquired Companies has been completed as at 1 January 2008. Accordingly, the comparative figures of the consolidated income statement and condensed consolidated statement of comprehensive income have been restated.

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited interim financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

# Notes to the Financial Statements

(continued)



## (2) Principal accounting policies

The interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values, as appropriate.

Except for the adoption of new and revised standards, amendments and interpretations (“New HKFRSs”) issued by HKICPA which are effective on or after 1 January 2009, the accounting policies used in the interim financial statements are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2008.

In the period, the Group has applied the following New HKFRSs which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

HKFRS 8 requires segment disclosure to be based on the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s chief operating decision maker.

The directors concluded that the adoption of these New HKFRSs had no material effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

# Notes to the Financial Statements

(continued)



## (2) Principal accounting policies (continued)

The Group has not early applied the following revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>2</sup>

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

<sup>2</sup> Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Financial Statements

(continued)



## (3) Revenue

Revenue represents the revenue arising on construction contracts, project management service income, revenue from supply of heat and electricity, revenue from provision of connection services, revenue from infrastructure project investment, net amount received and receivable for precast structures and building materials sold by the Group to outside customers, less returns and allowances and revenue from machinery leasing and insurance contracts.

An analysis of the Group's revenue for the period was as follows:

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
Revenue from construction contracts	5,130,808	4,908,304
Project management service income	110,485	291,409
Revenue from supply of heat and electricity	190,747	146,126
Revenue from provision of connection services	3,438	2,670
Revenue from infrastructure project investment	30,614	31,626
Sales of precast structures and building materials	27,968	40,482
Other income (note)	7,891	18,521
	<b>5,501,951</b>	5,439,138

Note: Other income mainly comprises revenue from machinery leasing and insurance contracts.



# Notes to the Financial Statements

(continued)



## (4) Segment information

On first time adoption of HKFRS 8 “Operating segments” and in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment, the Group is currently organised into five geographical segments – Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau, United Arab Emirates (“UAE”) and India.

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

### Revenue and result For the six months ended 30 June 2009

	Hong Kong HK\$'000	Regions in the PRC (other than Hong Kong and Macau) HK\$'000	Macau HK\$'000	UAE HK\$'000	India HK\$'000	Sub-total HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>								
External sales	3,352,379	616,098	889,379	644,095	—	5,501,951	—	5,501,951
Inter-segment sales	979	55,793	—	—	—	56,772	(56,772)	—
<b>Total revenue</b>	<b>3,353,358</b>	<b>671,891</b>	<b>889,379</b>	<b>644,095</b>	<b>—</b>	<b>5,558,723</b>	<b>(56,772)</b>	<b>5,501,951</b>

Inter-segment sales are charged at prevailing market rates.

<b>RESULT</b>								
Segment gross profit	162,767	166,025	108,093	27,661	—	464,546	—	464,546
Segment results	114,708	158,962	106,408	10,909	(1,728)	389,259	—	389,259
Inter-segment result	15,773	—	—	—	—	15,773	(15,773)	—
	<b>130,481</b>	<b>158,962</b>	<b>106,408</b>	<b>10,909</b>	<b>(1,728)</b>	<b>405,032</b>	<b>(15,773)</b>	<b>389,259</b>
Unallocated corporate expenses								(52,171)
Share of profits of associates								3,550
Finance costs								(5,639)
Profit before tax								334,999
Income tax expense								(31,648)
<b>Profit for the period</b>								<b>303,351</b>

# Notes to the Financial Statements

(continued)



## (4) Segment information (continued)

### Revenue and result

For the six months ended 30 June 2008 (restated)

	Hong Kong HK\$'000	Regions in the PRC (other than Hong Kong and Macau) HK\$'000	Macau HK\$'000	UAE HK\$'000	India HK\$'000	Sub-total HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>								
External sales	2,841,952	319,114	1,276,307	944,567	57,198	5,439,138	—	5,439,138
Inter-segment sales	—	66,464	—	—	—	66,464	(66,464)	—
<b>Total revenue</b>	<b>2,841,952</b>	<b>385,578</b>	<b>1,276,307</b>	<b>944,567</b>	<b>57,198</b>	<b>5,505,602</b>	<b>(66,464)</b>	<b>5,439,138</b>
Inter-segment sales are charged at prevailing market rates.								
<b>RESULT</b>								
Segment gross profit	116,999	118,031	139,296	52,277	3,083	429,686	—	429,686
Segment results	86,198	100,849	136,024	26,820	2,535	352,426	—	352,426
Inter-segment result	7,865	—	—	—	—	7,865	(7,865)	—
	94,063	100,849	136,024	26,820	2,535	360,291	(7,865)	352,426
Unallocated corporate expenses								(57,967)
Reversal of impairment loss of properties held for sales								18,298
Share of profits of associates								4,899
Finance costs								(6,654)
Profit before tax								311,002
Income tax expense								(23,814)
<b>Profit for the period</b>								<b>287,188</b>

# Notes to the Financial Statements

(continued)



## (5) Investment income

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
Interest income on:		
Bank deposits	6,799	9,527
Debt securities	2,196	2,253
Imputed interest on amount due from an investee company	2,562	—
	11,557	11,780
Dividend income from unlisted available-for-sale investments	5,818	2,921
Gain on disposal of listed available-for-sale investments	283	420
	17,658	15,121

## (6) Profit before tax

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
Profit before tax has been arrived at after charging: Depreciation	3,368	4,808

# Notes to the Financial Statements

(continued)



## (7) Income tax expense

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
Current tax:		
Hong Kong	6,230	12,334
Other jurisdictions	24,783	25,501
	31,013	37,835
Over provision in prior years:		
Hong Kong	(7,495)	(9,505)
Other jurisdictions	(5,153)	(8,747)
	(12,648)	(18,252)
Deferred tax:		
Current period	13,283	4,231
Income tax expense for the period	31,648	23,814

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and corresponding period of last year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was generally reduced from 33% to 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the new tax rate was progressively increasing to 25% over five years as grandfathering provision.

# Notes to the Financial Statements

(continued)



## (8) Dividends

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Dividends recognised as distributions during the period: 2008 Final, paid HK3.30 cents per share (2007 Final: HK4.50 cents per share)	<b>80,782</b>	109,726

The Board of Directors declared an interim dividend of HK3.60 cents (2008: HK 3.70 cents) per share.

## (9) Earnings per share

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

	For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000 (Restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>303,351</b>	280,070
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,446,450</b>	2,437,547
Effect of dilutive potential ordinary shares in respect of share options	<b>90,823</b>	118,293
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,537,273</b>	2,555,840

# Notes to the Financial Statements

(continued)



## (10) Property, plant and equipment

During the period, the Group spent approximately HK\$33,226,000 on additions to property, plant and equipment.

## (11) Trade and other receivables

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the balance sheet date:

	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
Trade receivables, aged		
0-30 days	<b>1,719,471</b>	1,647,022
31-90 days	<b>471,665</b>	754,664
Over 90 days	<b>216,429</b>	161,820
	<b>2,407,565</b>	2,563,506
Retention receivables	<b>1,071,300</b>	1,082,053
Other receivables	<b>70,019</b>	57,604
	<b>3,548,884</b>	3,703,163
Retention receivables		
due within one year	<b>458,093</b>	458,527
due more than one year	<b>613,207</b>	623,526
	<b>1,071,300</b>	1,082,053

Except for the proceeds from income from construction contracts which are payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period of not exceeding 90 days to its trade customers and the retention receivables are repayable approximately one year after the defect liability period of construction projects.

# Notes to the Financial Statements

(continued)



## (12) Trade and other payables

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

	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
Trade and other payables, aged		
0-30 days	<b>2,463,581</b>	1,848,774
31-90 days	<b>580,465</b>	870,359
Over 90 days	<b>151,616</b>	202,334
	<b>3,195,662</b>	2,921,467
Retention payables	<b>797,161</b>	768,959
	<b>3,992,823</b>	3,690,426
Retention payables		
due within one year	<b>427,970</b>	449,840
due more than one year	<b>369,191</b>	319,119
	<b>797,161</b>	768,959

The average credit period on trade and construction cost payables is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

# Notes to the Financial Statements

(continued)



## (13) Post balance sheet events

- (a) On 8 July 2009, China Construction Third Engineering Bureau Corp., Ltd., (“CCTEB”), a subsidiary of China State Construction Engineering Corporation Limited (“CSCECL”), the intermediate holding company of the Company, entered into a project cooperation agreement (“Agreement”) in relation to the formation of a joint venture company in Wuhan (“Wuhan JV”) with Shenzhen China Overseas Construction Limited (“SCOCL”), a wholly owned subsidiary of the Company, and CSCECL. Pursuant to the Agreement, CCTEB, SCOCL and CSCECL hold 50%, 30% and 20% equity interests in the Wuhan JV respectively. The Wuhan JV undertakes the construction of the infrastructure project in Wuhan City. The project involves the reconstruction of the Wuxian Highway (武咸公路) and the construction of the Shahu Passageway (沙湖通道).
- (b) On 16 July 2009, the Company announced to raise not less than approximately HK\$1,366,094,000 before expenses by way of rights issue of 489,639,491 Rights Shares at a price of HK\$2.79 per Rights Shares on the basis of one Rights Shares for every five existing Shares held on 7 August 2009. The Rights Shares are underwritten by China Overseas Finance Investment Limited, a wholly owned subsidiary of COHL. The net proceeds will be used to strengthen financial position and increase general working capital of the Company for its future business development. The details of the rights issue are set out in the prospectus to shareholders dated 7 August 2009.

## (14) Share capital

Share capital as at 30 June 2009 amounted to HK\$61,204,000 (31 December 2008: HK\$61,119,000). An amount of shares of HK\$85,000 (2008: HK\$139,000) were issued upon exercise of share options and warrants during the period.



# Other Information



## **Interim Dividend**

The Board declared an interim dividend of HK3.60 cents (2008: HK3.70 cents) per share to the shareholders whose names appear in the register of members of the Company on Friday, 18 September 2009. The interim dividend will be payable on Monday, 28 September 2009.

## **Closure of Register of Members**

The register of members of the Company will be closed from Thursday, 17 September 2009 to Friday, 18 September 2009, both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Wednesday, 16 September 2009.

# Other Information

(continued)



## Share Options

Movements of the share options of the Company during the six months ended 30 June 2009 are listed below:

Category	Date of grant	Number of share options				Outstanding at 30.06.2009	Exercise price (HK\$)	Exercise period
		Outstanding at 01.01.2009	Adjustment/ granted during the period	Exercised during the period	Cancelled during the period			
<b>Directors</b>								
Kong Qingping	14.09.2005	2,995,200	—	—	—	2,995,200	0.2475	14.09.2006 to 13.09.2015
Zhou Yong	14.09.2005	1,747,200	—	—	—	1,747,200	0.2475	14.09.2006 to 13.09.2015
Yip Chung Nam	14.09.2005	1,872,000	—	—	—	1,872,000	0.2475	14.09.2006 to 13.09.2015
Fu He	14.09.2005	1,248,000	—	—	—	1,248,000	0.2475	14.09.2006 to 13.09.2015
Zhou Hancheng	14.09.2005	1,164,800	—	—	—	1,164,800	0.2475	14.09.2006 to 13.09.2015
Cheong Chit Sun	14.09.2005	1,497,600	—	—	—	1,497,600	0.2475	14.09.2006 to 13.09.2015
Raymond Ho Chung Tai	14.09.2005	832,000	—	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Adrian David Li Man Kiu	14.09.2005	832,000	—	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Raymond Leung Hai Ming	14.09.2005	832,000	—	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Lee Shing See	14.09.2005	832,000	—	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
<b>All Directors</b>		13,852,800	—	—	—	13,852,800		
<b>Employees</b>	14.09.2005	53,760,960	—	2,873,120	216,320	50,671,520	0.2475	14.09.2006 to 13.09.2015
<b>Consultants</b>	14.09.2005	40,444,160	—	499,200	—	39,944,960	0.2475	14.09.2006 to 13.09.2015
<b>Total</b>		108,057,920	—	3,372,320	216,320	104,469,280		

## Other Information

(continued)



Note: The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised were as follows:

<b>Date of exercised of share options</b>	<b>Number of share options exercised</b>	<b>Weighted average closing price of the Company's shares immediately before the exercise date (HK\$)</b>
16.01.2009	642,000	1.23
24.02.2009	166,400	1.32
13.03.2009	665,600	1.19
06.04.2009	299,600	1.56
28.04.2009	599,040	1.87
19.05.2009	791,680	2.21
15.06.2009	208,000	3.03
	<hr/> 3,372,320 <hr/>	

## Other Information

(continued)



### Directors' Interests in Shares and Underlying Shares

As at 30 June 2009, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

#### (a) Long positions in shares and underlying shares of the Company

Name of director	Number of ordinary shares held	Number of underlying shares held	Total	% of shares in issue <sup>3</sup>
	Personal interests <sup>1</sup>	Share options <sup>2</sup>		
Kong Qingping	2,956,800	2,995,200	5,952,000	0.24
Zhou Yong	2,755,200	1,747,200	4,502,400	0.18
Yip Chung Nam	1,930,664	1,872,000	3,802,664	0.16
Fu He	2,318,000	1,248,000	3,566,000	0.15
Zhou Hancheng	2,234,800	1,164,800	3,399,600	0.14
Cheong Chit Sun	432,000	1,497,600	1,929,600	0.08
Raymond Ho				
Chung Tai	—	832,000	832,000	0.03
Adrian David				
Li Man Kiu	—	832,000	832,000	0.03
Raymond Leung				
Hai Ming	—	832,000	832,000	0.03
Lee Shing See	—	832,000	832,000	0.03

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of the Company held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Company's Share Option Scheme. Details of which are set out in the section headed “Directors' Rights to Acquire Shares” of this report.
3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2009 (i.e. 2,448,155,856 ordinary shares).

## Other Information

(continued)



### (b) Long positions in shares and underlying shares of Associated Corporation of the Company – China Overseas Land & Investment Ltd. (“COLI”)

Name of director	Number of ordinary shares held		Number of underlying shares held	Total	% of shares in issue <sup>3</sup>
	Personal interests <sup>1</sup>	Family interests	Share options <sup>2</sup>		
Kong Qingping	7,435,760	—	1,359,334	8,795,094	0.108
Zhou Yong	—	—	388,381	388,381	0.005
Yip Chung Nam	2,404,000	—	404,564	2,808,564	0.034
Fu He	—	—	404,564	404,564	0.005
Zhou Hancheng	—	—	129,460	129,460	0.002
Cheong Chit Sun	124,800	400 <sup>4</sup>	80,913	206,113	0.003

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of COLI held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Share Option Scheme of COLI. Details of which are set out in the section headed “Directors’ Rights to Acquire Shares” of this report.
3. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2009 (i.e. 8,165,672,492 ordinary shares).
4. The interests in 400 shares were held by the spouse of Cheong Chit Sun.

Save as disclosed above, as at 30 June 2009, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.

# Other Information

(continued)



## Directors' Rights to Acquire Shares

### (a) The Company

#### Share options

As at 30 June 2009, the number of outstanding share options granted by the Company under the Company's Share Option Scheme to the Directors to subscribe for shares of the Company, 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 is set out in the section heading "Share Options" of this report.

### (b) Associated corporation

#### Share options

As at 30 June 2009, the number of outstanding share options granted by COLI to the Directors to subscribe for shares of COLI, 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 is set out below:–

Name of director	Date of grant	Exercise period	Exercise price <sup>1</sup> (HK\$)	Number of share options	% of share in issue <sup>2</sup>
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.118	1,359,334	0.017
Zhou Yong	18.06.2004	18.06.2005 to 17.06.2014	1.118	388,381	0.005
Yip Chung Nam	18.06.2004	18.06.2005 to 17.06.2014	1.118	404,564	0.005
Fu He	18.06.2004	18.06.2005 to 17.06.2014	1.118	404,564	0.005
Zhou Hancheng	18.06.2004	18.06.2005 to 17.06.2014	1.118	129,460	0.002
Cheong Chit Sun	18.06.2004	18.06.2005 to 17.06.2014	1.118	80,913	0.001

Notes:

1. Immediate after the completion of open offer of the COLI in February 2009, the number of and the exercise price of the then outstanding share options were adjusted.
2. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2009 (i.e. 8,165,672,492 ordinary shares).

## Other Information

(continued)



Other than the share options disclosed above, at no time during the six months ended 30 June 2009 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Total	% of share in issue <sup>1</sup>
China Overseas Holdings Limited <sup>2</sup> ("COHL")	Beneficial owner	1,538,094,448	1,538,094,448	62.83
China State Construction & Engineering Corporation Limited <sup>3 &amp; 5</sup> ("CSCECL")	Interest of a controlled corporation/ beneficial owner	1,538,094,448	1,538,094,448	62.83
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/ beneficial owner	1,538,094,448	1,538,094,448	62.83

# Other Information

(continued)



Notes :

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2009 (i.e. 2,448,155,856 ordinary shares).
2. Amongst the total number of 1,538,094,448 Shares held by COHL, 1,473,413,384 Shares was held as beneficial owner while the balance of 64,681,064 Shares was interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 1,538,094,448 Shares directly owned by COHL.
4. CSCECL is held as to 94% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 1,538,094,448 Shares indirectly owned by CSCECL.
5. Subsequent to reporting period, CSCECL's English name was changed to "China State Construction Engineering Corporation Limited". In July 2009, CSCECL's shares are listed on The Shanghai Stock Exchange and is held as to 52.64% by CSCEC.

Save as disclosed above, as at 30 June 2009, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

## **Purchase, Sales or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **Corporate Governance**

During the six months ended 30 June 2009, 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 ("Listing Rules").

## **Directors' Securities Transactions**

The Company has adopted a code on securities transactions by directors ("Securities Code") with standards no less exacting than that of the Model Code set out in Appendix 10 of the Listing Rules. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the six months ended 30 June 2009.

## **Review of Accounts**

The Group's unaudited interim results for the six months ended 30 June 2009 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.



## Other Information

(continued)



### Changes in Directors' Information

Changes in Directors' information since the date of the 2008 Annual Report are set out below:–

Mr. Kong Qingping

- Appointed as Vice President of China State Construction Engineering Corporation Limited
- Became a Fellow Member of the Chartered Institute of Building (UK)

Mr. Adrian David Li Man Kiu

- Promoted from General Manager and Head of Corporate Banking Division of The Bank of East Asia, Limited (the "Bank") to Deputy Chief Executive of the Bank
- Retired from the Board of Ocean Park Corporation

Mr. Lee Shing See

- Appointed as a member of the Development Committee of the West Kowloon Cultural District Authority



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