



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Stock Code : 3311)



放眼世界，胸懷天下
OPEN YOUR EYES,
EMBRACE THE WORLD



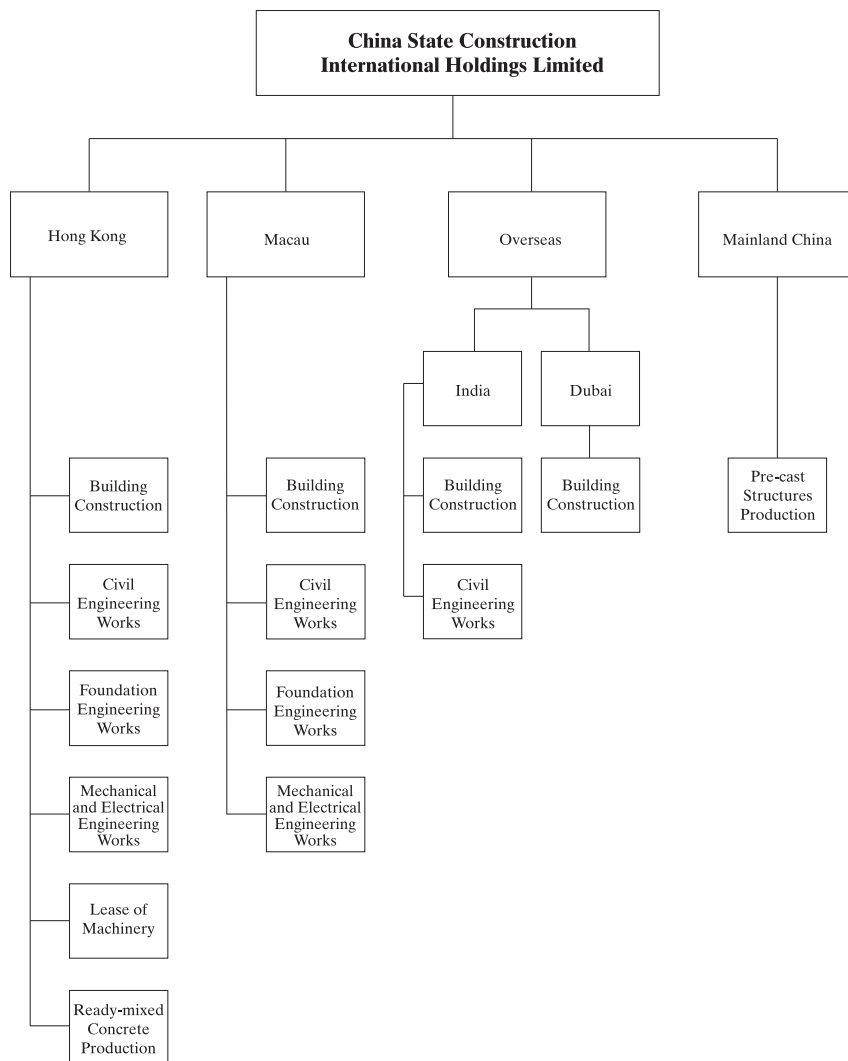
Interim Report
2007



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CORPORATE STRUCTURE



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

Qualified Accountant

Chan Sim Wang

Company Secretary

Connie Chiang Yuet Wah

Authorised Representatives

Kong Qingping
Zhou Yong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Adviser

Johnson Stokes & Master

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications, Hong Kong Branch
BNP Paribas Hong Kong Branch
CALYON
DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Bank
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

3311

Web Site

www.csci.com.hk

Financial Calendar

Interim Results Announcement

14 August 2007

Closure of Register of Members

14 September 2007 to 20 September 2007
(both days inclusive)

2007 Interim Dividend Payable

28 September 2007

CHAIRMAN'S STATEMENT

Sustainability. Value-adding. Harmony. Win-win.

To the Shareholders,

I am pleased to report that the Group's unaudited profit attributable to shareholders for the six months ended 30 June 2007 increased by 33.56% to HK\$115,673,000 as compared with HK\$86,608,000 of the profit attributable to shareholders in the corresponding period last year. Earnings per share was HK23.16 cents, representing an increase of 31.59% as compared with HK17.60 cents per share in the last corresponding period. The Board declared the payment of an interim dividend of HK9 cents per share.

Business Review

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

The Hong Kong Market

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

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

The Macau Market

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

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

The Market of the United Arab Emirates

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

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

The Indian Market

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

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

Projects Completed During the Period

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

New Contracts

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

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

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

Projects in Progress

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

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

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

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

Corporate Governance

The Code of Corporate Governance Practices set out in the Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange and the Best International Practices Standards applicable to the Company are strictly adhered so as to review and enhance the level of corporate governance. Through effective monitoring by the Board, positive communication with the investment community and releasing relevant information in a timely manner, which in turn enhance the investors' knowledge and understanding to the Company and enable a continuous enhancement of corporate governance.

The Group will maintain a stable and effective corporate governance framework, and will continue to optimize the risk management system within the corporate, so as to further enhance the brand building of the Group, to highlight the brand image of the Group and to promote the development of the businesses.

Corporate Citizenship

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

The Group organizes voluntary workers to visit and care those elderly who are living alone and the aged. Teams of volunteers are organized to entertain the senior citizens with self-arranged programs to bring them joy and blessings. The Group also actively participates in various community and charity activities, including fund-raising activities to help the needed.

Key Awards

In May 2007, the Group was awarded “HKMA Quality Award — Bronze Award” by the Hong Kong Management Association.

In June 2007, the Group was awarded the “CIOB Construction Manager of the Year Award — Gold Award and Commendation Award” by the Chartered Institute of Building, Hong Kong Branch in respect of three of our construction sites.

In May 2007, the “Hong Kong Disneyland Construction Technology Study” received the “中央企業青年創新獎—金獎” jointly awarded by the Ministry of Science and Technology, 中央企業青年聯合會 and 中國企業聯合會.

As the Group has been actively participating in various safety and environmental protection campaigns, brilliant results have been achieved during the period and has even been awarded a number of awards on the safety and environmental protection sides.

Business Outlook

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

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

The Board believes that under the favorable conditions of the positive peripheral conditions with an improvement in the consumer confidence in Hong Kong, the Hong Kong economy will sustain an optimal growth. The Hong Kong construction market will eventually recover and the volume of the construction market is expected to increase gradually. The Board is confident in its advantages of understanding the Hong Kong local market gained over the years, its position as one of the largest construction contractors in Hong Kong would be retained.

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

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

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

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

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

It was announced by the Company on 23 July 2007 that it proposed to raise funds of approximately HK\$1 billion before expenses by means of an Open Offer. It was also intended that not more than HK\$520,000,000 from the proceeds of the Open Offer would be applied in the acquisition of various assets of the operations of construction-related insurance, investments in Macau and Shenzhen China Overseas Construction Limited in Shenzhen from the parent company. The Board believes that it is in the interests of the Group and the

Shareholders to raise long-term capital through the proposed Open Offer in a view to enhance the financial condition and the equity base of the Company for the expansion of the core businesses. If the said acquisition of assets from the parent company has successfully completed, the Board believes that it will play a significant role as to enter the Mainland China market, to tap from the Macau market and to involve in the construction-related insurance businesses.

Acknowledgement

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, to the community for its enthused help and to our staff for their dedicated efforts.

Kong Qingping

Chairman and Non-executive Director

Hong Kong, 14 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six months ended 30 June 2007, the revenue of the Group was HK\$5,202 million (the corresponding period in 2006: HK\$4,867 million), representing an increase of 6.88% as compared to the corresponding period last year. The profit attributable to the equity holders of the Company was HK\$116 million (the corresponding period in 2006: HK\$87 million), representing an increase of 33.56%. Basic earnings per share increased 31.59% from HK17.60 cents of the corresponding period of last year to HK23.16 cents. While diluted earnings per share was HK21.68 cents (the corresponding period in 2006 was HK16.66 cents). The Board of Directors declared an interim dividend of HK9 cents per share (the corresponding period in 2006: HK9 cents).

Revenue

The Group has recorded a consolidated revenue of approximately HK\$5,202 million (the corresponding period in 2006: HK\$4,867 million), representing an increase of 6.88% compared with the corresponding period of 2006.

For the six months ended 30 June 2007, revenue from Hong Kong dropped by 27.99% to HK\$2,609 million. It was because most of the large-scale Hong Kong projects which contributed significant revenue had substantially completed in the second half of 2006. New projects awarded during the second half of 2006 till period ended 30 June 2007 were only in their preliminary stage and thus no significant revenue was generated in the period.

For overseas markets, the Group recorded a significant increase of revenue compared with the corresponding period of 2006. Revenue from Macau was HK\$1,347 million (represented 66.19% increase), revenue from Dubai was HK\$907 million (represented 333.68% increase) and revenue from India was HK\$339 million (represented 50.80% increase). The proportion of the revenue arising in the overseas markets has reached 50% of the aggregated revenue. This indicated the success of the strategy of developing overseas market especially in Macau and Dubai. The Group is continuing benefited from the rapid development in the Macau construction market. Revenue in Dubai was significantly increased because most of the projects awarded in 2005 and 2006 had substantial progress in the period. In addition, two more projects were awarded in the period which commenced to contribute revenue accordingly.

For the period, in view of the increased passenger traffic of the Hyderabad International Airport in India, the employer decided to expand the facilities at the new airport being constructed by the Group to cater for 12 million passengers per annum from 7 million passengers per annum. In order to meet the target completion date and facilitate to strengthen the project management systems for the enhanced capacity, the Group and the Employer, both agreed to

modify the contract arrangement from EPC construction project into a Project Management Contract. Thus, the revenue from India market has no significant increase for the period under review.

Gross Profit

The Group's overall profit margin was 4.73% for the six months under review (corresponding period in 2006: 3.48%). The reasons for the increase of gross profit margin were set out below:

- (i) the gross profit margin in the market of Macau and Dubai were comparatively higher than Hong Kong. The increase in the gross profit and gross profit margin was mainly attributable to the increase in the progress from the projects in Macau and Dubai;
- (ii) the revenue arising from the Project Management Contract in Macau increased compared with last period which contributed higher gross profit margin; and
- (iii) in accordance with the profit recognition policy of the Group, no profit will be recognized unless the outcome of a construction contract can be estimated reliably. Under that policy, no profit was recognized for Dubai Mall Hotel project in 2006 while that portion of profit will be recognised in 2007 together with the profit contributed from the work done in 2007.

Investment Income

Investment income for the period ended 30 June 2007 was HK\$28 million (corresponding period in 2006: HK\$28 million) which mainly comprised interest income from bank balances and the deposit with the financial institutions of HK\$28 million (corresponding period in 2006: HK\$27 million).

Other Income

For the six months ended 30 June 2007, other income amounted to HK\$11 million (corresponding period in 2006: HK\$10 million), representing 10% increase. The other income included the gain on disposal of certain used machinery, rental income and properties management service income.

Administrative Expenses

Administrative expenses increased by HK\$17 million to HK\$117 million (corresponding period in 2006: HK\$100 million) for the period ended 30 June 2007, representing an increase of 17.57%. The overall increase mainly arose from the expansion of the operations in Macau and Dubai.

Other Expenses

Other expenses HK\$26 million (corresponding period in 2006: HK\$5 million) represented the tendering costs incurred in the preparation of tender proposals. The significant increase was mainly due to the increase in design and consultancy fee in the tendering period as required for the “design and build” contracts in both public and private sectors.

Liquidity and Financial Resources

The Group adopted a prudent financial policy, strictly monitored its payments and receipts, and had various credits to meet its working capital requirement. As at 30 June 2007, the Group's bank balance amounted to HK\$1,480 million (2006: HK\$1,743 million) of which HK\$48 million (2006: HK\$42 million) was pledged for the surety bonds and the working visa of the foreign workers in Dubai. The proportion by currencies is listed below:

Hong Kong Dollar	52%
MOP	14%
AED Dirhams	13%
US Dollars	13%
Indian Rupee	7%
Renminbi	1%
	<hr/>
	100%
	<hr/>

As at 30 June 2007, the Group had no bank borrowing for the two periods ended except for the unsecured bank overdrafts of HK\$553,000 (2006: HK\$14 million) which was mainly arising from a jointly controlled entity.

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

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

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

Credit Exposure

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

Employees and Remuneration Policies

As at 30 June 2007, the Group had a total of 2,851 employees of which 2,066 of them were based in Hong Kong, 301 of them were based in Macau, 79 of them were based in Mainland China and 405 of them were based in Dubai and India.

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 for staff of various levels.

Each department has set up a System of Objectives and Responsibilities, which has started to create positive impact.

The employees' remuneration is determined by the Group in according to the nature of work, staff performance, group results as well as market condition, and it is assessed on a regular basis.

UNAUDITED CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED BALANCE SHEET (continued)

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a & b)	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserve HK\$'000 (note c)	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006											
As previously stated	49,211	—	399,674	1,500	—	838	—	386,155	837,378	—	837,378
Effect of combination under common control	—	—	(85,994)	—	—	(817)	489	76,750	(9,572)	525	(9,047)
As restated	49,211	—	313,680	1,500	—	21	489	462,905	827,806	525	828,331
Exchange differences arising on translation of foreign operations	—	—	—	—	—	793	—	—	793	—	793
Total income directly recognised to equity	—	—	—	—	—	793	—	—	793	—	793
Profit for the period	—	—	—	—	—	—	—	86,608	86,608	16	86,624
Total recognised income and expense for the period	49,211	—	313,680	1,500	—	814	489	549,513	915,207	541	915,748
Recognition of equity-settled share based payments	—	—	—	2,629	—	—	—	—	2,629	—	2,629
2005 final dividend paid	—	—	—	—	—	—	—	(44,290)	(44,290)	—	(44,290)
At 30 June 2006	49,211	—	313,680	4,129	—	814	489	505,223	873,546	541	874,087
At 1 January 2007	49,896	8,050	313,680	4,601	555	423	659	596,337	974,201	—	974,201
Loss on fair value changes of available-for-sale investments	—	—	—	—	(555)	—	—	—	(555)	—	(555)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(170)	—	—	(170)	—	(170)
Total income directly recognised to equity	—	—	—	—	(555)	(170)	—	—	(725)	—	(725)
Profit for the period	—	—	—	—	—	—	—	115,673	115,673	—	115,673
Total recognised income and expense for the period	49,896	8,050	313,680	4,601	—	253	659	712,010	1,089,149	—	1,089,149
Issue of ordinary shares upon exercise of share options	65	768	—	(160)	—	—	—	—	673	—	673
Recognition of equity-settled share based payments	—	—	—	1,397	—	—	—	—	1,397	—	1,397
2006 final dividend paid	—	—	—	—	—	—	—	(49,960)	(49,960)	—	(49,960)
At 30 June 2007	49,961	8,818	313,680	5,838	—	253	659	662,050	1,041,259	—	1,041,259

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Notes:

- (a) Special reserve as at 1 January 2005 arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries ("Project Management Group") and China Construction Engineering (Macau) Company Limited and its subsidiaries ("CCEM Group") under common control.
- (b) Special reserve arising during the year ended 31 December 2005 represents the consideration paid by the Company upon completion of the group reorganization which resulted in an increase in the Group's interests in the Project management Group from 51.2% to 100% and the difference between the nominal amount of the share capital held by minority interests and the net assets attributable to minority shareholders upon completion of the group reorganization.
- (c) The People's Republic of China (the "PRC") statutory reserves of the Group represents general and development fund reserve applicable to the PRC subsidiaries which was established in accordance with the relevant regulations.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(159,333)	160,357
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(32,880)	(115,986)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(63,273)	(135,364)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(255,486)	(90,993)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,686,829	1,706,505
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,431,343	1,615,512
	<hr/>	<hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,431,896	1,616,255
Bank loans and overdrafts, unsecured	(553)	(743)
	<hr/>	<hr/>
	1,431,343	1,615,512
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

(a) Basis of preparation of financial statements

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

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

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

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

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

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

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

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

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

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

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Segment information (continued)

For the six months ended 30 June 2006

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

(d) Profit before tax

For the six months
ended 30 June

	2007 HK\$'000	2006 HK\$'000
Profit before tax for the period has been arrived at after charging (crediting):		
Depreciation	4,421	4,011
Interest income	<u>(27,662)</u>	<u>(27,067)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Income tax expense

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

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

(f) Dividend

	For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Dividends recognized as distributions during the period:		
2006 Final paid HK9 cents (2005: HK9 cents) per share	44,290	44,290
	<u>44,290</u>	<u>44,290</u>

The Board declared the payment of an interim dividend for 2007 of HK9 cents per share (2006: HK9 cents).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(g) Earnings per share

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

(h) Trade and other receivables

The Group allows an average credit period of 60 days to its customers. The following is an aged analysis of trade and other receivables at the reporting date:

	As at 30 June 2007 HK'000	As at 31 December 2006 HK'000
Trade and other receivables		
0–30 days	1,225,948	1,320,861
31–90 days	577,441	386,468
over 90 days	250,903	172,727
	2,054,292	1,880,056
Retention receivables	822,299	802,632
	2,876,591	2,682,688
Retention receivables		
due within one year	284,967	238,853
due more than one year	537,332	563,779
	822,299	802,632

The fair value of the Group's trade and other receivables at 30 June 2007 and 31 December 2006 approximate to the corresponding carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) Trade and other payables

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

	As at 30 June 2007 HK'000	As at 31 December 2006 HK'000
Trade and other payables		
0–30 days	1,546,037	1,931,347
31–90 days	597,131	508,516
over 90 days	335,235	275,027
	2,478,403	2,714,890
Retention payables	687,602	725,343
	3,166,005	3,440,233
Retention payables		
due within one year	327,560	226,080
due more than one year	360,042	499,263
	687,602	725,343

The fair value of the Group's trade and other payables at 30 June 2007 and 31 December 2006 approximate to the corresponding carrying amount.

(j) Pledge of assets

As at 30 June 2007, bank deposit amounting to HK\$47,869,000 (31 December 2006: HK\$41,783,000) was pledged to bank for the issuance of surety bonds in respect of construction projects and labour visa for projects in Dubai.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(k) Subsequent events

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

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

OTHER INFORMATION

Interim Dividend

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

Closure of Register of Members

The register of members of the Company will be closed from Friday, 14 September 2007 to Thursday, 20 September 2007, both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 13 September 2007.

Share Options

Movements of the share options of the Company during the six months ended 30 June 2007 are listed below:

Category	Date of grant	Number of Share Options				Outstanding at 30.06.2007	Exercise Price	Exercise period
		Outstanding at 01.01.2007	Granted during the period	Exercised during the period	Cancelled during the period			
(HK\$)								
Director								
Kong Qingping	14.09.2005	1,200,000	—	—	—	1,200,000	1.03 14.09.2006 to 13.09.2015	
Zhou Yong	14.09.2005	840,000	—	—	—	840,000	1.03 14.09.2006 to 13.09.2015	
Yip Chung Nam	14.09.2005	600,000	—	—	—	600,000	1.03 14.09.2006 to 13.09.2015	
Fu He	14.09.2005	600,000	—	—	—	600,000	1.03 14.09.2006 to 13.09.2015	
Zhou Hancheng	14.09.2005	560,000	—	—	—	560,000	1.03 14.09.2006 to 13.09.2015	
Cheong Chit Sun	14.09.2005	450,000	—	90,000	—	360,000	1.03 14.09.2006 to 13.09.2015	
Raymond Ho Chung Tai	14.09.2005	200,000	—	—	—	200,000	1.03 14.09.2006 to 13.09.2015	
Adrian David Li Man Kiu	14.09.2005	200,000	—	—	—	200,000	1.03 14.09.2006 to 13.09.2015	
Raymond Leung Hai Ming	14.09.2005	200,000	—	—	—	200,000	1.03 14.09.2006 to 13.09.2015	
Lee Shing See	14.09.2005	200,000	—	—	—	200,000	1.03 14.09.2006 to 13.09.2015	
Total Directors		5,050,000	—	90,000	—	4,960,000		
Employees	14.09.2005	18,228,000	—	274,000	80,000	17,874,000	1.03 14.09.2006 to 13.09.2015	
Consultants	14.09.2005	18,600,000	—	290,000	—	18,310,000	1.03 14.09.2006 to 13.09.2015	
Total		41,878,000	—	654,000	80,000	41,144,000		

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

Date of exercised of share options	Number of share options exercised	Weighted average closing price of the Company's shares immediately before the exercise (HK\$)
12.01.2007	430,000	4.93
14.03.2007	134,000	5.37
24.04.2007	60,000	5.59
14.05.2007	20,000	5.79
12.06.2007	10,000	6.34
	654,000	

Directors' Interests in Shares and Underlying Shares

As at 30 June 2007, 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 issue³
	Personal interests¹	Share options²		
Kong Qingping	200,000	1,200,000	1,400,000	0.280
Zhou Yong	210,000	840,000	1,050,000	0.210
Yip Chung Nam	272,222	600,000	872,222	0.175
Fu He	150,000	600,000	750,000	0.150
Zhou Hancheng	150,000	560,000	710,000	0.142
Cheong Chit Sun	90,000	360,000	450,000	0.090
Raymond Ho Chung Tai	—	200,000	200,000	0.040
Adrian David Li Man Kiu	—	200,000	200,000	0.040
Raymond Leung Hai Ming	—	200,000	200,000	0.040
Lee Shing See	—	200,000	200,000	0.040

Notes:

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the Company's Share Option Scheme, details of which are set out in the section headed "Share Options" 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 2007 (i.e. 499,614,002 ordinary shares).

(b) Long positions in shares and underlying shares of Associated Corporation

China Overseas Land & Investment Limited ("COLI")

Name of director	Number of ordinary shares held	Number of underlying shares held	Total	% of shares in issue ³
	Personal interests ¹	Share options ²		
Kong Qingping	7,716,000	2,344,000	10,060,000	0.138
Zhou Yong	1,259,750	1,152,000	2,411,750	0.033
Yip Chung Nam	3,000,000	1,200,000	4,200,000	0.058
Fu He	400,000	800,000	1,200,000	0.016
Zhou Hancheng	128,000	256,000	384,000	0.005
Cheong Chit Sun	160,000	240,000	400,000	0.005

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by 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 2007 (i.e. 7,289,722,579 ordinary shares).

Save as disclosed above, as at 30 June 2007, 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.

Directors' Rights to Acquire Shares

(i) The Company

As at 30 June 2007, 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.

(ii) Associated Corporation

As at 30 June 2007, 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 (HK\$)	Number of share options	% of share in issue (note)
Kong Qingping	17.07.1997	17.07.1998 to 16.07.2007	4.06	1,000,000	0.014
	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,344,000	0.018
				<u>2,344,000</u>	0.032
Zhou Yong	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,152,000	0.016
				<u>1,152,000</u>	0.016
Yip Chung Nam	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,200,000	0.016
				<u>1,200,000</u>	0.016
Fu He	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000	0.011
				<u>800,000</u>	0.011
Zhou Hancheng	18.06.2004	18.06.2005 to 17.06.2014	1.13	256,000	0.004
				<u>256,000</u>	0.004

Name of Director	Date of grant	Exercise period	Exercise price (HK\$)	Number of share options	% of share in issue (note)
Cheong Chit Sun	18.06.2004	18.06.2005 to 17.06.2014	1.13	240,000	0.003
				240,000	0.003

Note: The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2007 (i.e. 7,289,722,579 ordinary shares)

Other than the share options disclosed above, as at 30 June 2007 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 2007, 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	% of share in issue ¹
China Overseas Holdings Limited ²	Beneficial owner	314,322,178	62.92
China State Construction Engineering Corporation ²	Interest of a controlled corporation/beneficial owner	314,322,178	62.92

Notes :

- The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2007 (i.e. 499,614,002 ordinary shares).
- China Overseas Holdings Limited ("COHL") is a direct wholly owned subsidiary of China State Construction Engineering Corporation ("CSCEC"), thus CSCEC is deemed by the SFO to be interested in 314,322,178 Shares directly owned by COHL.

Save as disclosed above, as at 30 June 2007, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

Corporate Governance

During the six months ended 30 June 2007, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Director's 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 for Securities Transactions by Directors of Listed Issuers 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 2007.

Review of Accounts

The Group's unaudited interim results for the six months ended 30 June 2007 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

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