



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3311)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

**FINANCIAL HIGHLIGHTS**

	<b>For the six months ended 30 June</b>		<b>Change</b>
	<b>2008</b>	<b>2007</b>	<b>%</b>
		<b>(Per 2007 Interim Report)</b>	
<b>RESULTS (HK\$'000)</b>			
Turnover	<b>5,407,512</b>	5,202,037	3.9
Gross profit	<b>398,060</b>	245,935	61.9
Gross profit margin	<b>7.4%</b>	4.7%	57.4
Profit attributable to equity shareholders	<b>257,215</b>	115,673	122.4
<b>FINANCIAL INFORMATION PER SHARE (HK cents)</b>			
Earnings – basis	<b>10.55</b>	5.79	82.2
Declared interim dividend	<b>3.70</b>	2.25	64.4

**OTHER INFORMATION**

The Group was awarded 23 new contracts with amount of approximately HK\$ 9.0 billion during the period and up to the date of this announcement.

As at 30 June 2008, the Group had bank balances of approximately HK\$ 1.65 billion.

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows :

## Unaudited Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
			(Restated)
Revenue	3	5,407,512	4,901,624
Contract costs		(4,823,688)	(4,449,716)
Other operating costs		(185,764)	(131,935)
Gross profit		398,060	319,973
Net investment income	5	14,701	37,455
Increase in fair value of properties for sale		18,298	-
Gain on disposal of available-for-sale investments		420	17,277
Other income		18,781	16,869
Administrative expenses		(166,414)	(130,477)
Distribution and selling expenses		(1,219)	(5,886)
Other expenses		(1,491)	(25,908)
Share of profit of associates		4,899	3,790
Finance costs		(6,654)	(595)
Profit before tax	6	279,381	232,498
Income tax expense	7	(22,579)	(28,783)
Profit for the period		256,802	203,715
Attributable to :			
Equity holders of the Company		257,215	185,660
Minority interests		(413)	18,055
		256,802	203,715
Dividends	8	109,726	49,960
Earnings per share (HK cents)	9		
Basic		10.55	9.29
Diluted		10.06	8.70

## Consolidated Balance Sheet

	As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
<b>Non-current Assets</b>		
Property, plant and equipment	985,908	971,953
Investment properties	48,297	9,705
Prepaid lease payments - non-current	102,164	60,327
Interests in associates	36,711	35,071
Available-for-sale investments	102,831	111,295
Amounts due from investee companies	178,958	146,772
	<b>1,454,869</b>	<b>1,335,123</b>
<b>Current Assets</b>		
Inventories	68,829	54,486
Properties under development	40,430	-
Properties held for sale	-	20,408
Amounts due from customers for contract work	892,178	595,037
Trade and other receivables	3,032,804	3,339,204
Deposits and prepayments	267,860	228,566
Amounts due from the partners of jointly controlled entities	223,423	193,761
Amounts due from jointly controlled entities	66,389	80,552
Amounts due from ultimate holding company	1,222	-
Amounts due from fellow subsidiaries	76,966	159,653
Tax recoverable	34,107	31,146
Prepaid lease payments – current	2,396	1,612
Deposits with financial institutions	658	5,305
Pledged bank deposits	16,357	17,654
Bank balances and cash	1,629,814	1,545,000
	<b>6,353,433</b>	<b>6,272,384</b>

## Consolidated Balance Sheet (continued)

	As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
<b>Current Liabilities</b>		
Amounts due to customers for contract work	318,202	425,864
Trade and other payables	3,329,582	3,759,933
Deposits received and receipt in advance	611,946	601,960
Amounts due to jointly controlled entities	230,459	223,225
Amounts due to the partners of jointly controlled entities	72,266	73,257
Amounts due to fellow subsidiaries	23	12,389
Amount due to an associate	21,038	16,474
Tax liabilities	109,314	101,520
Other borrowings	31,181	29,276
Obligations under finance leases	525	175
Bank loan and overdraft - unsecured	500,348	453
	<b>5,224,884</b>	<b>5,244,526</b>
Net Current Assets	<b>1,128,549</b>	<b>1,027,858</b>
Total Assets less Current Liabilities	<b>2,583,418</b>	<b>2,362,981</b>
<b>Capital and Reserves</b>		
Share capital	60,960	60,821
Share premium and reserves	2,294,352	2,094,862
Equity attributable to equity holders of the Company	<b>2,355,312</b>	<b>2,155,683</b>
Minority interests	13,221	-
	<b>2,368,533</b>	<b>2,155,683</b>
<b>Non-current Liabilities</b>		
Deferred income	129,189	118,593
Deferred tax liabilities	72,571	67,437
Other borrowings	13,109	21,165
Obligations under a finance lease	16	103
	<b>214,885</b>	<b>207,298</b>
	<b>2,583,418</b>	<b>2,362,981</b>

## **NOTES :**

### **(1) Basis of preparation of financial information**

On 20 July 2007, three Sales and Purchase Agreements were entered into between the Company and China Overseas Holdings Limited (“COHL”), an immediate holding company, whereby COHL agreed to transfer the entire paid up share capital of China Overseas Insurance Limited (“COIL”) and China Overseas Insurance Services Limited (“COISL”), COHL (Macao) Commercial and Industrial Company Limited (“COHL Macao”) and Shenzhen China Overseas Construction Limited (“SCOCL”) to the Company and / or its nominees. On 7 November 2007, a Sales and Purchase Agreement was entered into between the Company and China Overseas Infrastructure Holdings Limited (“COIHL”), a wholly owned subsidiary of China Overseas Land and Investment Ltd., listed fellow subsidiary of the Company, whereby COIHL agreed to transfer the entire paid up share capital of China Overseas Public Utility Investment Limited (“COPUIL”) to the Company and / or its nominees. All the transfers were completed in the second half of 2007.

The transfer of the controlling interests in COIL, COISL, COHL Macao, SCOCL and COPUIL (the “Acquired Companies”) as mentioned above is regarded as common control combinations. 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 2007. Accordingly, the comparative figures of the consolidated income statements have been restated.

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

The accounting policies and methods of computation used in the preparation of these unaudited interim consolidated financial statements are consistent with those of the audited consolidated financial statements for the year ended 31 December 2007.

**(2) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial period beginning 1 January 2008.

HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards or interpretations. The directors of the Company so far concluded that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

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

### (3) Revenue

The amount represents the revenue arising on construction contracts, project management service income, revenue from supply of heat and electricity and provision of connection services, net amounts received and receivable for precast structures and building materials sold by the Group to outside customers, less returns and allowances, revenue from machinery leasing and insurance contracts. An analysis of the Group's revenue for the six months ended 30 June 2008 was as follows :

	For the six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
		(Restated)
Revenue from construction contracts	4,908,304	4,638,049
Project management service income	291,409	71,128
Revenue from supply of heat and electricity and provision of connection services	148,796	129,086
Sales of precast structures and building materials	40,482	45,626
Other income (note)	18,521	17,735
	<b>5,407,512</b>	<b>4,901,624</b>

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

#### (4) Segmental information

For management purposes, the Group is currently organized into five geographical segments Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau, Dubai and India. These segments are the basis on which the Group reports its primary segment information.

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

#### For the six-months ended 30 June 2008

	Regions in the					Sub-total	Inter-segment eliminations	Consolidated
	Hong Kong	Macau)	Macau	Dubai	India			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>								
External sales	2,841,952	287,488	1,276,307	944,567	57,198	5,407,512	-	5,407,512
Inter-segment sales	-	66,464	-	-	-	66,464	(66,464)	-
Total revenue	<u>2,841,952</u>	<u>353,952</u>	<u>1,276,307</u>	<u>944,567</u>	<u>57,198</u>	<u>5,473,976</u>	<u>(66,464)</u>	<u>5,407,512</u>

Inter-segment sales are charged at prevailing market rates.

#### RESULT

Segment gross profit	<u>116,999</u>	<u>86,405</u>	<u>139,296</u>	<u>52,277</u>	<u>3,083</u>	<u>398,060</u>	<u>-</u>	<u>398,060</u>
Segment results	85,779	69,227	136,024	26,820	2,535	320,385	-	320,385
Inter-segment result	<u>7,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,865</u>	<u>(7,865)</u>	<u>-</u>
	<u>93,644</u>	<u>69,227</u>	<u>136,024</u>	<u>26,820</u>	<u>2,535</u>	<u>328,250</u>	<u>(7,865)</u>	<u>320,385</u>
Unallocated corporate expenses								(57,967)
Increase in fair value of properties for sale								18,298
Gain on disposal of available-for-sale investments								420
Finance costs								(6,654)
Share of profits of associates								<u>4,899</u>
Profit before tax								279,381
Income tax expense								<u>(22,579)</u>
Profit for the period								<u>256,802</u>



For the six-months ended 30 June 2007 (Restated)

	Regions in the					Sub-total	Inter-segment eliminations	Consolidated
	Hong Kong	PRC (other than Hong Kong and Macau)	Macau	Dubai	India			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>								
External sales	2,596,935	282,237	775,778	907,323	339,351	4,901,624	-	4,901,624
Inter-segment sales	15,453	-	-	-	-	15,453	(15,453)	-
Total revenue	<u>2,612,388</u>	<u>282,237</u>	<u>775,778</u>	<u>907,323</u>	<u>339,351</u>	<u>4,917,077</u>	<u>(15,453)</u>	<u>4,901,624</u>

Inter-segment sales are charged at prevailing market rates.

**RESULT**

Segment gross profit	<u>101,885</u>	<u>70,596</u>	<u>90,824</u>	<u>47,732</u>	<u>8,936</u>	<u>319,973</u>	<u>-</u>	<u>319,973</u>
Segment results	70,986	58,162	79,955	32,438	13,021	254,562	-	254,562
Inter-segment result	<u>4,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,691</u>	<u>(4,691)</u>	<u>-</u>
	<u>75,677</u>	<u>58,162</u>	<u>79,955</u>	<u>32,438</u>	<u>13,021</u>	<u>259,253</u>	<u>(4,691)</u>	<u>254,562</u>
Unallocated corporate expenses								(42,536)
Gain on disposal of available-for-sale investments								17,277
Finance costs								(595)
Share of profits of associates								<u>3,790</u>
Profit before tax								232,498
Income tax expense								<u>(28,783)</u>
Profit for the period								<u>203,715</u>

**(5) Net investment income**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interest income on:		(Restated)
Bank deposits	<b>9,527</b>	28,596
Debt securities	<b>2,253</b>	2,766
Other receivables	-	546
Deposits with financial institutions	-	4,819
Total interest income	<b>11,780</b>	36,727
Dividend income from available-for-sale investments	<b>2,921</b>	728
	<b>14,701</b>	37,455

**(6) Profit before tax**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Profit before tax has been arrived at after charging :		(Restated)
Depreciation	<b>4,808</b>	4,377

**(7) Income tax expense**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Current tax:		
Hong Kong	<b>12,334</b>	10,550
Other jurisdictions	<b>25,501</b>	18,819
	<b>37,835</b>	29,369
Over provision in prior years:		
Hong Kong	<b>(9,505)</b>	(586)
Other jurisdictions	<b>(8,747)</b>	-
	<b>(18,252)</b>	(586)
Deferred tax:		
Current period	<b>2,996</b>	-
Income tax expense for the period	<b>22,579</b>	28,783

**(8) Dividends**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Dividends recognised as distributions during the period:		
2007 Final, paid HK4.50 cents* (2006: HK2.25 cents*) per share	<b>109,726</b>	49,960

The Board declared the payment of an interim dividend of HK 3.70 cents (2007: HK2.25 cents) per share.

\* Adjusted at each share of the Company of HK\$0.1 per share was subdivided into 4 shares of HK\$0.025 per share with effect from 13 June 2008.

## (9) Earnings per share

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

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		(Restated)
Earnings for the purposes of basic earnings and diluted earnings per share	<b>257,215</b>	185,660
	<b>'000</b>	'000
		(Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,437,547</b>	1,997,894
Effect of dilutive potential ordinary shares in respect of share options and warrants issued by the Company	<b>118,293</b>	136,655
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,555,840</b>	2,134,549

The weighted average number of ordinary shares used in the calculation of earnings per share for the six months ended 30 June 2008 has accounted for the share subdivision which was effective from 13 June 2008. The corresponding number of ordinary shares of 2007 has been retrospectively adjusted to reflect the said share subdivision.

## **BUSINESS REVIEW**

In the first half of 2008, the global economy was unstable. A distinctive drop in the global economy was resulted from the subprime mortgage crisis in the United States. It was clearly shown that there was an economic depression for the developed countries. However, as a whole, the economy of Macau and Hong Kong will maintain a robust momentum, the economic growth of Mainland China and India will remain rapid and the United Arab Emirates will see a strong economic development, creating favourable conditions for the implementation of the Group's strategies.

### **Market Conditions**

The robust economy of the Mainland China continues to provide an impetus to Hong Kong's economic growth. Under the influence of the global economy, Hong Kong experienced a further inflation but maintained an increased confidence on consumption and trade with a strong domestic demand, a healthy and stable labour market.

Taking into account of the stimulation of the "10 major infrastructure projects" plan with a total investment of HK\$250 billion in the next five years will bring an added value of over HK\$100 billion to the Hong Kong's economy annually. At the same time, it will create approximately 250,000 additional jobs in Hong Kong. Therefore, the construction market in Hong Kong will reckon the "golden decade." The Group adheres to its sound operation strategy of "Competing by Low Cost and High Quality of Management", which maintains the competitiveness of the Hong Kong market and achieves a better operating result.

The overall economy of Macau is rosy with the government treasure increased significantly and the residents income improved continuously. Affected by the Ao Man Long incident, there are just a few newly-launched construction projects in the construction market of Macau although existing construction is in full swing. Through strengthening the linkage between Hong Kong and Macau, the market share in the Macau market has been secured, which brought considerable proceeds.

The economy of the United Arab Emirates enjoyed a strong growth as a result of high oil price, drawing a large number of investors into the Dubai market. Large projects from both the public and the private sectors launched onto the market one after another. The construction market managed to continue the ongoing prosperity that the construction industry had formed an important and integral part for the local GDP. As the investment environment of the United Arab Emirates was favourable for us to expand our business by leveraging our mature experience in Hong Kong, the Group achieved remarkable results by adhering to its prudent operation strategy and seizing opportunities at the right time.

With the middle class population rapidly growing, India continues to witness rapid economic growth. The government's further increase in the investment on infrastructure and residential buildings and the permission for private investors to participate in the construction of the relevant projects also provided a new driving force for the construction market of India. The Company continued to stick to its prudent and conservative operation strategies, and selectively took part in the targeted tender processes, ensuring its steady development in the Indian market.

### **Completed Projects**

In the first half of 2008, the Group completed 12 projects, which mainly included:

Hong Kong: Foundation and Construction of Choi Wan Road Site 1 Phase 1, Foundation and Construction of Choi Wan Road Site 1 Phase 2, Construction of Centre for the Youth Development at Chai Wan, Construction of Tin Shui Wai Area 103 Phase 1 and St. Paul's Hospital Redevelopment ;

Overseas: Lease Office Building and Shopping Arcade, JAFZA South .

### **New Projects Awarded**

The Group secured 21 new contracts in the first half of 2008, with an aggregated attributable contract value of approximately HK\$7.63 billion, of which the Hong Kong market accounted for 71.3%, the Macau market accounted for 19.3%, the Mainland China market accounted for 9.4%.

New contracts awarded mainly included:

Hong Kong: Construction of Siu Sai Wan Complex, Construction of Sun Yat Sen Memorial Park and Swimming Pool Complex, Main Contract Works for the proposed Industrial Development at No.2 Heung Yip Road, Development at Anderson Road – Site Formation and Associated Infrastructure Works, Main Contract Works for HAECO Aircraft Maintenance Hangar No.3A and Main Contract Works for Proposed Shopping Centre at Discovery Bay North Development ;

Macau: Extension project on Windsor Arch and Mechanical and Electrical Works for The City of Dreams ;

Mainland China: 成都西錦城項目.

After the balance sheet date and up to the announcement date, there were 2 new projects awarded with total attributable contract value of HK\$1.38 billion.

## **Projects in Progress**

As at 30 June 2008, the Group had a total of 87 projects in progress, with a total attributable contract value of HK\$38.01 billion while the value of incomplete contracts was HK\$24.49 billion. Projects in progress has been smoothly undertaken and with great effort in the control and management on quality, safety, environmental protection, progress and cost in accordance with the laws of the government of various places and the contract requirements. Clients are served with services of the best quality. As at announcement date, there were altogether 89 projects on hand, with an aggregated attributable contract value of HK\$39.39 billion.

## **Corporate Governance**

The laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited are strictly complied with while the operation is adhered to legal basis. With effective monitoring of the Board, strengthened communication with the investors and release of relevant information in a timely manner, investors' understanding of the Company is enhanced and the standard of corporate governance is further enhanced. The interests of shareholders of the Company are further protected by maintaining a sound and effective corporate governance structure, strengthening the development strategies under regional operation, continuing optimization of the risk control system within the enterprise and actively utilizing the functionality of the integrated decision-making team and the audit team. A steady growth of operation is facilitated by further enhancing the brand building to manifest the brand image.

## **Financial Management**

The management and control of the financial, capital and external financing are centralized at the head office level with adherence to the principle of prudent financial management. As at 30 June 2008, the Group's bank balance was HK\$1.65 billion with HK\$500 million bank borrowings and thus, the financial position was very healthy. There are also sufficient committed but unutilised facilities to meet the need for business development. A bonus warrant plan was announced on 8 January 2008. On 4 February 2008, the Group secured into a syndicated loan amounting to HK\$1 billion with the Bank of China, HSBC, Bank of Communications, and the Bank of East Asia. Such syndicated loan laid a more reasonable capital structure of the Company as well as a solid foundation for the diversification of the construction and related investment. As for the overseas markets, the economic conditions are closely monitored with a focus to avoid being exposed to any risk in currency exchange or interest rate. By holding quarterly economic activity analysis meeting and thematic session on finance, rolling amendment and evaluation on the Company's overall strategic plans, operation conditions and system establishment are made to ensure a steady expansion of business.

On 26 February 2008, the Company raised further equity funding through a bonus issue of 1 warrant for every 7 shares held. The Warrants entitle the holders to subscribe in cash for shares of the Company at a subscription price of HK\$15.00 per share for a term of one year from 28 February 2008, which was the date the warrants first traded in The Stock Exchange of Hong Kong Limited. The deal strengthens the Company's financial position and net assets base for its future expansion of its businesses while allowing the existing shareholders an opportunity to increase their investment in the Company and participate in the Company's prospects.

Share Subdivision may facilitate trading and improve the liquidity of the Subdivided Shares, thereby enabling the Company to attract more investors and broaden its shareholder base. The Board considers that the Share Subdivision will be in the interests of the Company and the Shareholders as a whole. On 12 June 2008, the ordinary resolution in respect of the Share Subdivision was passed. With effect from 13 June 2008, the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company were subdivided into 4 Subdivided Shares of HK\$0.025 each.

### **Related Investment Business**

The construction of the infrastructure of Tuanbohu District, Tianjin, a first-grade development project is in full swing, and the progress payment in respect to the construction has been made by the project company. The relevant first-grade land development project in Chongqing is also strictly monitored. The first-grade land development projects will be established among the regions such as Tianjin and Chongqing, so as to accelerate the realization of strategic transformation from construction-oriented business to the combination of construction and investment business.

### **Human Resources Management**

With a firm belief that human capital is the most important asset of a company, utmost efforts have been made to provide the staff with a challenging yet harmonious working environment. Life-time learning is promoted with training and development opportunities provided to widen the horizon and enhance the quality of the staff. Staff selection and appraisal system, job promotion and long-term effective incentives mechanism are established. To share the fruits of operation with the staff under the strong belief that people are the base of everything is a way to pay back the community and to practise a part of good corporate citizenship.



## **Corporate Citizenship**

Taking to heart a traditional idea for corporate citizenship, great emphasis is being put on social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship, in addition to the pursuit of profits for its shareholders. Active participation in community activities and charity is made to contribute to the society and raises funds to help people in need. In this year, as severe snow storms hit the southern China and a major earthquake occurred in Wenchuan, the Group and its staff made donations with great enthusiasm. The Company's annual Lu Ban Festival Carnival was cancelled, and all the funding went to the charitable organisations in the Mainland China. As always, the Group values highly the construction quality, safety and environmental issues, and is actively involved in various activities regarding quality, safety and environmental protection. Our efforts are highly recognized by our clients and other parties, and we have received various safety and environmental friendly awards.

## **BUSINESS PROSPECTS**

Generally, the global financial markets were hard hit by the subprime mortgage crisis in the United States. With the soaring prices of energy and commodities, the growth of the global economy has slow down noticeably. However, the economic growth of emerging countries will remain steady, and to a certain extent has relieved the downturn of the global economy.

### **Market Conditions**

The economy of Hong Kong is expected to continue to grow moderately as spurred by the rapid economic growth of the Mainland China and the sustaining confidence in consumption and investments. In the long-run, the economy of Hong Kong will maintain a robust momentum. However, Hong Kong will begin to enter into an era of negative interest rate as inflation pressure emerges and the drop in interest rate following US's rate cut, which will be certain to stimulate a new round of growth in the real estates market. In addition, a substantial fiscal surplus is enjoyed by the Hong Kong government and the 10 major infrastructure projects launched in succession by the government will definitely rejuvenate the construction market in Hong Kong.

The current construction market in Macau has entered into a stage where the scale is stabilised, However, as the large-scale infrastructure projects, which are under the planning of the government, such as the extension work of the Macau International Airport, a cross harbour tunnel, the Hong Kong-Zhuhai-Macau Bridge, a light-rail transit system and land reclamations, launched in succession, Macau's infrastructure and investment environment will be further enhanced.

The market of Dubai, the United Arab Emirates, remains prosperous. As a record-high foreign direct investment (FDI) was injected to the region, along with adequate capital liquidity as well as strong local demand, the rapid growth of local economy was well supported. As large-scale public and private projects were launched one after another, it is expected that the value of contracts from developers will amount to HK\$700 billion in the next five years. Meanwhile, new opportunities emerge in the construction industry in Abu Dhabi as hot money from the Middle East is flowing into the Abu Dhabi market. As a result, the growing number of population, urban plans and the booming tourism industry will enable the construction market to grow remarkably and have a promising prospect.

With the rapid and steady growth of the Indian economy, government and private investment to infrastructure and residential buildings are increasing. Together with the drastic increase in demand for office buildings in the next five years resulting from the rapid development of the IT industry in India, the construction industry will remain robust.

The Mainland China is facing inflation pressure in 2008 but boosted by the troika of consumption, investment and export as well as the effect of the 2008 Beijing Olympic Games, its economy will continue to grow in a steady but relatively rapid pace. With the acceleration of urbanization and the increase in investment in the infrastructure, the construction market of the Mainland China and infrastructure investment will grow rapidly in future, which will create a favourable external environment and an ample room for the development of the Group's construction and related investment business.

## **Operation Strategies**

The Group pursues the philosophy of “**Exercise caution in details and implementation. Build a strong foundation to seek greater success**”. The Group focuses on details and advocates putting into practice. 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, striving to build up an everlasting business regime.

The Group is in full gear to implement the developing strategy of “cross-region operation” to take full advantage from its experiences as an international contractor, building an operation platform for the three major regions of Hong Kong and Macau, overseas regions and the Mainland China to avoid being exposed to a single market risk. With the advantage of being familiarized with the Hong Kong market over the past 30 years, the Group adopts cost effective and differential strategies and maintains its position as one of the largest leading construction contractors in Hong Kong. By leveraging on the advantage of China Construction Engineering (Macau) Company Limited's familiarity with the local

market and enhancing the model of integrating Hong Kong and Macau, so as to achieve complementary strength and resources sharing. On the basis of well executing the projects already awarded, the Group seizes the opportunities in the growing construction market in Dubai, fully displays its competitive strength in its ability to import Chinese labour and expand the Dubai market. Where its resources are balanced, the Group will further expand the efforts on business development and await to enter the Abu Dhabi market. The Group will closely watch and study the Indian market, mainly from an alliance strategic perspective, prudently and selectively take part in tenders in respect of the construction contracting field. With “achieving sustainable growth in profit” as the basic objective for the expansion and operation of construction business in the Mainland China, and prudently select the construction contracting business, mainly of the foreign-enterprise projects.

Meanwhile, the Group proactively pursues related investment business and strives to achieve the strategic transformation developed between construction business and related investment business. The Group will seize every opportunity of investment in the Mainland China, mainly focusing on the first-grade land development projects in Tianjin and Chongqing. The feasibility of acquiring infrastructural projects in the Mainland China from its parent company will be further studied and discussed. The Group will also explore the new areas to increase the profit. The Group will keep an eye on the construction-related investment markets in India to achieve a complement of strengths and optimization and deployment of resources.

At present, the operation in Macau and Dubai, and the construction-related investments have laid profound foundations for the Group’s ongoing development in the future. Within the next three to five years, the Group will improve its operating structure and enhance its profitability to achieve significant contributions.

## **Operation Management**

The Company has been engaging in the fully internationalized and competitive construction business in Hong Kong for almost 30 years, and has developed unique major competitive strengths and core competitiveness. High regard is put on the promotion of the “5+3” project management model, that is a balanced development in five major aspects: safety, environmental protection, quality, progress and cost, with a strong emphasis on the practice of three assurance systems on workflow, process and responsibility at the decision-making, management and operating levels so that the contract responsibility, operation responsibility and social responsibility are organically integrated, reducing the variation on quality arising from management difference and hence efficiently increase the overall profitability and the ability of countering risk of the Company.

With the emphasis on construction of information of the Company, the Customer Relations Management (CRM) System was set up, through which the customers' resources are managed in a scientific and systematic way. It is also used as an effective mechanism to communicate and coordinate with customers, so as to provide our clients with premium services and ultimately, to gain more business opportunities for the Group. A cost management system (CDMS), which provides a long term security to control the site costs, has been launched and constantly upgraded. Through such system, the cost control system of the contracting business is further improved. It carries out cost analysis on selected sites, and performs the function to prevent at the early stage, to alert in the process and to analyse the result.

### **Financial Management**

Financial management is continuously strengthened to further improve our capability in capital operation and effectively support our business expansion. Rolling evaluation on the Group's overall operation is made via ongoing quarterly operation analysis meetings and thematic sessions on finance, to ensure the steady growth of business. Active effort will be made continuously to promote its ERP system aiming at strengthening the flow of project and operating information and actively controlling cost, and optimizing cash flow, so as to improve the Group's operation efficiency and risk management capability.

### **COMPANY MISSION**

With an assertion on using people well, a harmonious and win-win operating environment is created for the Group's products, customers, shareholders and staff by making continuous innovations and reinforcing its core competitiveness. To develop as an evergreen corporation through strengthening strategies, we focus on core business, active expansion on related investment businesses, application of the principle of prudent financial management to strengthen our cash management so as to maintain the position as a leader in the industry and to maximize the shareholders' value.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As the Group has a sound operation for over thirty years, it maintains a good relationship with a number of large-scaled banks in Hong Kong. In February 2008, the Group successfully obtained positive responses for its self-arranged three-year syndicated loan of HK\$1 billion at a privileged rate. As at 30 June 2008, the Group has sufficient committed and unutilized banking facilities (including the performance guarantee, working capital and term loan facilities) to meet the need of business development opportunity in Hong Kong, Mainland China and overseas markets.

In addition, the Group made a bonus issue of one-year warrant at favorable term in February 2008 and it is expected a further long-term equity funding of HK\$1.3 billion would be raised.

In order to utilize financial resources effectively and efficiently, the Group has expanded its operations by actively studying various construction-related investment projects. The Group continues to seek for more room for development opportunity in the Mainland China. During the period, the Group commenced the land development project in Tianjin and contributed to the expansion of the production capacity of the heat and electricity plant in Shenyang.

## **INTERIM DIVIDEND**

The Board declared an interim dividend of HK3.70 cents (2007: HK2.25 cents) per share to the shareholders whose names appear in the register of members of the Company on Tuesday, 23 September 2008. The interim dividend will be payable on Friday, 3 October 2008.

## **CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS**

The register of members and the register of warrant holders of the Company will be closed from Monday, 22 September 2008 to Tuesday, 23 September 2008, both days inclusive, during such period no transfer of shares/warrants will be registered, and no share to be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company.

In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and subscription monies, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 19 September 2008.

## **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 2008.

On 18 July 2008, the Company purchased 4,784,000 shares of HK\$0.025 each in the capital of the Company at price ranging from HK\$1.86 to HK\$2.00 per share on The Stock Exchange of Hong Kong Limited and all of these shares were cancelled. Such purchases involved a total cash outlay of HK\$9,399,080.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2008, 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.

## **REVIEW OF ACCOUNTS**

The Group's unaudited interim results for the six months ended 30 June 2008 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

## **APPRECIATION**

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

By order of the Board  
**China State Construction International  
Holdings Limited**  
**Kong Qingping**  
*Chairman and Non-executive Director*

Hong Kong, 19 August 2008

*As at the date of this announcement, the Board comprises Mr. Kong Qingping (Chairman and Non-executive Director), Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam (Executive Director), Mr. Fu He (Executive Director), Mr. Zhou Hancheng (Executive Director), Mr. Cheong Chit Sun (Executive Director), Dr. Raymond Ho Chung Tai (Independent Non-executive Director), Mr. Adrian David Li Man Kiu (Independent Non-executive Director), Mr. Raymond Leung Hai Ming (Independent Non-executive Director) and Mr. Lee Shing See (Independent Non-executive Director).*