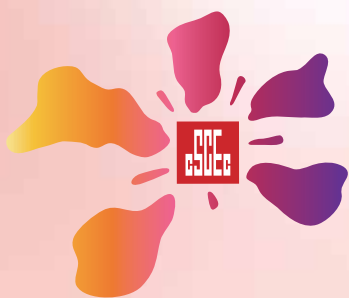


 **中國建築國際集團有限公司**
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Stock Code 股份代號 : 03311



精築致遠
慎微篤行

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

Interim Report 2010 中期報告

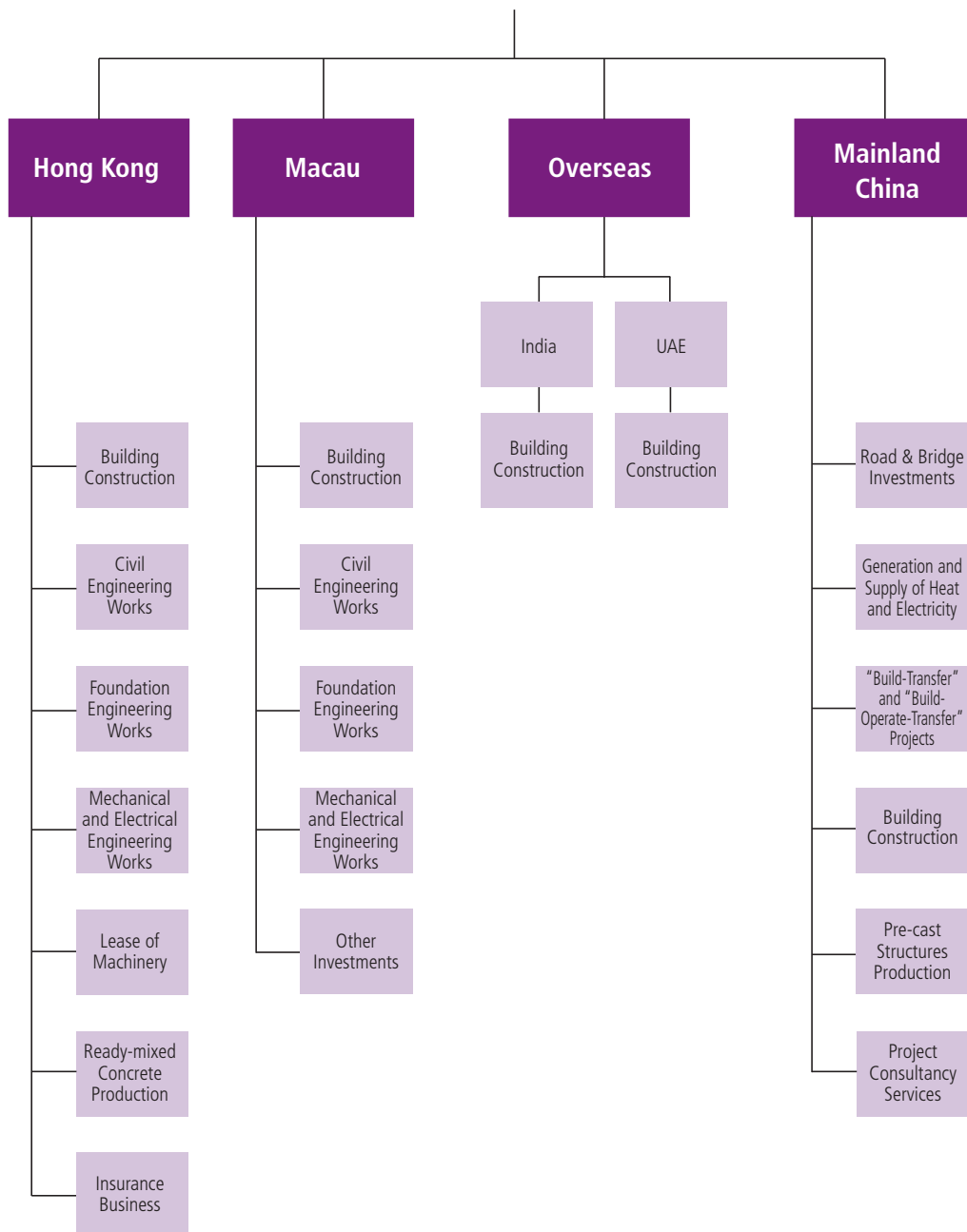
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CORPORATE STRUCTURE



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

Zhang Yifeng

Cheong Chit Sun

Zhou Hancheng

Tian Shuchen (Appointed on 12 August 2010)

Independent Non-executive Directors

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Committees

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

Zhang Yifeng

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

CORPORATE INFORMATION

Authorised Representatives

Kong Qingping
Zhou Yong

Company Secretary

Tse Sui Ha

Principal Share Registrar and Transfer Office

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

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

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Adviser

JSM

Principal Bankers

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
BNP Paribas, Hong Kong Branch
China Construction Bank Corporation
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank, Limited

Stock Code

03311

Website

www.csci.com.hk

Financial Calendar

Interim Results Announcement

12 August 2010

Closure of Register of Members

20 September 2010 to 21 September 2010
(both days inclusive)

2010 Interim Dividend Payable

5 October 2010

CHAIRMAN'S STATEMENT

Results

The Group's unaudited profit attributable to the owners of the Company for the six months ended 30 June 2010 increased by 32.4% to HK\$402 million, and its earnings per share was HK13.58 cents, representing an increase of 9.5% as compared with HK12.40 cents per share for the corresponding period last year. The equity attributable to owners of the Company increased by 6.0% to HK\$4,562 million. The net assets per share were HK\$1.54, representing an increase of 37.5% as compared to the corresponding period in 2009.

Review of Operations

In the first half of 2010, despite the uncertainties including deterioration of the European debt crisis and the persistent volatility of the capital market, emerging market as represented by China and India had recorded strong growth which in turn had driven the recovery of the global economy to get back on a rising track, which is characterized by an obvious trend of differentiated pattern of recovery in different economies.

Adhering to the operational philosophy of "Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success", and maintaining its business strategy of "Competing Low Cost and High Quality Management", the Group grasped the historic opportunity of economic recovery to embark on its healthy and steady expansion, fostering a development strategy combining construction and infrastructural investment, which recorded remarkable results.

Market Conditions

In Hong Kong, the rapid bounce-back of foreign trade and the steady growth of consumption and employment, together with the ten major infrastructural projects to be launched by the government by phases, Hong Kong's construction market is entering a new golden age of growth. Equipped with the highest qualification in the Hong Kong market, namely the five Group C licenses, and with over 30 years experience in the construction industry in Hong Kong, the Group had sustained its competitiveness in the Hong Kong market.

Macau had continued to benefit from its economic recovery of 2009. The local construction market in Macau was injected with new vibrant forces with the smooth commencement of the new session of the Macau SAR Government and the launch of key infrastructural projects including the Hong Kong-Zhuhai-Macau Bridge.

In Dubai of United Arab Emirates ("UAE"), the overall economy had yet shown any positive signs of recovery. Despite the strong economic foundation of Abu Dhabi, the construction market was still largely under the impact of the financial tsunami. In view of the challenging market condition, we had adhered to a prudent operational strategy and focused on risk controls over our projects on hand. We had not attempted to obtain any new projects at a time when new opportunity was yet to materialize in the market.

CHAIRMAN'S STATEMENT (continued)

Review of Operations (continued)

Market Conditions (continued)

In the Mainland China, the active fiscal policy and the moderately-loose monetary policy adopted by the government helped to establish a trend of strong recovery. Meanwhile, the gradually obvious inflation risk and persistent turbulence in the capital market made it more difficult to apply austerity measures. In response to the overheated property market, the Central government as well as local governments in overheated regions launched stringent austerity measures to curb the property market. In order to ensure economic recovery, the Central government as well as local governments were still relatively aggressive in the construction of and investment in infrastructural facilities and affordable housing, which also provided good opportunities for the markets of investment in infrastructural facilities and construction of affordable housing in the Mainland China. Adhering to "Obtaining Sustainable Growth in Profits" as its ultimate goal of business expansion and operation, the Group prudently selected those construction businesses with foreign investments and those build-transfer ("BT")/ build-operate-transfer ("BOT") model investment businesses that have promising prospects of profits and achieved a satisfactory result.

Corporate Governance

The Group had carried out its operation with full compliance with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited. Effective monitoring by the Board, enhanced communications with investors, timely release of relevant information and enhanced investor's knowledge and understanding about the Company has contributed to the continual enhancement in the standard of corporate governance of the Company. The Group will maintain a sound and effective corporate governance structure with actively and steadily keep up with its strategy of regional operation and deepen its strategy of investment transformation. In response to the uncertainty of economic recovery of the post-financial tsunami period, the Group had been adjusting its strategic planning and enhancing its overall risk management system, pursuing the strategy of "Acting or Omitting to Act as Appropriate", and actively exploring businesses relating to infrastructural investment in the Mainland China and developing new profit centres.

Financial Management

The Group's financial management, treasury management and external financing were centralized and managed at its headquarters. In line with its principles of prudence financial management, the Group had maintained a very sound financial position. On 12 May 2010, the Group's subsidiary 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) was granted a three-year credit facility of RMB1.19 billion by the Shenzhen branch of China Construction Bank. On 22 June 2010, the Group was granted a syndicated credit facility of HK\$3 billion by eight renowned banks including Bank of China (Hong Kong) Limited. The aforesaid credit facilities provide a strong funding support for the Group to develop its investment business in the Mainland China.

CHAIRMAN'S STATEMENT (continued)

Review of Operations (continued)

Capital Operation and Related Investment Business

The Group captured the valuable opportunities arising from the investment stimulus plan in the Mainland China in order to foster its BT/ BOT investment business. Major BT/ BOT projects newly awarded include: Yangwu Expressway BOT Project acquired from its controlling shareholder, China State Construction Engineering Corporation Limited; Relocation Housing BT Project in Junliang City, Tianjin; and BT Project for 2nd Circle Line of Wuhan City.

Risk Management

The Group exercised full-scale enhancement of its risk management. With the set up of a Risk Management Control Committee, optimized the appraisal system for persons-in-charge at the Company and construction sites level have economic duties to discharge during their tenure. In order to further strengthen risk control and prevention in various sectors of its operation, the Group has established a procedure of notification in respect of safety incidents on construction sites and a mechanism for the investigation and hearing of security-related incidents. Meanwhile, a merit and penalty mechanism has been established whereby a "Safe Production Award Scheme" has been introduced and materials procurement was closely monitored. By optimizing management procedures, it helped to enhance management performance. These had contributed to enhancing operational effectiveness of the enterprise and benefits to the society.

Regarding our investment business, the Group has basically completed the establishment of a platform for investing in the Mainland China. At present, a professional investment team having a headcount of more than a hundred has been established. It has basically completed the formulation of an investment risk control and management system in respect of investment risk prevention, investment decision evaluation, investment project control and management. In addition, the Group also fully utilized and learnt from the experience of its parent company in project investment and operation, for the maximum prevention of investment risks. As regards the Group's strategic choice, it actively fostered the strategy of regionalized and localized operations, whereby the Group's added economic value and core competence can be enhanced by the effective allocation the Group's resources with reference to the development of the respective local or regional markets.

Corporate Citizenship

The Group attached great emphasis to social responsibilities: customer services, environmental protection, staff welfare, caring for the community, work for charity and reward to society as components of corporate citizenship, taking to heart a traditional idea for corporate citizenship. As always, the Group highly valued the construction quality, safety and environmental issues, and was actively involved in various activities regarding quality, safety and environmental protection. Our efforts were highly recognized and we have received numerous awards. The Group also attached great importance to product quality and sought to deliver quality works. On 27 April 2010, the Group launched a one-month "2010 Quality Month Activities" and invited employers of projects, suppliers and sub-contractors to participate in our quality management program, aiming at delivering ongoing quality services and products to our customers.

CHAIRMAN'S STATEMENT (continued)

Review of Operations (continued)

Key Awards

During the first half of 2010, Reconstruction and Improvement of Tuen Mun Road — Tai Lam Section was conferred the "Construction Industry Safety Award Scheme 2009/2010 Civil Engineering Sites Gold Award" by the Labour Department of Hong Kong; Ping Ha Road Improvement Works (Ha Tsuen Section) – Remaining Section was conferred the "CEDD Safety Award 2009 (Gold Award)" by the Civil Engineering and Development Department of Hong Kong; Development at Anderson Road — Site Formation and Associated Infrastructure Works and Construction of Siu Sai Wan Complex were respectively awarded the "Considerate Contractors Site Award (Silver Award)" and "Outstanding Environmental Management & Performance Award (Silver Award)" under the Considerate Contractors Site Award Scheme 2009 by the Development Bureau of Hong Kong, and other awards conferred by other authorities including the Environmental Protection Department and Occupational Safety and Health Council.

Business Prospects

In 2010, the global economy will recover under a challenging environment with lots of complexities and uncertainties. Different regional economies will behave quite differently under different macro policies and with different features of their own. The current position and prospects of the construction market will also change quite distinctly.

Market Conditions

Driven by the gradual improvement of the global economy and the strong recovery of the Mainland China economy, together with the stimulating policy adopted by the Hong Kong SAR Government in driving economic recovery by way of infrastructural investment, the Hong Kong economy demonstrated positive signs of recovery in 2010, registering substantial growth in GDP compared with the same period last year. The local construction industry has essentially entered a "golden decade", with lots of business opportunities. Commencement of construction of the Hong Kong-Zhuhai-Macau Bridge and development of Hengqin Island and the resulting integration of the economies of Hong Kong, Zhuhai and Macau, as well as the smooth commencement of the new session of the Macau SAR Government, all contributed to a good hope of the construction market of Macau.

In Dubai of the UAE, uncertainties still persisted in the overall economy. In Abu Dhabi, where the population growth and economic foundation are strong, the construction market is still relatively quiet under the impact of the financial tsunami.

Strong trend of economy recovery in the Mainland China has become apparent, fuelled by the trio forces of investment, consumption and export which together drive the rapid recovery of the economy of the Mainland China. Local governments across the nation are aggressive in capital-asset investments and infrastructural constructions investment. Further the Central government also steps up its investment in the construction of infrastructural facilities in the mid-western region of the country accelerating development of the mid-western region of the country. This provides a strong basis for the Group to alter its strategy in line with the new government policy. The Central government encourages and supports potential enterprises to implement their "Going Out" initiatives, and to increase their overseas investments and co-operations abroad. This provides a good opportunity for the implementation of the Group's internationalization strategy. However, heightened risks of inflation, appreciation of the Renminbi, rise of production costs and an overheated property market are confining elements which will constrain the pace of development of the economy of the Mainland China.

CHAIRMAN'S STATEMENT (continued)

Business Prospects (continued)

Operation Strategies

The Group will continue to implement the following strategic goals: maintaining construction business as its core business, and adhering to the operation strategy of "Competing at Low Cost and High Quality Management", to steadily foster the coordinated development of its construction business and infrastructural investment business, with a view to making the Company a multinational construction conglomerate with international standards.

In Hong Kong and Macau markets, we will strive to maintain our market share. In particular, we will consolidate our position as one of the largest contractors in the Hong Kong and Macau markets by treasuring the opportunities brought by the "golden decade" of the construction market. Meanwhile, we will strengthen our brand image, maintain stable cash flow and further enhance our profitability.

In the Mainland China, we have to fully leverage upon the government's 4-trillion investment stimulus scheme and its stepped up efforts in fostering development of the western region of the country. The Group will continue to deepen its corporate strategic transformation and act as a key platform for China State Construction Engineering Corporation Limited for its BOT projects and operation investment in the Mainland China, steadily fostering the development of BT and BOT projects of infrastructural construction in the Mainland China. Besides, it will also actively carry out the feasibility study of TOT (Transfer-Operate-Transfer) projects with good potential and build up its investment business as a strong cornerstone for the continual growth of the profitability of the Group. As regards its construction business, the Group will adhere to its principle of "Profit Oriented", targeting clients which are foreign developers with strong background, and will prudently proceed with its business model whereby investment is to lead and drive the growth in overall construction business.

In its overseas market, the Group will focus on the EPC (Engineering Procurement Contract) projects with support from the Chinese government. In the UAE, the Group will focus on completion of projects currently in progress and settlement of completed projects, while awaiting new opportunities. In India, the Group will adhere to the principle of "Selective Tendering".

Operation Management

The Group has been engaging in its core construction business for over 30 years, and has developed five major competitive strengths and core competency with high regard on the application and innovation of the "5+3" project management model. Such "5+3" model has been tactfully integrated with our information system to enhance the management standard of the Company. It has been the Group's insistence to enhance its management performance by means of refined management practices, and at the same time to focus its attention to risk prevention and continue to step up its efforts in risk management and control as well as to strengthen its financial management and improve the capability in capital operation and actively seek to raise funds to meet the needs for a business expansion. It will seek to streamline and optimize the management of its human resources in order to nurture a pool of talents "with fine strengths and high efficiency under a clear and well-established management structure".

CHAIRMAN'S STATEMENT (continued)

Company Mission

With an assertion on using talents well, the Group continues its efforts of innovations and reinforces its core competitiveness, so as to achieve a harmonious and win-win operating environment for the products, customers, shareholders and staff. In pursuit of its philosophy of "Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success", the Group focuses on details and advocates pragmatic works. Consistently pursuing the professionalism of "Achieving superb quality in each process thus making each property of superb quality", the Group is committed to offering products and services with excellent quality worth for value, facilitating the urbanization and enhancing the living environment quality, actively performing its responsibilities as a corporate citizen, improving competitiveness and shareholder's value, and striving to build up an evergreen business regime.

Appreciation

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiastic 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, 12 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six months ended 30 June 2010, the Group recorded the consolidated revenue of HK\$5,584 million, with the gross profit of HK\$646 million. The unaudited profit attributable to the owners of the Company increased by 32.4% to HK\$402 million as compared with the corresponding period last year. While the basic earnings per share increased by 9.5% from HK12.40 cents to HK13.58 cents. The Board of Directors declared an interim dividend per share of HK5.00 cents, equivalent to a dividend payout ratio of approximately 36.8%.

As at 30 June 2010, total assets of the Group were HK\$13,911 million of which current assets were HK\$10,068 million, representing about 1.5 times the current liabilities. The equity attributable to owners of the Company was HK\$4,562 million.

For the six months ended 30 June 2010, the Group generated a net cash inflow from the operating activities of HK\$194 million (corresponding period in 2009: HK\$473 million).

Revenue and Gross Profit

For the six months ended 30 June 2010, the Group recorded a consolidated revenue of HK\$5,584 million (corresponding period in 2009: HK\$5,502 million). Although the revenue aroused in the Mainland China drastically increased by 123.8%, the impact was outweighed by the decrease in revenue in Hong Kong and Macau, the increment in the period was 1.5%. The Group achieved a gross profit of HK\$646 million (corresponding period in 2009: HK\$465 million). The gross profit margin increased from 8.4% in first half of 2009 to 11.6% for the period.

By business sectors

The revenue was generated mainly from construction business and infrastructure investment business (including build-transfer (“BT”)/build-operate-transfer (“BOT”) projects, heat and electricity business and road and bridge investments).

For analysis purpose, the revenue from core construction business continued to dominate the business segment accounting for 85.0% (corresponding period in 2009: 95.3%) of the Group’s total revenue while the revenue arising from infrastructure investment related business represented 15.0% (corresponding period in 2009: 4.7%) of the overall revenue of the Group.

Overall Performance (continued)

Revenue and Gross Profit (continued)

By geographical sectors

(i) *Hong Kong market*

During the period, revenue derived from Hong Kong market was decreased by 4.2% to HK\$3,212 million while gross profit increase by 24.6% to HK\$203 million. The decrease in revenue was mainly because several large scale projects were completed or nearly completed in 2009 and those newly awarded projects have not yet contributed any revenue at the preliminary stage in the period. Hong Kong market remained the major revenue contributor of the Group, which contributed 57.5% of the overall revenue. The gross profit margin increased from 4.9% in the first half of 2009 to 6.3% in the current period under review.

(ii) *Mainland China market*

The contribution of the revenue and gross profit from the Mainland China market continuously increased in the period by 123.8% to HK\$1,379 million (corresponding period in 2009: HK\$616 million) and 112.4% to HK\$353 million (corresponding period in 2009: HK\$166 million) respectively.

The proportion of the revenue contribution from the Mainland China market had increased to 24.7% (corresponding period in 2009: 11.2%) of the overall revenue of the Group. The major reasons were:

- the Group has been awarded several new building construction projects in the Mainland China in 2009 and the projects had progressed satisfactorily during the period, that caused construction revenue arising from the Mainland China market had increased almost 2.8 times compared with the same period last year to HK\$1,068 million.
- heat and electricity revenue had raised as the overall heat supply area increased by 12.6% to 8,610,633 m² compared with the same period last year.
- revenue from the infrastructure project investments including the Nan Chang Bridges, Tangshan BT project and Wuhan BT project had contributed to the increase of the revenue by 182.7% as compared to the same period last year.

The overall gross profit margin in the Mainland China market remained stable at a range of 25% to 27% in both periods.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overall Performance (continued)

Revenue and Gross Profit (continued)

By geographical sectors (continued)

(iii) Macau market

During the period, the revenue derived from the Macau market dropped by 65.3% to HK\$308 million (corresponding period in 2009: HK\$889 million) whilst the gross profit decreased by 24.6% to HK\$82 million (corresponding period in 2009: HK\$108 million).

Most of the projects in Macau were completed or nearly completed in 2009. Thus, both revenue and gross profit derived from the Macau market decreased in the period by 65.3% and 24.6% respectively. The gross profit margin in the Macau market increased from 12.2% in the first half of 2009 to 26.5% for the period because a large portion of the gross profit was contributed by several mechanical and electrical projects and the hotel project, both of which have a higher profit margin.

(iv) Overseas market

The overseas market contributed HK\$685 million revenue (corresponding period in 2009: HK\$644 million), representing 6.4% increase as compared with the same period last year. The gross profit was HK\$9 million (corresponding period in 2009: HK\$28 million). The major reason for the increase was the revenue contribution from the new project in India. The revenue arising from the United Arab Emirates ("UAE") market remained stable compared with the same period last year.

Administrative Expenses

Administrative expenses increased by 13.4% to HK\$180 million for the six months ended 30 June 2010 (corresponding period in 2009: HK\$159 million). The major reason for the increase was the number of staff increased and the surge in general salaries level of the Group to retain and attract the outstanding staff and talents. In addition, expenses were increased in order to meet the expansion of the Group's operations in the Mainland China.

Finance Costs

The finance costs increased to HK\$20 million (corresponding period in 2009: HK\$6 million) in the period because of the increase in the project loan for the BT projects.

Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$402 million (corresponding period in 2009: HK\$303 million) and on the weighted average number of 2,957,255,000 (corresponding period in 2009: 2,446,450,000) ordinary shares in issue during the period. The increase in the weighted average number of issued shares in the period was the result of the rights issue in September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Projects

New Projects Awarded

From 1 January 2010 to the date of this report, the Group secured 30 new contracts with a total attributable contract value of HK\$18,753 million, representing an increase of 68.3% over the same period last year.

	New contracts awarded from		New contracts awarded for the	
	1 January 2010 up to the date of this report		corresponding period in 2009	
	No.	HK\$' Million	No.	HK\$' Million
Hong Kong and Macau Project	22	9,583	21	6,872
– Building construction	11	6,902	13	3,366
– Civil engineering works	4	2,090	4	3,209
– Other works	7	591	4	297
Mainland China Project	8	9,170	9	3,936
– Building construction	5	5,202	7	1,292
– BT/BOT projects	3	3,968	2	2,644
Overseas Project	–	–	1	332
Total	30	18,753	31	11,140

Major Projects Awarded

Hong Kong: Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin; Proposed Residential Development at 2A Seymour Road, Hong Kong; Proposed Industrial Redevelopment at Hoi Shing Road, Tsuen Wan; Proposed Residential Development at Fan Kam Road, Kwu Tung South, N.T.; Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2; Express RailLink Contract 823A-Tai Kong Po to Tse Uk Tsuen Tunnels; Design, Build and Operate Pillar Point Sewage Treatment Works; Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5; Express Rail Link Contract 803B-West Kowloon Terminus (Site A-North) Piling Works; Express Rail Link Contract 803C-West Kowloon Terminus (Site A-South) Piling Works etc.;

Mainland China: Lerthai Centre in Shijiazhuang; 廣州琶洲PZB1401上蓋管理總承包工程; 成都西錦城二期上蓋工程; Yangwu Expressway BOT Project (Yangquan to Yuxian Section) in Shanxi; BT project for Relocation Housing Project in Junliang City, Tianjin; BT Project for Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City etc.;

Macau: No. 188 Av. De Venceslau de Morais Residential Project.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Projects (continued)

Contract Value for the Projects in Progress

	Attributable contract value as at the date of this report		Attributable contract value as at 31 December 2009	
	No.	HK\$' Million	No.	HK\$' Million
Hong Kong and Macau Project	59	33,444	50	27,181
– Building construction	28	17,451	28	13,665
– Civil engineering works	20	15,153	18	13,223
– Other works	11	840	4	293
Mainland China Project	20	15,502	14	6,635
– Building construction	14	7,367	11	2,468
– BT/BOT projects	6	8,135	3	4,167
Overseas Project	6	6,084	6	6,084
Total	85	55,030	70	39,900

Projects in Progress

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

Corporate Finance

The management and control of the Group's financial, treasury management and external financing are centralized at the corporate head office. The Group has been adhering to the principle of prudent financial management.

Liquidity

As at 30 June 2010, the Group had bank balances and cash of HK\$3,985 million (31 December 2009: HK\$5,763 million). The portfolio of the currencies of bank deposits is listed as follows:

	30 June 2010 %	31 December 2009 %
Hong Kong Dollars	50	51
Renminbi	45	46
Macao Patacas	3	2
UAE Dirhams	2	1

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Corporate Finance (continued)

Liquidity (continued)

The deposits in foreign currencies were mainly held by subsidiaries in various regions. During the period, the Group has no financial instruments for currency hedging purposes.

The table sets out the maturities of the Group's total borrowings, including the loans from intermediate holding company, as at 30 June 2010 and 31 December 2009 with details as follows:

	30 June 2010	31 December 2009
	<i>HK\$' million</i>	<i>HK\$' million</i>
On demand or within one year	1,025	22
More than one year but not exceeding two years	–	1,341
More than two years but not more than five years	2,350	1,964
Total	3,375	3,327

As at 30 June 2010, the Group had a net cash of HK\$610 million (31 December 2009: HK\$2,436 million) together with the committed and unutilised banking facilities, the Group had sufficient financial resources to meet the business development opportunities in Hong Kong and the Mainland China markets.

Financing Credit and Financial Resources

As the Group has established a sound operation for over thirty years, it has the full support of its shareholders and maintains a good relationship with a number of large-scaled banks in Hong Kong and the Mainland China. During the period, the Group had 2 major debt financing events to provide for further financial resources.

- (i) On 12 May 2010, the Group's subsidiary 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) was granted a three-year credit facility of RMB1.19 billion by the Shenzhen branch of China Construction Bank.
- (ii) On 22 June 2010, the Group was granted a syndicated credit facility of HK\$3.00 billion by eight renowned banks in Hong Kong.

The aforesaid credit facilities provide a strong financial support for the Group's infrastructure investment business in the Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Corporate Finance (continued)

Utilisation of Financial Resources

Same as last year, the Group is expanding its business in the Mainland China, particularly focusing on infrastructure project investments, so as to capture valuable opportunities arising from the RMB 4-trillion investment stimulus scheme in the Mainland China. Related efforts were launched and projects were awarded in the first half year of 2010:

- (i) On 7 May 2010, the Group and the controlling shareholder China State Construction Engineering Corporation Limited, ("CSCECL") entered into the agreement to acquire its interests in Yangquan Yangwu Expressway Investment Management Limited for a BOT project in developing and operating Yangquan Yangwu Expressway (Yangquan to Yuxian section) with consideration amounts of HK\$1.47 billion.
- (ii) In May 2010, the Group set up a wholly-owned subsidiary 天津港悦基建發展有限公司, which entered into a construction agreement through BT model with the Government of Tianjin City for a relocation housing project with the estimated contract value approximately HK\$1.40 billion.

The Group will cautiously seek expansion opportunities in infrastructure project investments in the Mainland China with a view to balance the risk and opportunity to maximise the shareholders' value.

Exchange Risk and Corresponding Hedging Arrangement

The Group operates in various regions with transactions denominated in different foreign currencies, therefore the management pays close attention to foreign exchange exposure and reviews the exchange risk regularly.

Renminbi has been relatively stable in the reporting period, but the Group will continue to keep a close attention to the trend of Renminbi and will make proper adjustment if necessary. The UAE Dirham and Macao Patacas are relatively stable because the Dirham is linked to the US dollar and Patacas is linked to the Hong Kong Dollar. The Group has no hedging arrangement for foreign currencies and has not been involved in the financial derivatives.

Credit Exposure

The Group deals with credit exposure according to the risk management policies. Credit extended to business associates is based on the reputation and financial position of the customers. In connection with projects in progress, whether in Hong Kong, Mainland China, Macau or overseas, the major customers are the local Government, certain institutional organizations and reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Corporate Finance (continued)

Risk Management

The Group has exercised full-scale enhancement of its risk management and on the basis of establishing a Risk Management Control Committee, it has enhanced the appraisal system whereby the persons-in-charge at the Company and construction sites level have economic duties to discharge during their tenure. In order to further strengthen risk control and prevention in various sectors of its operation, the Group has established a procedure of notification in respect of safety incidents on construction sites and a mechanism for the investigation and hearing of security-related incidents. Meanwhile, a merit and penalty mechanism has been established whereby a "Safe Production Award Scheme" is introduced and materials procurement is closely monitored. By optimizing management procedures, it helped to enhance management performance. These have contributed to enhanced operational effectiveness of the enterprise and benefits to the society.

Regarding our investment business, the Group has basically completed the establishment of a platform for investing in the Mainland China. At present, a professional investment team having a headcount of more than a hundred has been established. It has basically completed the formulation of an investment risk control and management system in respect of investment risk prevention, investment decision evaluation, investment project control and management. In addition, the Group has also fully utilized and learnt from the experience of its parent company in project investment and operation, for the maximum prevention of investment risks.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	3	5,584,219	5,501,951
Costs of sales		(4,937,955)	(5,037,405)
Gross profit		646,264	464,546
Investment income	5	24,731	17,658
Other income		14,360	26,053
Administrative expenses		(180,390)	(159,136)
Distribution and selling expenses		(1,193)	(6,751)
Other expenses		(15,445)	(5,282)
Share of profits of associates		9,546	3,550
Finance costs		(20,312)	(5,639)
Profit before tax	6	477,561	334,999
Income tax expense	7	(75,833)	(31,648)
Profit for the period		401,728	303,351
Attributable to			
Owners of the Company		401,728	303,351
Earnings per share (HK cents)	9		
Basic		13.58	12.40
Diluted		13.21	11.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit for the period	401,728	303,351
Other comprehensive income		
Exchange differences arising on translation of foreign operations	14,429	(1,671)
Fair value changes of available-for-sale investments	(56,459)	10,866
Other comprehensive (expense) income for the period	(42,030)	9,195
Total comprehensive income for the period	359,698	312,546
Total comprehensive income attributable to Owners of the Company	359,698	312,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current Assets			
Property, plant and equipment	10	1,325,787	1,121,324
Investment properties		42,454	43,031
Interests in infrastructure project investments		1,784,142	1,050,040
Prepaid lease payments		81,250	76,551
Interests in associates		38,188	35,175
Intangible assets		54,964	9,950
Available-for-sale investments		195,063	116,179
Investment in convertible bonds		63,950	–
Amounts due from investee companies		257,288	250,142
		3,843,086	2,702,392
Current Assets			
Interests in infrastructure project investments		20,426	15,808
Prepaid lease payments		3,213	2,243
Inventories		100,411	46,883
Properties held for sale		7,930	7,859
Amounts due from customers for contract work		921,800	539,294
Trade and other receivables	11	3,275,059	3,398,325
Deposits and prepayments		1,135,155	242,839
Amounts due from jointly controlled entities		37,244	40,184
Amounts due from the partners of jointly controlled entities		370,768	308,862
Amounts due from fellow subsidiaries		97,331	61,673
Amount due from intermediate holding company		105,361	25,364
Tax recoverable		8,344	4,832
Pledged bank deposits		12,361	14,905
Deposits with financial institutions		191	1,446
Bank balances and cash		3,972,479	5,746,573
		10,068,073	10,457,090

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Current Liabilities			
Amounts due to customers for contract work		708,050	505,449
Trade and other payables	12	3,933,809	3,552,277
Deposits received and receipt in advance		488,057	681,801
Amounts due to jointly controlled entities		311,908	299,327
Amounts due to the partners of jointly controlled entities		35,406	42,034
Amounts due to fellow subsidiaries		1,416	13,316
Amount due to an associate		25,328	25,211
Tax liabilities		161,737	134,047
Borrowings		1,025,094	21,956
Obligations under finance leases		202	74
		6,691,007	5,275,492
Net Current Assets		3,377,066	5,181,598
Total Assets less Current Liabilities		7,220,152	7,883,990
Capital and Reserves			
Share capital	13	73,979	73,864
Share premium and reserves		4,488,185	4,230,918
Equity attributable to owners of the Company		4,562,164	4,304,782
Non-controlling interests		33,616	–
		4,595,780	4,304,782
Non-current Liabilities			
Deferred income		176,521	180,480
Deferred tax liabilities		98,011	93,219
Borrowings		630,445	1,601,931
Loans from intermediate holding company		1,719,395	1,703,578
		2,624,372	3,579,208
		7,220,152	7,883,990

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$,000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	61,119	1,004,848	(494,777)	337	5,252	(12,131)	121,706	11,556	1,825,347	2,523,257	-	2,523,257
Profit for the period	-	-	-	-	-	-	-	-	303,351	303,351	-	303,351
Fair value changes of available-for-sale investments	-	-	-	-	-	10,866	-	-	-	10,866	-	10,866
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(1,671)	-	-	(1,671)	-	(1,671)
Total comprehensive income for the period	-	-	-	-	-	10,866	(1,671)	-	303,351	312,546	-	312,546
Issue of ordinary shares upon exercise of share options and warrants	85	1,016	-	-	(207)	-	-	-	-	894	-	894
Recognition of equity-settled share based payments	-	-	-	-	467	-	-	-	-	467	-	467
2008 final dividend paid	-	-	-	-	-	-	-	-	(80,782)	(80,782)	-	(80,782)
At 30 June 2009	61,204	1,005,864	(494,777)	337	5,512	(1,265)	120,035	11,556	2,047,916	2,756,382	-	2,756,382
At 1 January 2010	73,864	2,351,306	(494,777)	337	4,952	4,388	101,870	13,003	2,249,839	4,304,782	-	4,304,782
Profit for the period	-	-	-	-	-	-	-	-	401,728	401,728	-	401,728
Fair value changes of available-for-sale investments	-	-	-	-	-	(56,459)	-	-	-	(56,459)	-	(56,459)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	14,429	-	-	14,429	-	14,429
Total comprehensive income for the period	-	-	-	-	-	(56,459)	14,429	-	401,728	359,698	-	359,698
Issue of ordinary shares upon exercise of share options	115	1,239	-	-	(281)	-	-	-	-	1,073	-	1,073
Recognition of equity-settled share based payments	-	-	-	-	181	-	-	-	-	181	-	181
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	33,616	33,616
2009 final dividend paid	-	-	-	-	-	-	-	-	(103,570)	(103,570)	-	(103,570)
At 30 June 2010	73,979	2,352,545	(494,777)	337	4,852	(52,071)	116,299	13,003	2,547,997	4,562,164	33,616	4,595,780

Notes:

- Special reserve as at 1 January 2009 arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiaries, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited and Value Idea Investments Limited under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders.
- The ordinary shares of the Company are repurchased out of the Company's retained profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares repurchased was transferred to the capital redemption reserve.
- The statutory reserve of the Group represents general and development fund reserve applicable to the People of Republic of China ("PRC") and overseas subsidiaries which were established in accordance with the relevant regulations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	194,214	472,542
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,875,622)	(88,050)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(93,773)	(196,114)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,775,181)	188,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,746,573	1,900,169
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,087	(2,246)
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,972,479	2,086,301
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	3,972,479	2,087,132
Bank overdrafts	–	(831)
	3,972,479	2,086,301

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(1) Basis of Preparation

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

(2) Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

In the period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for the loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

The directors of the Company anticipate that the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

(2) Principal Accounting Policies (continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Right Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognize financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objectives is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(3) Revenue

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

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

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Revenue from construction contracts and project management service income	5,249,038	5,241,293
Revenue from supply of heat and electricity	220,879	190,747
Revenue from provision of connection services	3,728	3,438
Revenue from infrastructure project investments	86,536	30,614
Sales of precast structures and building materials	15,675	27,968
Other income (<i>note</i>)	8,363	7,891
	5,584,219	5,501,951

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(4) Segmental Information

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are based on geographical location of principal activities it operates – Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (including United Arab Emirates and India).

Segment results for the six months ended 30 June 2010 and 2009 are as follows:

	Revenue		Gross profit		Segment result	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Reportable segments						
Hong Kong	3,212,212	3,352,379	202,832	162,767	148,207	114,708
Mainland China	1,378,681	616,098	352,694	166,025	325,119	158,962
Macau	308,207	889,379	81,538	108,093	81,811	106,408
Overseas	685,119	644,095	9,200	27,661	(8,139)	9,181
Consolidated total	5,584,219	5,501,951	646,264	464,546	546,998	389,259
Unallocated corporate expenses					(58,671)	(52,171)
Share of profits of associates					9,546	3,550
Finance costs					(20,312)	(5,639)
Profit before tax					477,561	334,999
Income tax expense					(75,833)	(31,468)
Profit for the period					401,728	303,531

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(5) Investment Income

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Interest income on:		
Bank deposits	9,632	6,799
Debt securities	2,034	2,196
Imputed interest on amount due from an investee company	7,145	2,562
	18,811	11,557
Dividend income from unlisted available-for-sale investments	5,825	5,818
Dividend income from listed available-for-sale investments	95	–
Gain on disposal of listed available-for-sale investments	–	283
	24,731	17,658

(6) Profit Before Tax

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation	3,792	3,368

(7) Income Tax Expense

	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current tax:		
Hong Kong	5,306	6,230
Other jurisdictions	61,981	24,783
	67,287	31,013
Under(Over) provision in prior years:		
Hong Kong	2,204	(7,495)
Other jurisdictions	–	(5,153)
	2,204	(12,648)
Deferred tax:		
Current period	6,342	13,283
Income tax expense for the period	75,833	31,648

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(8) Dividends

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period:		
2009 Final, paid HK3.50 cents (2008 Final: HK3.30 cents) per share	103,570	80,782

The Board declared the payment of an interim dividend of 2010 of HK5.00 cents per share (2009: HK3.60 cents).

(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:

	For the six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	401,728	303,351
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,957,255	2,446,450
Effect of dilutive potential ordinary shares in respect of share options	82,868	90,823
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,040,123	2,537,273

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(10) Property, Plant and Equipment

During the period, the Group spent approximately HK\$160,502,000 (corresponding period in 2009: HK\$33,226,000) on additions to property, plant and equipment.

(11) Trade and Other Receivables

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Trade receivables, aged		
0-30 days	1,331,521	1,641,815
31-90 days	438,149	475,497
Over 90 days	359,365	173,979
	2,129,035	2,291,291
Retention receivables	1,043,268	1,056,095
Other receivables	102,756	50,939
	3,275,059	3,398,325

The Group allows an average credit period of 90 days to its customers. Of the retention receivables, an amount of HK\$637,918,000 (2009: HK\$515,387,000) is due more than one year.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

(12) Trade and Other Payables

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

	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Trade and other payables, aged		
0-30 days	1,697,368	1,944,578
31-90 days	857,009	460,827
Over 90 days	501,111	256,843
	3,055,488	2,662,248
Retention payables	878,321	890,029
	3,933,809	3,552,277

The average credit period on trade and construction cost payables is 60 days. Of the retention payables, an amount of HK\$394,008,000 (31 December 2009: HK\$357,840,000) is due more than one year.

(13) Share Capital

Share capital as at 30 June 2010 amounted to HK\$73,979,000 (31 December 2009: HK\$73,864,000). An amount of shares of HK\$115,000 (corresponding period in 2009: HK\$85,000) were issued upon exercise of share options during the period.

(14) Events After Reporting Period

- (a) On 7 February 2010, the Group has entered into the subscription agreement to subscribe the guaranteed secured convertible bonds ("Bonds") at the amount of HK\$200,000,000 in Skyjoy Assets Management Limited ("Skyjoy") which has the ultimate beneficial interest of the land with a site area of approximately 62,000 square meters and some units of shops with total gross floor area of approximately 1,800 square meters in Qiaodong district of Shijiazhuang, PRC (the "subscription"). The Subscription was divided into two phases. The first phase at the amount of HK\$63,950,000 was completed on 28 June 2010. The second phase was completed on 9 July 2010. The maturity date of the bonds should be fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. If the Group convert the Bonds in full, 1,800 shares of US\$1.00 each representing 18% of the issued share capital of the Skyjoy on a fully diluted basis will be issued to the Group.
- (b) On 22 July 2010, China Construction Third Engineering Bureau Corp., Ltd., ("CCTEB", a subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"), the intermediate holding company of the Company) and Shenzhen China Overseas Construction Limited ("SCOCL", a wholly owned subsidiary of the Company) entered into a project cooperation agreement ("Agreement") in relation to the formation of a joint venture company in Wuhan ("Wuhan JV"). Pursuant to the Agreement, CCTEB and SCOCL will hold 70% and 30% equity interests in the Wuhan JV, respectively. The Wuhan JV will undertake an infrastructure project in Wuhan by the way of build-transfer model. The project involves the construction of the Wuchang section and the Hanyang section of the Wuhan No. 2 Circle Line (武漢市二環線武昌段和漢陽段) located in Wuhan. The duration for the completion of the project is expected to be 15 months.

OTHER INFORMATION

Interim Dividend

The Board declared an interim dividend of HK5.00 cents (2009: HK3.60 cents) per share to the shareholders whose names appear in the register of members of the Company on Tuesday, 21 September 2010. The interim dividend will be payable on Tuesday, 5 October 2010.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 20 September 2010 to Tuesday, 21 September 2010, both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 17 September 2010.

Share Options

Movements of the share options of the Company during the six months ended 30 June 2010 are listed below:

Category	Date of grant	Number of share options			Outstanding at 30.06.2010	Exercise price (HK\$)	Exercise period
		Outstanding at 01.01.2010	Granted during the period	Exercised during the period			
Category I:							
Directors							
Kong Qingping	14.09.2005	3,160,834	–	–	–	0.2345	14.09.2006 to 13.09.2015
Zhou Yong	14.09.2005	1,843,820	–	–	–	0.2345	14.09.2006 to 13.09.2015
Yip Chung Nam	14.09.2005	1,975,521	–	1,317,014	–	0.2345	14.09.2006 to 13.09.2015
Zhang Yifeng	14.09.2005	616,058	–	–	–	0.2345	14.09.2006 to 13.09.2015
Cheong Chit Sun	14.09.2005	790,209	–	395,105	–	0.2345	14.09.2006 to 13.09.2015
Zhou Hancheng	14.09.2005	1,229,213	–	614,607	–	0.2345	14.09.2006 to 13.09.2015
Raymond Ho Chung Tai	14.09.2005	878,010	–	–	–	0.2345	14.09.2006 to 13.09.2015
Adrian David Li Man Kiu	14.09.2005	878,010	–	–	–	0.2345	14.09.2006 to 13.09.2015
Raymond Leung Hai Ming	14.09.2005	878,010	–	–	–	0.2345	14.09.2006 to 13.09.2015
Lee Shing See	14.09.2005	878,010	–	–	–	0.2345	14.09.2006 to 13.09.2015
All Directors		13,127,695	–	2,326,726	–		
Category II:							
Employees	14.09.2005	45,073,648	–	1,898,408	–	0.2345	14.09.2006 to 13.09.2015
Category III:							
Consultants	14.09.2005	34,804,985	–	351,204	–	0.2345	14.09.2006 to 13.09.2015
Total		93,006,328	–	4,576,338	–		

OTHER INFORMATION (continued)

Share Options (continued)

Notes:

1. 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 exercise of share options	Number of share options exercised	Weighted average closing price of the Company's shares immediately before the exercise date (HK\$)
19.01.2010	614,607	3.24
22.02.2010	1,371,602	2.90
23.03.2010	1,668,218	2.91
17.05.2010	921,911	2.87
	<u>4,576,338</u>	

2. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).

OTHER INFORMATION (continued)

Directors' Interests in Shares and Underlying Shares

As at 30 June 2010, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of director	Number of ordinary shares held	Number of underlying shares held	Total	% of shares in issue ³
	Personal interests ¹	Share options ²		
Kong Qingping	2,988,800	3,160,834	6,149,634	0.208
Zhou Yong	3,306,240	1,843,820	5,150,060	0.174
Yip Chung Nam	3,633,810	658,507	4,292,317	0.145
Zhang Yifeng	564,000	616,058	1,180,058	0.040
Cheong Chit Sun	1,662,305	395,104	2,057,409	0.070
Zhou Hancheng	3,296,367	614,606	3,910,973	0.132
Raymond Ho Chung Tai	–	878,010	878,010	0.030
Adrian David Li Man Kiu	–	878,010	878,010	0.030
Raymond Leung Hai Ming	–	878,010	878,010	0.030
Lee Shing See	–	878,010	878,010	0.030

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of the Company (the "Share Options") held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Company's Share Option Scheme. Details of which are set out in the section headed "Directors' Rights to Acquire Shares" of this report.
3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2010 (i.e. 2,959,148,986 ordinary shares).

OTHER INFORMATION (continued)

Directors' Interests in Shares and Underlying Shares (continued)

(b) Long positions in shares and underlying shares of Associated Corporation – China Overseas Land & Investment Ltd. ("COLI")

Name of director	Number of ordinary shares held		Number of underlying shares held		% of shares in issue ³
	Personal interests ¹	Family interests	Share options ²	Total	
Kong Qingping	7,435,760	–	1,359,334	8,795,094	0.108
Zhou Yong	388,381	–	–	388,381	0.005
Yip Chung Nam	2,808,564	–	–	2,808,564	0.034
Cheong Chit Sun	205,713	400 ⁴	–	206,113	0.003

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of COLI held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Share Option Scheme of COLI. Details of which are set out in the section headed "Directors' Rights to Acquire Shares" of this report.
3. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2010 (i.e. 8,172,094,286 ordinary shares).
4. The interests in 400 shares were held by the spouse of Cheong Chit Sun.

Save as disclosed above, as at 30 June 2010, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.

OTHER INFORMATION (continued)

Directors' Rights to Acquire Shares

(a) The Company

Share Options

As at 30 June 2010, the number of outstanding share options granted by the Company under the Company's Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section heading "Share Options" of this report.

(b) Associated Corporation – COLI

Share Options

As at 30 June 2010, 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 shares in issue
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.118	1,359,334	0.017

Note: The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2010 (i.e. 8,172,094,286 ordinary shares)

Other than the share options disclosed above, at no time during the six months ended 30 June 2010 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.

OTHER INFORMATION (continued)

Substantial Shareholders

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company :

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue ¹
China Overseas Holdings Limited ² ("COHL")	Beneficial owner	1,845,713,384	1,845,713,384	62.37
China State Construction Engineering Corporation Limited ³ ("CSCECL")	Interest of a controlled corporation/ beneficial owner	1,845,713,384	1,845,713,384	62.37
China State Construction Engineering Corporation ⁴ ("CSCEC")	Interest of a controlled corporation/ beneficial owner	1,845,713,384	1,845,713,384	62.37

Notes :

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2010 (i.e. 2,959,148,986 ordinary shares).
2. Amongst the total number of 1,845,713,384 Shares held by COHL, 1,768,096,091 Shares was held as beneficial owner while the balance of 77,617,293 Shares was interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 1,845,713,384 Shares directly owned by COHL.
4. CSCECL is held as to more than 50% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 1,845,713,384 Shares indirectly owned by CSCECL.
5. Pursuant to the circular of the Company dated 16 April 2010, as at 12 April 2010, COHL was beneficially interested in an aggregate of 1,848,211,384 Shares.

Save as disclosed above, as at 30 June 2010, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

OTHER INFORMATION (continued)

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 2010.

Corporate Governance

During the six months ended 30 June 2010, 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 except code provision E.1.2.

Code Provision E.1.2 – Chairman attending annual general meeting

Mr. Kong Qingping, the Chairman and Non-executive Director of the Company, could not attend the annual general meeting of the Company held on 9 June 2010 ("2010 AGM") due to other business engagement. Mr. Zhou Yong, Vice-chairman and Chief Executive Officer of the Company, chaired the 2010 AGM to ensure effective communication with shareholders of the Company at such meeting.

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 2010.

Review of Accounts

The Group's unaudited interim results for the six months ended 30 June 2010 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

Changes in Directors' Information

Changes in Directors' information since the date of the 2009 Annual Report are set out below:-

Mr. Adrian David Li Man Kiu JP

- Appointed as a Board Member of The Community Chest of Hong Kong

Mr. Lee Shing See GBS, OBE, JP

- Ceased as a director of Hong Kong Design Centre



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