



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

# 目錄 CONTENTS

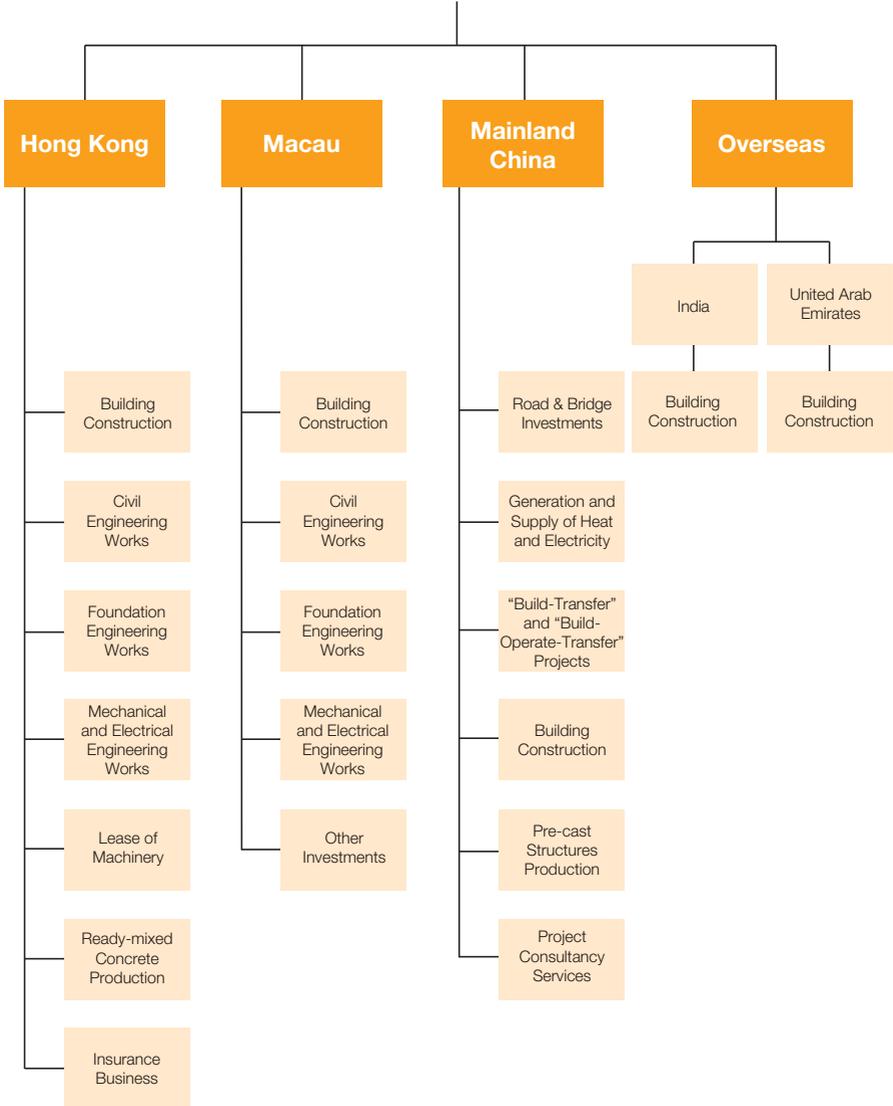


2	公司業務架構	53	Corporate Structure
3	董事局及委員會	54	Board of Directors and Committees
4	公司資料	55	Corporate Information
5	董事局主席報告書	56	Chairman's Statement
14	管理層討論及分析	65	Management Discussion and Analysis
26	未經審核之簡明綜合收益表	77	Unaudited Condensed Consolidated Income Statement
27	未經審核之簡明綜合全面收益表	78	Unaudited Condensed Consolidated Statement of Comprehensive Income
28	簡明綜合財務狀況表	79	Condensed Consolidated Statement of Financial Position
30	未經審核之簡明綜合權益變動報表	81	Unaudited Condensed Consolidated Statement of Changes in Equity
32	未經審核之簡明綜合現金流量表	83	Unaudited Condensed Consolidated Statement of Cash Flow
33	簡明財務報表附註	84	Notes to the Condensed Financial Statements
44	其他資料	95	Other Information





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



# BOARD OF DIRECTORS AND COMMITTEES

## BOARD OF DIRECTORS

### Chairman and Non-executive Director

Kong Qingping

### Honorary Chairman (Non-board Member)

Sun Wen Jie

### Executive Directors

Zhou Yong  
*(Vice-chairman and  
Chief Executive Officer)*

Zhang Yifeng

Cheong Chit Sun

Zhou Hancheng

Tian Shuchen

Hung Cheung Shew

(Appointed on 8 June 2011)

### 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

*Note:*

Mr. Yip Chung Nam retired as an Executive Director after the conclusion of the Company's annual general meeting held on 7 June 2011.





## **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 609  
Grand Cayman KY1-1107  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Standard Limited  
26/F., 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 ADVISOR**

Mayer Brown 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](http://www.csci.com.hk)

## **FINANCIAL CALENDAR**

### **Interim Results Announcement**

19 August 2011

### **Closure of Register of Members**

22 September 2011 to

23 September 2011

(both days inclusive)

### **2011 Interim Dividend Payable**

30 September 2011



### A Trusted Brand Growing Through Diligence And Care

#### RESULTS

The Group's unaudited profit attributable to the owners of the Company for the six months ended 30 June 2011 was HK\$653 million, representing an increase of 40.8% as compared with the same period of last year. The revenue was HK\$6,071 million, representing an increase of 21.5% as compared with the same period of last year. Earnings per share was HK20.06 cents, representing an increase of 33.1% as compared with the same period of last year.

#### INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK6.00 cents per share for 2011, representing an increase of 20% as compared to the corresponding period last year.

#### REVIEW OF OPERATION

In the first half of 2011, the world economy became even more complicated. The political and economic instability together with the natural disasters had certain impact on the recovery process. During the first half of the year, the Group grasped opportunities for sound development in response to the changing situations, which resulted in good performances in the dual-core business of infrastructure investment and construction contracting.

#### Market Conditions

Hong Kong's construction market has maintained an upward trend. Efforts have been stepped up in building more affordable housings in the Mainland, and investment in infrastructure was also in steady progress. The Group has been paying close attention to the market trend, actively and steadily propelling the development in construction and infrastructure investment.

With Hong Kong's economic recovery in full swing, the "Ten Mega Infrastructure Projects" are propelling in thorough progress and the private construction market is also on the upswing, Hong Kong's construction market has entered a "Golden Decade". The Company actively grasps market trend, seizes opportunities, controls risks, consolidates the scale advantage of its construction business and further enhances its competitiveness in the Hong Kong market.





## REVIEW OF OPERATION (Continued)

### Market Conditions (Continued)

Macau's economy continued its steady growth, recording a GDP growth of over 20% in the first quarter of 2011. The Company has been paying close attention to the market trend and actively participated in market competition. Its business development showed a good momentum.

The Group continued deepening the strategy of transformation to infrastructure investment business in the Mainland, and its dual-core strategic structure of infrastructure investment and construction has been formed. In the first half of 2011, the Group was awarded 重慶市合川區安置房和公共租賃房 (Relocation and Public Rental Housing in Hechuan District, Chongqing) build-transfer ("BT") project, 福建省漳州碧湖生態園基礎設施和安置房 (Fujian Ecological Park infrastructure facility and Relocation Housing in Zhangzhou) BT project and 山西省五盂 (五台山至孟縣) 高速 (Shanxi Wuyu (Wutaishan to Yuxian) Expressway) BT project. The build-operate-transfer ("BOT") project of 山西陽泉陽五高速公路 (陽泉至孟縣段) (Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian Section)) officially commenced operation on 8 May 2011, which became the Company's first BOT project to officially enter operation stage, ushering in a new stage of the Group's infrastructure investment business in Mainland China.

In the first half of 2011, the Indian economy showed an obvious recovery trend. After balancing risk and profit, the Group prudently and actively expanded its business in the Indian market. The real estate and construction market of the United Arab Emirates ("UAE") remained sluggish, and the Group ceased to undertake new projects in the UAE market since 2008. The Group continued to concentrate on progress payment and commercial management of the projects in progress.



## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATION *(Continued)*

#### Corporate Governance

The Group strictly complies with the laws, regulations and the Listing Rules of the Stock Exchange of Hong Kong. With effective monitoring by the Board and enhanced communication with investors, relevant information was released timely to enhance investors' knowledge and understanding about the Company and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round corporate governance structure, internal control, risk management and crisis management mechanisms. The function and role of each dedicated decision-making team have been enhanced and strategies were adjusted timely to ensure that the Company operated in a highly effective manner.

#### Risk Management

The special management team continued to enhance and carry out full-scale monitoring and controlling of risks; persistent in centralization of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the "Examination by Three Departments" mechanism, and emphasised the balance between control and efficiency. Effectively building a linkage mechanism on risk management between the Group, relevant operating units and projects, the Group created a risk management system to deal with procedures such as risk identification, alert, prevention and disposition. The Group holds regular quarterly meetings for every operating unit, fully implement the mechanism of centralised decision making in regular meetings of general managers and the "Three Centralization" management models, enhancing the headquarters' management function in terms of human resources, financial resources and material resources and increasing the Group's ability in risk management on construction and investment projects. As for overseas market, the Group has been keeping its eyes on the market trend, focusing on avoiding market risk as well as currency exchange and interest rate risk.





## **REVIEW OF OPERATION** *(Continued)*

### **Financial Management**

The Group's finance has been centrally managed and controlled at the headquarters. In line with its principles of prudent finance, as at 30 June 2011, the Group had bank balances of HK\$7,266 million and total borrowings of HK\$6,923 million. The Group has net cash balance of HK\$343 million. The Group had sufficient liquidity, and was in a very sound financial position. The Group also had sufficient committed and unutilised loan and working capital facilities of HK\$2,574 million and guarantee facilities of HK\$4,591 million, to meet the needs of the Group's business development.

By holding half-yearly economic activity analysis meetings, quarterly operation meetings and thematic sessions on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are in place to ensure healthy expansion and operation of the Group's various business segments. The Group fully utilised the regional platform of Hong Kong, Macau and Mainland China to raise and manage capital, enhanced the synergy between the headquarters and the subsidiaries in investment and financing, and raised the level of financial management through the strengthening of cost management, the emphasis of financial planning and stressing on the time value of funds, effectively supporting the development of business operation.

### **Human Resources Management**

The Group has launched a new performance appraisal system and staff ranking system, improved the remuneration system, made amendments to the construction site contract responsibility system, reviewed the investment project contract responsibility system and put it in practice gradually. The Group enhanced the effort in recruitment, further improved the internal talent training and promotion mechanism, enhanced the effort in the transfer of talents from Hong Kong construction to mainland investments and strengthened the protection of human resources.



### REVIEW OF OPERATION *(Continued)*

#### Equity Funding

The Group completed its capital raising through Rights Issue in May 2011. The basis of the Rights Issue was one Rights Share for every five existing shares. A total of 597 million Rights Shares were issued, raising a total of HK\$3,584 million. The Rights Issue arrangement effectively enhanced the capital base of the Company, optimised the overall financial structure and secured a strong financial position for the Group to commence infrastructure investment business in Mainland China.

#### Social Responsibility

The Group has always been committed to the philosophy of a corporate citizen. In addition to the pursuit of profits for its shareholders, the Group attached great emphasis to social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship. The Group cared for the community, actively participated in community affairs and charitable deeds and contributed to the society. As always, the Group places high value on construction quality, safety and environmental issues in its projects, and has been leading the industry. The Group has extensively utilised energy saving, low carbon emission and environmental-friendly construction technologies, playing a leading role and setting a good example for the industry. The Group also put high emphasis on the localization of its regional companies, in order to build a friendly and harmonious working environment for its staff members.





## **REVIEW OF OPERATION** *(Continued)*

### **Key Awards**

In the first half of 2011, the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 received the Building Sites (Public Contract) Gold Award in the “Construction Industry Safety Award Scheme 2010-2011” organised by the Labour Department of Hong Kong; the Decking of Jordan Valley Nullah in Kwun Tong Flower Market Road Nullah in Mong Kok and Tonkin Street Nullah in Sham Shui Po were honoured with the Considerate Contractors Site Award-Gold Award and the Outstanding Environmental Management & Performance Award-Gold Award in the “Considerate Contractors Site Award Scheme 2010” organised by the Development Bureau of Hong Kong; the Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2 was honoured with the “Best Safety Culture Site – Gold Award” in the “12th Construction Safety Forum” organised by the Occupational Safety and Health Council, and also received other awards from departments such as the Environmental Protection Department and the Occupational Safety and Health Council.

## **BUSINESS PROSPECTS**

In the second half of 2011, the uncertainties in the international and domestic economies will further increase. The Group will monitor the market development closely and carry out corresponding measures according to the situation changes.

### **Market Conditions**

With the launch and in-depth implementation of “The Twelfth Five Year Plan”, the Central Government has put great effort in realizing the construction target of affordable housings. There will be a new round of great development in the construction of affordable housings, and the construction of infrastructure in the Mainland is also further progressing. Although monetary policies are continually being tightened in the macro-control, the construction of affordable housings and the construction of infrastructure are industries that receive key support and encouragement from the policies, and the mode of economic growth would also be optimised and adjusted by the deepened macro-control. This provides development opportunities for the Group’s expansion of its investment business in the Mainland.

### BUSINESS PROSPECTS *(Continued)*

#### Market Conditions *(Continued)*

The economy of Hong Kong is expected to be stable and will continue to benefit from the economic development of the Mainland. This will provide continued momentum for the development of Hong Kong's economy. The "Ten Mega Infrastructure Projects" and the further launch of other large-scale government projects will provide a huge development opportunity for Hong Kong's construction industry. Macau's economy is continuously growing. With work resumed in large-scale gambling license projects and the start of various large-scale public works construction, the construction market has a good prospect.

In 2011, the effort of investment in infrastructure in India continued to increase, while time is still needed to observe the recovery of the construction and real estate markets in the UAE.

#### Operation Strategies

The Group will adhere to its development strategy of **"Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success"** to actively act in response to the complicated economic development from both international and domestic perspective. The Group will work hard towards its pre-determined targets, grasp opportunities, mitigate risks, pursue an enhanced management and protection standard and reinforce the dual-core business of infrastructure investment and construction. The Group will also effectively increase its shareholders' value and market competitiveness.

With firm determination to maintain and enhance the development of the scale of its business in Hong Kong and Macau, the Group will take full leverage on the synergy of the integration of both regions. In Hong Kong, the Group will grasp the golden opportunity in the "Ten Mega Infrastructure Projects" to ensure its position as one of the largest construction contractors in Hong Kong. The Group will continue to seek opportunities for investment-driven construction projects in Hong Kong and Macau and will strive for breakthrough.





## **BUSINESS PROSPECTS** *(Continued)*

### **Operation Strategies** *(Continued)*

With Mainland infrastructure construction and affordable housings as its investment focus, the Group will bring its management capability and advantage in full play, and will closely follow State policies to actively and steadily facilitate the development of its investment business in the Mainland. The Group will expand the infrastructure investment business, actively seek for high-return, quick-turnaround-time projects to achieve higher investment profit, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth in the Group's operating results. At the same time, the Group will put effort in the consolidation of the Group's business types. The Group will conduct research and exploration in respect of the capital operation modes which can raise the Group's market value according to market conditions.

For its overseas business, the Group will be profit orientated and seek to progress in a prudent manner. Provided that risks can be controlled, the Group will also investigate and explore the feasibility of infrastructure investments in other international markets including India.

### **Operation Management**

The Group has engaged in the construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group put great emphasis in the promotion of the "5+3" project management model (i.e. coordinated management by the five elements of progress, quality, cost, safety and environmental protection and the three systems of flow guarantee system, procedure guarantee system and responsibility guarantee system) to actively launch different projects with balance and refine its management of projects. The Group will enhance the application of green, low-carbon and environmental-friendly technologies, and further exploration will be carried out in regional management mode. The effort in risk management and control and comprehensive auditing will be increased, the investment decision system and investment management system will be further improved, cost will be actively controlled and cash flow will be optimised. The Group will innovate in financing modes, actively raise capital, and further optimise and improve the human resources management system.



### COMPANY MISSION

In pursuit of its philosophy of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**” and the continual formulation of the brand's advantage of “**China State Construction**”, the Group will continue to focus on the details and advocate pragmatic approach to its work. 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, actively performing its responsibilities as a corporate citizen, improving competitiveness and shareholder's value, and striving to build 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, 19 August 2011





## OVERALL PERFORMANCE

For the six months ended 30 June 2011, the Group recorded the aggregated revenue of HK\$7,085 million, which included the contribution from the Group and jointly controlled entities for HK\$6,071 million and HK\$1,014 million, respectively. The profit attributable to owners of the Company increased by 40.8% to HK\$653 million as compared with corresponding period last year. The basic earnings per share increased by 33.1% to HK20.06 cents. The Directors declared an interim dividend of HK6.00 cents per share, the dividend payout ratio was approximately 30%.

The Group achieved a period-on-period growth of 40.8%, mainly due to continuing deepen the strategy of transformation to infrastructure investment business in Mainland China, with the result that total assets as of 30 June 2011 increased to HK\$23,618 million (31 December 2010: HK\$18,679 million). The current assets recorded HK\$13,440 million, representing 1.7 times of current liabilities as of 30 June 2011. The equity attributable to owners of the Company was approximately HK\$8,655 million, representing an increase by 87.4% as compared to 31 December 2010.

For the six months ended 30 June 2011, the Group generated a net cash inflow from the operating activities of HK\$269 million (30 June 2010: HK\$12 million). The net cash and cash equivalents increased by 94.9% to HK\$7,266 million as compared 31 December 2010 in result of the proceeds of approximately HK\$3,584 million (before expenses) raised from the Rights Issue completed on 16 May 2011.

During the year ended 31 December 2010, the Group acquired two infrastructure companies (the “Acquired Companies”) from an intermediate holding company and a fellow subsidiary, respectively. The acquisitions were treated as common control combinations and merger accounting was adopted as if the Acquired Companies had been combined from the date when the Acquired Companies first came under the control of the controlling party.

In addition, in order to align with the accounting policy adopted by the intermediate holding company, the Group changed the accounting policy for investments in jointly control entities from the proportionate accounting to equity accounting in 2010.

### OVERALL PERFORMANCE *(Continued)*

The comparative figures of the consolidated financial statements have been restated accordingly. The figures used for the analysis below were based on the restated figures.

#### **(a) Revenue and Gross Profit**

For the six months ended 30 June 2011, the Group recorded a consolidated revenue of HK\$6,071 million (30 June 2010: HK\$4,998 million), representing an increase of 21.5%, mainly arose from Hong Kong and Mainland China with increase of 49.5% and 24.9% respectively as compared to the corresponding period. While the decrease in profit derived from the overseas market, the Group achieved a gross profit of HK\$586 million for the six months ended 30 June 2011 (30 June 2010: HK\$529 million), with a gross profit margin of 9.6% (30 June 2010: 10.6%). The gross profit margin slightly dropped as compared to the corresponding period last year. It was mainly due to certain infrastructure projects in Mainland China are still under the preliminary stage, these contributed revenue while no gross profit was recognised during the period. Moreover, the Group made a provision of HK\$65 million on the completed projects in Dubai for prudence.

The Group has adopted two cores business strategy in construction business and infrastructure project investments. The total revenue arising from these two businesses in the first half of 2011 were HK\$4,846 million and HK\$870 million, respectively.

#### **(i) Hong Kong market**

During the period, revenue derived from the Hong Kong market increased by 49.5% to HK\$4,127 million (30 June 2010: HK\$2,760 million) whereas the gross profit reported a growth from HK\$184 million to HK\$316 million. The Hong Kong market remained as the major revenue contributor of the Group which contributed 68.0% of the overall revenue.

The major reason for the increase in revenue was that certain large scale building construction and civil engineering projects had desirable progress during the period. The gross profit margin increased from 6.7% in 2010 to 7.6% in 2011 as a result of improving operational efficiency, tightening control of costs and successful partnering with subcontractors during the construction period.





## OVERALL PERFORMANCE (Continued)

### (a) Revenue and Gross Profit (Continued)

#### (ii) Mainland China market

The proportion of the revenue contribution from the Mainland China market is around 30.6% (30 June 2010: 29.8%) of the overall revenue of the Group. The revenue increased by 24.9% to HK\$1,860 million (30 June 2010: HK\$1,489 million) while the gross profit decreased by 12.5% to HK\$272 million (30 June 2010: HK\$311 million). The major reasons were:

- traditional construction revenue has a rapid growth from HK\$453 million to HK\$670 million, increased by 47.9% as compared to the same period last year. As several projects were entering their construction peaks in current period, the overall revenue rose accordingly.
- revenue from build-operate-transfer (“BOT”) projects comprised construction revenue during the building stage and toll revenue in the operation stage. Following the completion of Yangwu Expressway in December 2010 and commencement of operation in May 2011, the status of Yangwu Expressway has changed from building stage to operation stage in 2011. The basis of revenue recognition is changed accordingly. Yangwu Expressway contributed toll revenue of HK\$3 million for less than two months and a growth in revenue is expected when the road is in full operation in future.

Another BOT project, Yangquan to Niang Zi Guan Expressway (“Yangquan Expressway”) is still under construction at the preliminary stage in the first half year of 2011. Yangquan Expressway contributed construction revenue of HK\$45 million for the six months ended 30 June 2011. While the construction revenue of the corresponding period last year was HK\$764 million which was mainly contributed from Yangwu Expressway.

### OVERALL PERFORMANCE *(Continued)*

#### (a) Revenue and Gross Profit *(Continued)*

##### *(ii) Mainland China market (Continued)*

- revenue from the infrastructure project investments including affordable housing projects reported a remarkable growth in Mainland China market for over 17 folds from HK\$48 million to HK\$822 million. Two existing Nan Chang Bridges and the Wuhan build-transfer (“BT”) projects continued to contribute a stable return. Whereas two affordable housing projects in Tianjing achieved an outstanding progress in the current period.
- revenues from heat and electricity business had raised by 9.3% to HK\$245 million (30 June 2010: HK\$225 million). The total heat supply area reported a gentle increment by 9.6% to 9,440,000 m<sup>2</sup> as compared with the same period last year.

The overall gross profit margin in Mainland China market dropped from 20.9% to 14.6% was mainly caused by the completion of a BOT project, which transformed from a higher profit margin building stage to a stable operating stage in the current period. However, certain newly awarded construction projects are still under the preliminary stage, these extensively contributed to revenue without recognising any profit in the current period, which caused a reduction in the gross profit. Whilst stable and healthy returns from the infrastructure projects, the Group continues to explore the investment opportunities with higher profitability in the infrastructure projects.





## OVERALL PERFORMANCE (Continued)

### (a) Revenue and Gross Profit (Continued)

#### (iii) Macau market

Though the revenue of Macau market was dropped by 12.0% to HK\$82 million, its gross profit contribution has a remarkable growth by 2 times from HK\$24 million to HK\$72 million as compared to the corresponding period. The increase was mainly arising from the satisfactory results of the finalisation of the completed projects in the previous period.

The Group was awarded the large building construction contracts in 2010, which were still at the preliminary stage with less revenue contribution in the current period. Following the upturn of the overall global economy in 2010, the economy in Macau has gradually stepped out from the shadow of the financial crisis, with its economic growth accelerating quarter by quarter. The Group will continue to grasp the best opportunities with solid foundation and expertise in order to undertake new projects in the second half of the year.

#### (iv) Overseas market

Most of the projects in the United Arab Emirates (“UAE”) were completed. The Group has not undertaken new project while focusing on managing the finalisation of the existing projects so as to minimise the volatile market risk. The revenue derived from the overseas market for the six months ended 30 June 2011 was HK\$2 million (30 June 2010: HK\$656 million).

The economy of the UAE has not yet recovered from the global financial crisis. Although the result of finalisation of a previously completed project was satisfactory, a further provision was made for prudence in the current period. This resulted in a segment loss of HK\$63 million.

### OVERALL PERFORMANCE *(Continued)*

#### (b) Share of profits of Jointly Controlled Entities

The Group operates with joint venture partners for the construction business and infrastructure projects investments, share of profits of jointly controlled entities for current period was mainly derived from Nanjing Changjiang Second Bridge project. During the period, the revenue contributed and the profits after tax from the jointly controlled entities were HK\$1,014 million (30 June 2010: HK\$1,019 million) and HK\$220 million (30 June 2010: HK\$204 million) respectively.

#### (c) Administrative Expenses

Administrative expenses increased by 23.2% from HK\$181 million for the six months ended 30 June 2010 to HK\$223 million for the six months ended 30 June 2011. The increase in administrative expenses was mainly attributable to the increased staff costs to meet the needs of expansion of the Group's operation in Mainland China. In addition, with more construction projects commenced from the second half of 2010, the number of staff increase and the surge in general salaries level of the Group to retain and attract the outstanding staff and talents.

#### (d) Finance Costs

During the period ended 30 June 2011, finance costs of the Group were approximately HK\$98 million, representing an increase of 2,339.0% as compared with HK\$4 million of the corresponding period. This was mainly due to the increase in bank loans and increase in interest expenses of Shanxi Yangwu Expressway BOT project charged to profit and loss upon the completion of the construction in 2010.





## OVERALL PERFORMANCE (Continued)

### (e) Earnings Per Share

For the six months ended 30 June 2011, basic earnings per share increased by 33.1% to HK20.06 cents (30 June 2010: HK15.07 cents). The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$653 million (30 June 2010: HK\$464 million) and on the weighted average number of 3,254,550,000 (30 June 2010: 3,077,024,000) 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 right issues in May 2011 and the exercise of share options during the period.

## CORPORATE FINANCE

The management and control of the Group's financial, capital management and external financing functions are centralised. The Group has been adhering to the principle of prudent financial management. The Group's financial policy for net gearing ratio is below 40%.

### Liquidity

As at 30 June 2011, the Group had bank balances and cash of HK\$7,266 million (31 December 2010: HK\$3,728 million). The portfolio of the currencies of bank deposits is listed as follow:

	<b>30 June 2011</b>	31 December 2010
	%	%
Hong Kong Dollars	<b>48</b>	41
Renminbi	<b>49</b>	55
Macao Patacas	<b>3</b>	3
United Arab Emirates Dirhams	<b>–</b>	1

The bank deposits outside Hong Kong are mainly for supporting the operations of the subsidiaries in Mainland China and Macau. During the period, the Group has no financial instruments for currency hedging purpose.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## CORPORATE FINANCE *(Continued)*

### Liquidity *(Continued)*

The table sets out the maturities of the Group's total borrowings, including the loans from an intermediate holding company, as at 30 June 2011 and 31 December 2010 with details as follows:

	<b>30 June 2011 HK\$' million</b>	31 December 2010 HK\$' million
<b>Bank borrowings</b>		
On demand or within 1 year	<b>341</b>	–
More than one year but not exceeding two years	<b>2</b>	12
More than two years but not exceeding five years	<b>3,147</b>	1,129
More than five years	<b>1,771</b>	1,739
	<b>5,261</b>	2,880
<b>Loan from intermediate holding company</b>		
More than two years but not exceeding five years	<b>1,662</b>	2,470
	<b>1,662</b>	2,470
Total borrowings	<b>6,923</b>	5,350

As at 30 June 2011, the Group had net cash of HK\$343 million (31 December 2010: net borrowings of HK\$1,622 million), with committed and unutilised loan and working capital facilities of HK\$2,574 million and guarantee facilities of HK\$4,591 million, the Group had sufficient financial recourses to meet its business development opportunity in Hong Kong and Mainland China markets.





## CORPORATE FINANCE (Continued)

### Financing Credit and Financial Resources

As the Group has established a sound operation for over thirty years, it obtains the full support from the 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 has arranged the following fund raising events to provide sufficient financial resources for future expansion:

#### (i) *Equity financing*

The Company raised approximately HK\$3,584 million (before expenses) by way of Rights Issue. The Group allotted and issued 597,364,659 ordinary shares at an issue price of HK\$6.00 per rights share on the basis of one right share for every five shares held. The result of the rights issue was over-subscribed approximately 375 times of the rights shares available for excess application. The rights issue was completed on 16 May 2011.

#### (ii) *Debt financing*

During the period, the Group has drawn down HK\$2 billion syndicated loan with an effective interest rate at 1.55% per annum based on HIBOR plus 1.35% per annum and will mature in June 2015.

#### (iii) *Project financing*

On 28 March 2011, the wholly-owned subsidiary of the Group, 陽泉市陽五高速公路投資管理有限公司 obtained one more short-term project loan of RMB280 million from Yangquan branch of Industrial and Commercial Bank of China Limited for financing the BOT project in Shanxi. The loan bears an interest rate at a fixed rate of 5.94% per annum.

## CORPORATE FINANCE (Continued)

### Utilisation of Financial Resources

In order to utilise financial resources effectively and efficiently, the Group captured valuable opportunities arising from the affordable housing projects and infrastructure projects in Mainland China, adjusting the strategy of business expansion and fostering its BT/BOT investment business. Related efforts were fully launched and the Group has achieved considerable milestones in expanding and growing our portfolio of quality infrastructure investments in Mainland China.

- (i) On 18 January 2011, the Group and the controlling shareholder China State Construction Engineering Corporation Limited (“CSCECL”) entered into a joint venture agreement, pursuant to which both parties agreed to form a joint venture company on a 40:60 basis for carrying out financing and construction of the BT project in respect of the ancillary facilities and infrastructure of Taiyuan South Station West Front Square in Taiyuan City, Shanxi Province with the estimated total contract sum attributable to the Group of HK\$1.13 billion.
- (ii) In April 2011, the Group set up a wholly-owned subsidiary, 重慶海建投資有限公司, which entered into a construction agreement through the BT model with the local government for a relocation and public rental housing project with the estimated total investment amount of HK\$2.27 billion.
- (iii) In June 2011, the Group set up a wholly-owned subsidiary, 中建(漳州)建設開發有限公司, which entered into a construction agreement through BT model with the Government of 福建漳州 for an infrastructure facility and relocation housing project with the estimated total investment amount of HK\$3.00 billion.





## CORPORATE FINANCE *(Continued)*

### Utilisation of Financial Resources *(Continued)*

- (iv) The Group continually invested developing Phase II of Yangquan Yangwu Expressway of total attributed contract sum of HK\$7.17 billion and in developing Phase V in a new acquired residential zone of heat plant in Shenyang to increase the production capacity. The heat supply area is expected to increase unceasingly in the coming years.
- (v) In July 2011, the Group entered into a construction agreement through the BT model with 杭州市蕭山區政府 for a relocation housing project with the estimated total attributed contract sum of HK\$0.67 billion.
- (vi) In July 2011, the Group and the 無錫市惠山區政府 signed a construction agreement of a BT project for a relocation housing project and foundation facilities with the estimated total attributed contract sum of HK\$1.98 billion.

The Group will cautiously seek expansion opportunities in infrastructure project investments in 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 different foreign currencies, therefore the management pays close attention to foreign exchange exposure and reviews the exchange risk regularly.

Renminbi continuing grew in the reporting period, the management still keeps a close attention to the trend of Renminbi and will make proper adjustment if necessary. The Macao Patacas is relatively stable because it is linked to Hong Kong Dollar. The operation in the UAE was diminishing and the UAE Dirham is linked to the US dollar, thus, there is less exposure of exchange risk. The Group has no hedging arrangement for foreign currencies and has not been involved in the financial derivatives.

## CORPORATE FINANCE *(Continued)*

### Credit Exposure

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

### Risk Management

The Group will continue to step up its efforts in risk management and control as well as avail itself to a comprehensive inspection and audit, enhancing risk prevention and being conscious of risk alerts, to reasonably guard itself against any risks. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

The Group will advance to further optimise the risk management and control structure for its overseas businesses. The Group will also conduct detailed analysis on the local market risk, legal risk, contractual risk and status of Employers in light of local market conditions to improve its risk-alert ability and enhance the overall risk-guarding capability of the Company.

As regards to the investment business, the Group will ascertain its investment strategy and make timely move to establish its Mainland China's investment and financing platform to further strengthen the establishment of its investment team, and to refine its investment decision making system and investment management system. A system and workflow procedure in respect of its investment project selection, assessment, establishment, operational management, exiting, capital operations will be set up to guard the Group against investment risks to the fullest extent.



# UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT



		<b>Six months ended 30 June</b>	
		<b>2011</b>	2010
<i>Notes</i>		<b>HK\$'000</b>	<i>HK\$'000</i> (Restated)
<b>Revenue</b>			
Group revenue	3	<b>6,071,012</b>	4,997,737
Share of revenue of jointly controlled entities	3	<b>1,013,655</b>	1,018,546
		<b>7,084,667</b>	6,016,283
Group revenue	3	<b>6,071,012</b>	4,997,737
Costs of sales		<b>(5,485,337)</b>	(4,468,941)
Gross profit		<b>585,675</b>	528,796
Investment income	5	<b>173,407</b>	24,395
Other income		<b>38,272</b>	16,025
Gain on fair value changes of investment in convertible bonds		<b>15,524</b>	–
Administrative expenses		<b>(222,810)</b>	(180,941)
Distribution and selling expenses		<b>(5,671)</b>	(892)
Other expenses		<b>(672)</b>	(15,444)
Share of profits of associates		<b>8,241</b>	9,546
Share of profits of jointly controlled entities		<b>220,120</b>	203,667
Finance costs		<b>(98,073)</b>	(4,021)
<b>Profit before tax</b>	6	<b>714,013</b>	581,131
Income tax expense	7	<b>(62,740)</b>	(73,228)
<b>Profit for the period</b>		<b>651,273</b>	507,903
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>652,953</b>	463,835
Non-controlling interests		<b>(1,680)</b>	44,068
		<b>651,273</b>	507,903
<b>Earnings per share (HK cents)</b>			
Basic	9	<b>20.06</b>	15.07
Diluted		<b>19.85</b>	14.66

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
<b>Profit for the period</b>	<b>651,273</b>	507,903
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	<b>65,488</b>	17,562
Loss on fair value changes of available-for-sale investments	<b>(18,825)</b>	(56,459)
<b>Other comprehensive income (expense) for the period</b>	<b>46,663</b>	(38,897)
<b>Total comprehensive income for the period</b>	<b>697,936</b>	469,006
<b>Total comprehensive income (expense) for the period attributable to:</b>		
Owners of the Company	<b>699,616</b>	404,630
Non-controlling interests	<b>(1,680)</b>	64,376
	<b>697,936</b>	469,006



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Notes	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	<b>1,634,593</b>	1,454,445
Investment properties		<b>41,550</b>	42,038
Interests in infrastructure project investments		<b>734,672</b>	673,575
Prepaid lease payments		<b>176,009</b>	172,258
Interests in associates		<b>37,951</b>	34,552
Interests in jointly controlled entities		<b>2,402,379</b>	2,350,893
Intangible assets		<b>9,950</b>	9,950
Concession operating rights		<b>4,162,776</b>	4,046,058
Available-for-sale investments		<b>389,811</b>	396,953
Investment in convertible bonds		<b>235,210</b>	219,686
Amounts due from investee companies		<b>353,205</b>	362,247
		<b>10,178,106</b>	9,762,655
<b>Current Assets</b>			
Interests in infrastructure project investments		<b>15,998</b>	19,244
Prepaid lease payments		<b>4,322</b>	4,236
Inventories		<b>176,298</b>	117,711
Properties held for sale		<b>7,431</b>	8,130
Amounts due from customers for contract work		<b>177,826</b>	194,281
Trade and other receivables	11	<b>4,680,522</b>	4,163,430
Deposits and prepayments		<b>423,810</b>	282,947
Amounts due from jointly controlled entities		<b>238,478</b>	220,567
Amounts due from fellow subsidiaries		<b>396,572</b>	148,096
Amount due from an intermediate holding company		<b>18,881</b>	17,863
Tax recoverable		<b>23,877</b>	4,099
Pledged bank deposits		<b>6,501</b>	6,420
Deposits with financial institutions		<b>3,422</b>	1,639
Bank balances and cash		<b>7,265,857</b>	3,728,104
		<b>13,439,795</b>	8,916,767

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Amounts due to customers for contract work		595,030	692,965
Trade and other payables	12	4,856,237	4,116,911
Deposits received and receipt in advance		520,231	688,845
Amounts due to jointly controlled entities		433,055	326,041
Amounts due to fellow subsidiaries		209,216	958,600
Amount due to an immediate holding company		–	157,000
Amount due to an intermediate holding company		776,551	1,130,294
Amount due to an associate		35,207	49,245
Tax liabilities		144,088	112,362
Bank borrowings		341,510	–
		<b>7,911,125</b>	<b>8,232,263</b>
<b>Net Current Assets</b>		<b>5,528,670</b>	<b>684,504</b>
<b>Total Assets Less Current Liabilities</b>		<b>15,706,776</b>	<b>10,447,159</b>
<b>Capital and Reserves</b>			
Share capital		89,669	74,486
Share premium and reserves		8,565,758	4,544,964
Equity attributable to owners of the Company		8,655,427	4,619,450
Non-controlling interests		2,270	3,950
<b>Total Equity</b>		<b>8,657,697</b>	<b>4,623,400</b>
<b>Non-current Liabilities</b>			
Deferred income		245,175	244,047
Deferred tax liabilities		222,639	228,813
Bank borrowings		4,919,192	2,880,362
Loans from an intermediate holding company		1,662,073	2,470,537
		<b>7,049,079</b>	<b>5,823,759</b>
		<b>15,706,776</b>	<b>10,447,159</b>



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve		Share Investment			Statutory reserve HK\$'000	Retained Profits HK\$'000	Non-controlling interests		Total HK\$'000
			Special reserve HK\$'000 (note a)	redemption reserve HK\$'000 (note b)	options reserve HK\$'000	revaluation reserve HK\$'000	Translation reserve HK\$'000			Total HK\$'000	interests HK\$'000	
At 1 January 2010												
As previously stated	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
Effect of combinations under common control	-	-	(978,878)	-	-	-	40,027	-	143,895	(794,956)	154,164	(640,792)
As restated	73,864	2,351,306	(1,473,655)	337	4,952	4,388	141,897	13,003	2,393,734	3,509,826	154,164	3,663,990
Total comprehensive income for the period (restated)	-	-	-	-	-	(56,459)	(2,746)	-	463,835	404,630	64,376	469,006
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
2009 final dividend paid	-	-	-	-	-	-	-	-	(103,570)	(103,570)	-	(103,570)
At 30 June 2010 (restated)	73,979	2,352,545	(1,473,655)	337	4,852	(52,071)	139,151	13,003	2,753,999	3,812,140	218,540	4,030,680
At 1 January 2011	<b>74,486</b>	<b>2,358,044</b>	<b>(1,473,655)</b>	<b>337</b>	<b>3,790</b>	<b>(4,877)</b>	<b>263,190</b>	<b>19,546</b>	<b>3,378,589</b>	<b>4,619,450</b>	<b>3,950</b>	<b>4,623,400</b>
Total comprehensive income for the period	-	-	-	-	-	(18,825)	65,488	-	652,953	699,616	(1,680)	697,936
Issue of ordinary shares upon exercise of share options	248	2,682	-	-	(609)	-	-	-	-	2,321	-	2,321
Issue of ordinary shares upon right issues	14,935	3,569,253	-	-	-	-	-	-	-	3,584,188	-	3,584,188
Share issue expense	-	(34,971)	-	-	-	-	-	-	-	(34,971)	-	(34,971)
2010 final dividend paid	-	-	-	-	-	-	-	-	(215,177)	(215,177)	-	(215,177)
At 30 June 2011	<b>89,669</b>	<b>5,895,008</b>	<b>(1,473,655)</b>	<b>337</b>	<b>3,181</b>	<b>(23,702)</b>	<b>328,678</b>	<b>19,546</b>	<b>3,816,365</b>	<b>8,655,427</b>	<b>2,270</b>	<b>8,657,697</b>



Notes:

- (a) 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 subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 (“陽五高速”) and China Overseas Technology Holdings Limited and its subsidiaries (“COTHL”) under common control. The amounts represent excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders.
- (b) Capital redemption reserve represented the amount by which the Company’s issued share capital was diminished on cancellation of the ordinary shares repurchased.
- (c) Statutory reserve of the Group represents general and development fund reserve applicable to the People’s Republic of China (“the PRC”) and overseas subsidiaries which was established in accordance with the relevant regulations.





	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>269,460</b>	11,630
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>39,208</b>	(335,309)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>3,195,033</b>	(474,468)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,503,701</b>	(798,147)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>3,728,104</b>	5,857,851
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>34,052</b>	32,073
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>7,265,857</b>	5,091,777
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>7,265,857</b>	5,091,777

## 1. BASIS OF PREPARATION

The 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.

During the year ended 31 December 2010, the Group acquired 陽泉市陽五高速公路投資管理有限公司 and China Overseas Technology Holdings Limited and its subsidiaries (the “Acquired Companies”) from an intermediate holding company and a fellow subsidiary respectively. The acquisitions were treated as common control combinations in accordance with the principle of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if the Acquired Companies had been combined from the date when the Acquired Companies first came under the control of the controlling party.

In addition, in order to align with the accounting policy adopted by the holding company, the Group changed the accounting policy for investments in jointly control entities from the proportionate accounting to equity accounting in 2010.

The effects of the combination of Acquired Companies and the change in accounting policies on the results of the Group for the six months ended 30 June 2010 was restated in the unaudited condensed consolidated income statement and unaudited condensed consolidated statement of comprehensive income accordingly.





## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issue
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs, has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

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

## 3. GROUP REVENUE AND SHARE OF REVENUE OF JOINTLY CONTROLLED ENTITIES

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

In addition, the Group presents its proportionate share of revenue of jointly controlled entities. Revenue of associates is not included.





### 3. GROUP REVENUE AND SHARE OF REVENUE OF JOINTLY CONTROLLED ENTITIES (Continued)

An analysis of the Group's revenue and share of revenue of jointly controlled entities was as follows:

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000 (Restated)
Revenue from construction contracts	<b>5,528,112</b>	3,813,557
Revenue from construction contracts under service concession arrangements	<b>44,838</b>	764,131
Revenue from project management service income	<b>96,365</b>	131,504
Revenue from supply of heat and electricity	<b>240,366</b>	220,879
Revenue from provision of connection services	<b>5,076</b>	3,728
Revenue from infrastructure project investments	<b>42,836</b>	47,610
Toll revenue	<b>3,059</b>	–
Sales of precast structures, building materials and asphalts	<b>56,831</b>	1,395
Other income ( <i>note</i> )	<b>53,529</b>	14,933
Group revenue	<b>6,071,012</b>	4,997,737
Share of revenue of jointly controlled entities	<b>1,013,655</b>	1,018,546
	<b>7,084,667</b>	6,016,283

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



## 4. SEGMENT 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 2011 and 2010 are as follows:

	Revenue		Gross profit		Segment result	
	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Reportable segments						
Hong Kong	<b>4,126,955</b>	2,759,724	<b>315,624</b>	184,157	<b>263,053</b>	130,606
Regions in the PRC	<b>1,859,901</b>	1,489,404	<b>272,305</b>	311,241	<b>212,650</b>	281,364
Macau	<b>81,909</b>	93,076	<b>72,126</b>	24,198	<b>207,344</b>	23,783
Overseas	<b>2,247</b>	655,533	<b>(74,380)</b>	9,200	<b>(62,745)</b>	(11,897)
Consolidated total	<b>6,071,012</b>	4,997,737	<b>585,675</b>	528,796	<b>620,302</b>	423,856
Unallocated corporate expenses					<b>(65,578)</b>	(58,671)
Other income					<b>13,477</b>	6,754
Gain on fair value changes of investment in convertible bonds					<b>15,524</b>	–
Share of profits of associates					<b>8,241</b>	9,546
Share of profits of jointly controlled entities					<b>220,120</b>	203,667
Finance costs					<b>(98,073)</b>	(4,021)
Profit before tax					<b>714,013</b>	581,131
Income tax expense					<b>(62,740)</b>	(73,228)
Profit for the period					<b>651,273</b>	507,903





## 5. INVESTMENT INCOME

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Interest income:		
Bank deposits	<b>20,343</b>	9,296
Debt securities	<b>2,037</b>	2,034
Imputed interest on amounts due from investee companies	<b>2,551</b>	7,145
Loan receivables	<b>11,860</b>	–
	<b>36,791</b>	18,475
Dividend income from available-for-sale investments	<b>136,616</b>	5,920
	<b>173,407</b>	24,395

## 6. PROFIT BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Profit before tax has been arrived at after charging:		
Depreciation	<b>41,209</b>	32,856
Amortisation of concession operating rights	<b>22,248</b>	–

## 7. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Current tax:		
Hong Kong	<b>26,767</b>	2,296
Other jurisdictions	<b>49,682</b>	62,386
	<b>76,449</b>	64,682
(Over) under provision in prior years:		
Hong Kong	<b>(28,608)</b>	2,204
Other jurisdictions	<b>8,879</b>	–
	<b>(19,729)</b>	2,204
Deferred tax:		
Current period	<b>6,020</b>	6,342
Income tax expense for the period	<b>62,740</b>	73,228

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, except for certain PRC subsidiaries of the Company which are taxed at concessionary rates of 24% (2010: 22%) due to transitional provisions, the statutory tax rate of the Group’s subsidiaries in the PRC is 25% from 1 January 2008 onwards.





## 8. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividends recognised as distributions during the period:		
2010 Final, paid HK6.00 cents (2009 Final: HK3.50 cents) per share	<b>215,177</b>	103,570

The Board declared the payment of an interim dividend of 2011 of HK6.00 cents per share (2010: HK5.00 cents).

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>652,953</b>	463,835

## 9. EARNINGS PER SHARE *(Continued)*

	<b>2011</b> <b>'000</b>	2010 '000 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>3,254,550</b>	3,077,024
Effect of dilutive potential ordinary shares in respect of share options	<b>35,091</b>	86,225
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>3,289,641</b>	3,163,249

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the period ended 30 June 2011 has accounted for the impact of the rights issue which was completed on 16 May 2011. The basic and diluted earnings per share for the corresponding period of 2010 have been retrospectively adjusted to reflect the impact of the rights issue.

The following table summaries the impact on both basic and diluted earnings per share of 2010 as a result of combination of the Acquired Companies and rights issue:

	<b>Impact on basic earnings per share HK cents</b>	<b>Impact on diluted earnings per share HK cents</b>
Reported figures before combination	<b>13.58</b>	<b>13.21</b>
Adjustments arising from transfer of controlling interests in Acquired Companies and rights issue	<b>1.49</b>	<b>1.45</b>
Restated figures after combination and rights issue	<b>15.07</b>	<b>14.66</b>





## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$243,127,000 (corresponding period in 2010: HK\$160,502,000) 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:

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Trade receivables, aged		
0-30 days	<b>2,233,358</b>	1,893,809
31-90 days	<b>286,081</b>	312,869
Over 90 days	<b>452,768</b>	454,551
	<b>2,972,207</b>	2,661,229
Retention receivables	<b>1,138,177</b>	1,014,650
Other receivables	<b>570,138</b>	487,551
	<b>4,680,522</b>	4,163,430

Except for the receivable arising from construction contracts which are receivable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period not exceeding 90 days (2010: 90 days) to its trade debtors and the retention receivables are repayable approximately one year after the defect liabilities period of the construction projects. Of the retention receivables, an amount of HK\$516,789,000 (2010: HK\$714,326,000) is due more than one year.



## 12. TRADE AND OTHER PAYABLES

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

	<b>30 June 2011 HK\$'000</b>	31 December 2010 HK\$'000
Trade and other payables, aged		
0-30 days	<b>2,226,537</b>	1,834,841
31-90 days	<b>1,142,910</b>	994,004
Over 90 days	<b>546,421</b>	427,148
Retention payables	<b>3,915,868</b>	3,255,993
	<b>940,369</b>	860,918
	<b>4,856,237</b>	4,116,911

The average credit period on trade and construction cost payables is 60 days (2010: 60 days). Of the retention payables, an amount of HK\$427,596,000 (2010: HK\$429,299,000) is due more than one year.

## 13. SHARE CAPITAL

Share capital as at 30 June 2011 amounted to HK\$89,669,000 (31 December 2010: HK\$74,486,000).

On 16 May 2011, the Company completed a rights issue of one rights share for every five shares held by members on the register of members, at an issue price of HK\$6.00 per rights share, resulting in the issue 597,364,659 ordinary shares of HK\$0.025 each for a total cash consideration, before expenses of HK\$34,971,000, of HK\$3,584,188,000. The net cash proceeds were credited to share capital and share premium account of HK\$14,935,000 and HK\$3,569,253,000 respectively. The new shares rank *pari passu* with the then existing shares in all respects.

An amount of shares of HK\$248,000 (30 June 2010: HK\$115,000) were issued upon exercise of share options during the period.





## INTERIM DIVIDEND

The Board declared an interim dividend of HK6.00 cents per share (2010: HK5.00 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 23 September 2011. The interim dividend will be payable on Friday, 30 September 2011.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered from Thursday, 22 September 2011 to Friday, 23 September 2011, both days inclusive, for the purpose of determining shareholders' entitlements to the interim dividend.

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates, must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 21 September 2011.

## OTHER INFORMATION *(Continued)*

### SHARE OPTIONS

Movements of the share options of the Company during the six months ended 30 June 2011 are listed below:

Category	Date of grant	Number of share options				Outstanding at 30.06.2011	Exercise price (HK\$)	Exercise period
		Outstanding at 01.01.2011	Exercised before Rights Issue in May 2011	Adjustment in respect of Rights Issue in May 2011	Exercised after Rights Issue in May 2011			
<b>Category I:</b>								
<b>Directors</b>								
Kong Qingping	14.09.2005	3,160,834	-	128,014	-	3,288,848	0.2254	14.09.2006 to 13.09.2015
Zhou Yong	14.09.2005	1,843,820	921,910	37,337	-	959,247	0.2254	14.09.2006 to 13.09.2015
Zhang Yifeng	14.09.2005	58	-	3	-	61	0.2254	14.09.2006 to 13.09.2015
Cheong Chit Sun	14.09.2005	395,104	-	16,002	411,106	-	0.2254	14.09.2006 to 13.09.2015
Zhou Hancheng	14.09.2005	614,606	-	24,892	-	639,498	0.2254	14.09.2006 to 13.09.2015
Raymond Ho Chung Tai	14.09.2005	878,010	-	35,559	-	913,569	0.2254	14.09.2006 to 13.09.2015
Adrian David Li Man Kiu	14.09.2005	878,010	-	35,559	-	913,569	0.2254	14.09.2006 to 13.09.2015
Raymond Leung Hai Ming	14.09.2005	878,010	-	35,559	-	913,569	0.2254	14.09.2006 to 13.09.2015
Lee Shing See	14.09.2005	878,010	-	35,559	-	913,569	0.2254	14.09.2006 to 13.09.2015
<b>All Directors</b>		9,526,462	921,910	348,484	411,106	8,541,930		
<b>Category II:</b>								
<b>Employees</b>								
	14.09.2005	33,241,839	1,668,217	1,270,198	45,678	32,798,142	0.2254	14.09.2006 to 13.09.2015
<b>Category III:</b>								
<b>Consultants</b>								
	14.09.2005	25,351,850	6,873,126	756,922	-	19,235,646	0.2254	14.09.2006 to 13.09.2015
<b>Total</b>		68,120,151	9,463,253	2,375,604	456,784	60,575,718		





## SHARE OPTIONS (Continued)

Notes:

- The share options were granted on 14 September 2005 and the exercise price per share option is HK\$0.2254 (The exercise price per option on 14 September 2005 was HK\$1.03. The exercise price was adjusted to HK\$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK\$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK\$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK\$0.2254 immediately after the completion of rights issue on 16 May 2011). 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). No share options were cancelled and lapsed during the period.
- The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised were as follows:

Date of exercised of share options	Number of share options exercised	Weighted average closing price of the Company's shares immediately before the exercise (HK\$)
12.01.2011	219,502	7.4963
25.01.2011	2,458,426	7.7187
10.02.2011	3,922,677	7.6080
28.02.2011	632,167	7.3826
04.03.2011	131,701	7.3477
18.04.2011	2,010,979	7.3133
09.05.2011	87,801	7.3527
22.06.2011	456,784	7.4905
	9,920,037	

### DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

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

Name of director	Number of ordinary shares held	Number of underlying shares held	Total	% of shares in issue <sup>3</sup>
	Personal interests <sup>1</sup>	Share options <sup>2</sup>		
Kong Qingping	3,060,400	3,288,848	6,349,248	0.177
Zhou Yong	5,073,780	959,247	6,033,027	0.168
Zhang Yifeng	696,000	61	696,061	0.019
Cheong Chit Sun	2,405,872	–	2,405,872	0.067
Zhou Hancheng	3,955,640	639,498	4,595,138	0.128
Tian Shuchen	5,136,111	–	5,136,111	0.143
Hung Cheung Shew	581,584	–	581,584	0.016
Raymond Ho Chung Tai	–	913,569	913,569	0.025
Adrian David Li Man Kiu	–	913,569	913,569	0.025
Raymond Leung Hai Ming	–	913,569	913,569	0.025
Lee Shing See	–	913,569	913,569	0.025

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 “Share Options” of this report.
3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2011 (i.e. 3,586,743,521 ordinary shares).





## DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES (Continued)

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

Name of director	Number of ordinary shares held		Number of underlying shares held	Total	% of shares in issue <sup>3</sup>
	Personal interests <sup>1</sup>	Family interests	Share options <sup>2</sup>		
Kong Qingping	7,435,760	–	1,359,334	8,795,094	0.108
Cheong Chit Sun	205,713	400 <sup>4</sup>	–	206,113	0.003
Hung Cheung Shew	10,000	–	97,095	107,095	0.001

#### 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 2011 (i.e. 8,172,519,077 ordinary shares).
4. The interests in 400 shares were held by the spouse of Mr. Cheong Chit Sun.

Save as disclosed above, as at 30 June 2011, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

#### (a) The Company

##### **Share Options**

As at 30 June 2011, 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the section heading "Share Options" of this report.

#### (b) Associated Corporation – COLI

##### **Share Options**

As at 30 June 2011, 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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
Hung Cheung Shew	18.06.2004	18.06.2005 to 17.06.2014	1.118	97,095	0.001

Note: \* The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2011 (i.e. 8,172,519,077 ordinary shares).

Save as the share options disclosed above, at no time during the six months ended 30 June 2011 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.





## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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 <sup>1</sup>
China Overseas Holdings Limited <sup>2</sup> ("COHL")	Beneficial owner	2,218,813,659	2,218,813,659	61.862
China State Construction Engineering Corporation Limited <sup>3</sup> ("CSCECL")	Interest of a controlled corporation/ beneficial owner	2,218,813,659	2,218,813,659	61.862
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/ beneficial owner	2,218,813,659	2,218,813,659	61.862

#### Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2011 (i.e. 3,586,743,521 ordinary shares).
2. Amongst the total number of 2,218,813,659 Shares held by COHL, 2,122,675,308 Shares was held as beneficial owner while the balance of 96,138,351 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 2,218,813,659 Shares directly owned by COHL.
4. CSCECL is held as to 54.07% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,218,813,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 30 June 2011, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.



### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **CORPORATE GOVERNANCE**

During the six months ended 30 June 2011, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

### **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted a code on securities transactions by directors ("Securities Code") on terms no less exacting than the required standard set out in the Model Code of 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 2011.





## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2011, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies as at 30 June 2011 is set out below:

	<i>HK\$'000</i>
Non-current assets	6,937
Current assets	716,921
Current liabilities	(724,024)
<b>Net liabilities</b>	(166)
Reserves	(166)
<b>Total Equity</b>	(166)

As at 30 June 2011, the Group shared the accumulated losses of these unincorporated affiliated companies amounted to HK\$74,000.

### REVIEW OF ACCOUNTS

The Group's unaudited interim results for the six months ended 30 June 2011 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 2010 Annual Report are set out below:

Mr. Hung Cheung Shew

- Appointed as a non-executive director of Far East Global Group Limited, a company listed on the main board of the Stock Exchange.

Mr. Lee Shing See GBS, OBE, JP

- Appointed as a board member of the Airport Authority.



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

香港灣仔軒尼詩道139號中國海外大廈28樓

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

電話 Tel : 2823 7888  
傳真 Fax : 2865 5939  
網頁 Website: [www.csci.com.hk](http://www.csci.com.hk)

