



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

EXERCISE CAUTION IN DETAILS AND IMPLEMENTATION  
BUILD A STRONG FOUNDATION TO SEEK GREATER SUCCESS

慎微篤行 精築致遠



INTERIM REPORT 2014 中期報告

## 目錄

2	公司業務架構
3	董事局及委員會
4	公司資料
5	董事局主席報告書
16	管理層討論及分析
24	未經審核之簡明綜合收益表
25	未經審核之簡明綜合全面收益表
26	簡明綜合財務狀況表
30	未經審核之簡明綜合權益變動報表
32	未經審核之簡明綜合現金流量表
34	簡明財務報表附註
55	其他資料

## CONTENTS

61	Corporate Structure
62	Board of Directors and Committees
63	Corporate Information
64	Chairman's Statement
75	Management Discussion and Analysis
83	Unaudited Condensed Consolidated Income Statement
84	Unaudited Condensed Consolidated Statement of Comprehensive Income
85	Condensed Consolidated Statement of Financial Position
89	Unaudited Condensed Consolidated Statement of Changes in Equity
91	Unaudited Condensed Consolidated Statement of Cash Flows
93	Notes to the Condensed Financial Statements
114	Other Information





## CORPORATE STRUCTURE

# CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

HONG KONG	MACAU	MAINLAND CHINA	OVERSEAS
Building Construction	Building Construction	Road & Bridge Investments	Building Construction
Civil Engineering Works	Civil Engineering Works	Generation and Supply of Heat and Electricity	Curtain Wall System*
Foundation Engineering Works	Foundation Engineering Works	“Build-Transfer” and “Build-Operate-Transfer” Projects	
Mechanical and Electrical Engineering Works	Mechanical and Electrical Engineering Works	Pre-cast Structures Production	
Other Construction Related Business	Other Construction Related Business	Project Consultancy Services	

\* Operate through a listed subsidiary, Far East Global Group Limited.



## BOARD OF DIRECTORS AND COMMITTEES

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Zhou Yong

*(Chairman and Chief Executive Officer)*

Tian Shuchen

Zhou Hancheng

Pan Shujie

Hung Cheung Shew

Wu Mingqing *(Appointed on 3 June 2014)*

#### NON-EXECUTIVE DIRECTOR

Li Jian

#### 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

Adrian David Li Man Kiu *(Chairman)*

Raymond Ho Chung Tai

Raymond Leung Hai Ming

Lee Shing See

#### NOMINATION COMMITTEE

Lee Shing See *(Chairman)*

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming



## CORPORATE INFORMATION

### AUTHORIZED REPRESENTATIVES

Zhou Yong  
Tian Shuchen

### COMPANY SECRETARY

Tse Sui Ha

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 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

PricewaterhouseCoopers

### 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  
China Development Bank Corporation  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong)  
Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Wing Lung Bank, Limited

### LISTING INFORMATION SHARES

Hong Kong Stock Exchange: 03311

### BOND (CSC FIN N1804)\*

Hong Kong Stock Exchange: 05916

### WEBSITE

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

### FINANCIAL CALENDAR CLOSURE OF REGISTER OF MEMBERS

18 September 2014 to 19 September 2014  
(both days inclusive)

### 2014 INTERIM DIVIDEND PAYABLE

6 October 2014

\* US\$500,000,000 3.125% Guaranteed Notes due 2018 issued by China State Construction Finance (Cayman) I Limited, a wholly owned subsidiary of the Company



## CHAIRMAN'S STATEMENT

### ACCELERATING INVESTMENT INTERACTING CONSTRUCTIONS

#### RESULTS

The Group's unaudited profit attributable to the owners of the Company for the six months ended 30 June 2014 was HK\$1,465 million, representing an increase of 24.9% as compared with the same period of last year. The revenue was HK\$14,259 million, representing an increase of 23.9% as compared with the same period of last year. Earnings per share was HK37.66 cents, representing an increase of 24.8% as compared with the same period of last year.

#### DIVIDEND PAYMENT

The Board declared the payment of an interim dividend of HK11.00 cents per share for the period ended 30 June 2014, representing an increase of 22.2% as compared with the same period of last year.

#### REVIEW OF OPERATION

In the first half of 2014, the US economy has been on a slow path of improvement, leading to successive reductions of the size of quantitative easing by the Federal Reserve. Meanwhile, Europe has yet to witness a relief from deflation, but its economy has shown marginal growth. However, the emerging economies which have been the momentum of global economy since the financial crisis began to manifest signs of deceleration. This year, the Group has established the operation principle of **"Accelerating Investment, Interacting Constructions and Fortifying Comprehensive Resources Allocation"**, which refers to the gradual realisation of regional operation and the continuous optimisation of the current investment model; the strengthening of project management to ensure the smooth progress of projects in progress; the establishment of a highly efficient and comprehensive resource allocation system in respect of financial, human resources and other integrated resources.



## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### MARKET CONDITIONS

Although the Hong Kong and Macau market continued to prosper, the shortage of resources was exacerbated. The economic growth in Mainland China remained at a decelerated rate, while the State adopted macro-economic control policy under the banner of "Stabilising Growth Rate, Adjusting Structure and Benefiting People's Livelihood", to put emphasis on the quality of economic growth, with new urbanisation investment still being the driving force for economic growth. In the overseas market, the curtain wall market in North America showed signs of recovery.

#### 1. *Hong Kong and Macau*

Hong Kong maintained a moderate economic growth, whereas in Macau, thanks to the gambling industry, its economy continued to trend upwards. Taking the advantages of the booming market, the Group's construction business has become prosperous with several business expansions achieved. The value of contracts newly signed in the first half of the year amounted to HK\$19,200 million. Housing projects awarded include Construction of Public Rental Housing at Shatin Area 52 Phases 3 and 4; civil engineering projects awarded include Widening of Fanling Highway – Tai Hang to Wo Hop Shek Interchange and Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities Design and Build of New Stream II. The contract value of Macau MGM Cotai Project amounted to HK\$10,500 million, marking a new record for the Group's highest single contract value.

While the Group continued to follow-up the Ten Mega Infrastructure Projects in Hong Kong, it also opted for high-end premium projects as the main focus. For the sizeable and complicated projects, the Group fully exerted its internal synergistic effect with an emphasis on a profit-oriented approach as well as appropriate resource allocation, so as to maintain a positive and sustainable development.



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**CHAIRMAN'S STATEMENT** *(continued)***REVIEW OF OPERATION** *(CONTINUED)***MARKET CONDITIONS** *(CONTINUED)***2. Mainland China**

For the first half of the year, the Group has secured a contract value of HK\$14,500 million from newly signed projects, including Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province, Affordable Housing Phase IV in Shushan District Industrial Park, Hefei City, Anhui Province, Phase II of the Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province and BT Project for rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou City, Fujian Province.

In respect of the repurchase of projects in progress, Affordable Housing BT Project in Jingkou District, Zhenjiang, Jiangsu Province realised an early repurchase of HK\$113 million, while project returns in Chongqing, Wuhan and Tangshan have all been received in a timely manner. Operating projects such as the Nanjing No. 2 Yangtze River Bridge and the Shenyang Huanggu Thermal Power Plant maintained good performance and continued to generate stable profitability.

**3. Overseas Market**

Far East Global Group Limited ("FEG") was awarded projects including MGM Cotai Project in Macau, Wynn Palace Project in Macau, Louis XIII Project in Macau and Vancouver Stock Exchange in Vancouver, Canada, etc.

While maintaining a sizeable presence in the curtain wall market in Hong Kong, Macau and Asian-Pacific, FEG has also acquired Treasure Construction Engineering Limited from the Group in order to make use of its certificates for selective participation in medium-small private housing construction projects in Hong Kong. Meanwhile, FEG also actively explored overseas contracting business in line with its strategy of strengthening the overseas development.





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## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### CORPORATE GOVERNANCE

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with the investors, the relevant information was released in a timely manner to enhance investors' knowledge and understanding of the Company for further enhancement of its corporate governance standards. Leveraging on an all-round organisational system, optimised corporate governance and a well-regulated business operations, the Group were able to promptly adjust its strategies in line with market changes to better capitalise on the role of each professional decision-making team of the Group, improved the regional and specialised management capabilities of each business unit.

During the first half of 2014, 16 regional companies in Mainland China have expanded their investment businesses to 22 medium-large cities. The Group has also made necessary optimising adjustments to the management team of China State Construction International Investment Corporation Limited ("CSCIICL") in a timely manner, and implemented regional management across the five major segments in order to be better adapted for the full-speed expansion of investment business, further develop the current market and enhance the competitiveness of the Company.

#### RISK MANAGEMENT

The Group adhered to the "Three Centralisations" management of human resources, financial resources and material resources by the headquarters to ensure efficient project operation, optimal internal communication and effective risk control. As such, the project management of the Group continued to be strengthened. A risk management team consisted of executive directors of the Company, heads of functional departments and project managers conducted comprehensive monitoring on the project risks. Procurement and allocation of bulk materials and equipment were under centralised management of the Group for cost reduction, effective transfer of pricing risk and minimised inventory and turnover.



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## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### RISK MANAGEMENT *(CONTINUED)*

As for its investment business, the Group actively sought solutions in respect of the regional discrepancies caused by the current BT model through acquisitions of premium infrastructure projects in Mainland China step by step so as to expand its operation scale continuously. Meanwhile, the Group is committed to accelerate the construction progress of each project and further strengthen the risk awareness regarding project repurchase.

#### FINANCIAL MANAGEMENT

During the first half of the year, the Group has intensified the level of cooperation with banks in Mainland China, and achieved the transformation of loan acquiring model at headquarter level as a form to secure funds. The Group has successively entered into strategic alliance agreement with several banks, acquiring an aggregate liquidity of RMB11,000 million. As at 30 June 2014, the Group had bank and deposits balances of HK\$9,284 million, total borrowings of HK\$15,119 million, and a net gearing ratio of 33.8%, with total drawdown of bank loans of HK\$2,680 million and committed but unutilised credit facilities of HK\$24,977 million.

#### HUMAN RESOURCES MANAGEMENT

The Group's human resources have been gradually diluted as a result of the rapid development of its various segments. Despite the increasing recruitment effort and improvement to employee benefit through a variety of channels by the Company, human resources are still lacking in the traditional construction segment and the new investment segment. This year, the Group's focus of human resources revolved around the active improvement of the Group's "self-sufficiency," which was achieved through a higher degree of promotion and training, introducing specific welfare policies, increasing work satisfaction of the employees and ensuring the stability of project management personnel.



## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### CAPITAL OPERATION

In the first half of the year, the Group's rating was further improved, with Fitch's rating upgraded from "BBB-" to "BBB" and Moody's rating upgraded from "Baa3" to "Baa2", both were with outlook of "stable". With the interaction of funds from Hong Kong and Mainland China, the Group has met the funding requirements of the investment projects in Mainland China by means of injecting foreign exchange capital and foreign debts, with an accumulated amount of approximately HK\$8,200 million foreign currency injected.

In April 2014, the Group hosted a reverse roadshow titled "The Commercialisation of Residential Housing and its Applications in Affordable Housing Establishment". Analysts and fund managers from 28 investment banks and institutions visited Shenzhen Hailong Construction Products Company Limited and the public housing project in Shatin Area 52, Hong Kong. They were affirmative with regard to the development and applications of the Group's pre-cast structure technology as well as the Group's consistent goodwill in the capital market and its business outlook.

#### SOCIAL RESPONSIBILITY

The Group performed its social responsibilities by actively participating in charitable activities. In response to "World Environmental Day" and to increase employees' awareness of environmental protection, the Group organised the "2014 Environmental Protection Day" activities on 6 June. In the afternoon of that day, our staff joined the "Hoi Ha Wan Marine Park and Sheung Yiu Village" eco-cultural guided tour in Hong Kong. The Group is committed to developing into a social enterprise and contributing to ecological and cultural preservation.



## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### KEY AWARDS

In March 2014, at the award presentation ceremony of Hong Kong Construction Industry Safety Award Scheme 2013/2014 jointly organised by the Labor Department, Occupational Safety & Health Council, various government authorities and institutions within the industry, the Group, with its consistency in good construction site safety, once again was glad to receive a number of awards, including a gold award and a silver award for Building Construction Site (Public Sector), three outstanding awards for Safety Team, one group award for Safety Q & A Competition, and Safe Worker Award given to three site workers.

In the same month, two of the Group's projects received respectively the "2013 Green Contractor Silver Award" and "ArchSD Annual Award 2013" from the Architectural Services Department of HKSAR.

In April 2014, in the "FinanceAsia" magazine annual poll of "Best Asian Companies", the Group was proudly awarded the Best Managed Company (4th Place), the Best Corporate Governance (3rd Place), the Best Investor Relations (3rd Place) and the Best Corporate Social Responsibility (8th Place).

In May 2014, the Development Bureau of the HKSAR and Construction Industry Council jointly organised "The 20th Considerate Contractors Site Award Scheme Award Presentation Ceremony". The Group distinguished itself from other major construction companies in Hong Kong and was awarded One Non-Public Works Sites – New Works – Gold Award, two Public Works Sites – New Works – Bronze Awards, and another two of Merit Awards of Considerate Contractors Site Awards. The Group was also awarded one gold and three merits of the Outstanding Environmental Management & Performance Awards in the Public Works – New Works category. Some employees of the Company were also rewarded Model Frontline Supervisor and the Best Model Worker Award.



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## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATION *(CONTINUED)*

#### KEY AWARDS *(CONTINUED)*

In July 2014, in the annual poll of The Best Listed Companies in Asia organised by "Institutional Investor", the Group was awarded the Best Chief Executive Officers in Industrial Companies (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), the Best Chief Financial Officers (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), the Best Investor Relations Professional (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side) and the Best Listed Company in Investor Relations (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), which is indicative of the international capital market's continual affirmation in respect of the Group's corporate governance, investor relations and other aspects.

### BUSINESS PROSPECTS

In the second half of 2014, the global economy should gradually recover amid imbalanced conditions. The US economy tends to improve at slow pace; economic growth in the Eurozone is expected to gain speed as domestic consumption recovers further; the increasing borrowing cost in the emerging markets has stunted its own growth momentum. Under the combined impacts from the abandonment of quantitative easing policies and the raising expectation of increasing long-term interest rate, the global economic prospect is still uncertain. The Group shall precisely act on the macro-economic trend, formulate forward-looking operational strategies, improve market judgment and adaptability, and steadily confront the external changes in operation environment.

### MARKET OUTLOOK

In the second half of the year, the Hong Kong and Macau economy will maintain the upward momentum from the first half but the lack of resources within the industry cannot be alleviated in the short term.



## CHAIRMAN'S STATEMENT *(continued)*

### BUSINESS PROSPECTS (CONTINUED)

#### MARKET OUTLOOK (CONTINUED)

Mainland China's economy has entered medium-high tier growth. The government is actively facilitating the transition from an "export & investment-oriented economy" towards a "domestic consumption-driven economy"; and the relevant structural adjustments, such as accelerated shanty town redevelopment, railway construction and tax reduction for small-micro enterprises, can certainly offer many investment opportunities. In addition, with the introduction of affordable housing related policies such as the trial for shared property right housing, and the advocacy of the application of residential industrialisation, great potentials are presented to the development of residential industrialisation.

The performance of the curtain wall industry varies. With the recovery of construction business in North American, private development projects with higher margins and more reasonable contract terms comprise a larger proportion of the business. However, with anti-dumping investigations being conducted by regulatory institutions on Chinese products, curtain wall components are subject to punitive tariffs. As Hong Kong, Macau and Asian Pacific market is gradually slowing down, it would be difficult to maintain the current market size. The Mainland China market is enormous but the products vary in quality, resulting in fierce competitions, and the market is subject to standardisation.

#### OPERATION STRATEGIES

Committed to the operation strategy of "**Cost-effective Competition and High-quality Management**", the Group endeavors to achieve the strategic transformation from a sole contractor towards an integrated international contractor with comprehensive development in both construction and relevant investments, so as to further strengthen its corporate value and market competitiveness.

In respect of the construction projects in Hong Kong and Macau, a wide range of measures will be implemented to overcome various kinds of resource shortages and construction difficulties. Contract model will be promptly adjusted with the tendering focus set on large-scale projects and government projects. Meanwhile, the Group will strengthen the management of sub-contractors and enhance the level of standards for construction project design to ensure a smooth construction process.



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## CHAIRMAN'S STATEMENT *(continued)*

### **BUSINESS PROSPECTS** (CONTINUED)

#### **OPERATION STRATEGIES** (CONTINUED)

As to the investment business in Mainland China, an “All Out Marketing Approach” is adopted where subsidiaries from different regions all set operational expansion as their focus, actively creating and seeking collaboration opportunities with the government. Project selection criteria are strictly followed, whereby premium projects that satisfy all criteria including investment size, cooperation model, business conditions, guarantee scheme and economic indicators are preferred, and earlier construction are guaranteed for projects with mature conditions.

Leveraging on the Group's branding effect, FEG will target small-medium size projects for marketing, search for appropriate projects and build up Treasure Construction's results and brand name, accumulating market experiences for further expansion in the overseas market.

#### **OPERATION MANAGEMENT**

The Group adopts a horizontal matrix management structure of three levels, namely the senior management, the heads of departments and the project operation division, which significantly simplified the communication process. The senior management is responsible for the decision-making and comprehensive risk management. Leveraging the information and technical support provided by the heads of departments and incorporating the “5+3” project management model (i.e. coordinated management over the five elements, namely progress, quality, cost, safety and environmental protection, and the three systems, namely flow guarantee system, procedure guarantee system and responsibility guarantee system), the project operation division is the first executor of project operation risk control.



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## CHAIRMAN'S STATEMENT *(continued)*

### COMPANY MISSION

The Group is dedicated to its core value of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**” and adheres to the principle of “**A Trusted Brand Growing through Diligence and Care**”. It will carry out people-orientated and scientific management. Based on its corporate philosophy of “**Committed Team-building; Perseverance; Ambition for Success; Strict Self-discipline and Conscious Devotion**”, the Group will offer excellent value-of-money products and services and fulfill its responsibilities as a corporate citizen. Its ultimate goal is to build an evergreen business regime with optimised competitiveness and shareholder's value.

### APPRECIATION

I would like to take this opportunity to express my gratitude to fellow members of the Board for their 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**

**Zhou Yong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 14 August 2014





# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL PERFORMANCE

During the six months ended 30 June 2014, the revenue of the Group was HK\$14,259 million (the corresponding period in 2013: HK\$11,509 million), representing a year-on-year increase of about 23.9%. The unaudited profit attributable to the owners of the Company for the period was HK\$1,465 million (the corresponding period in 2013: HK\$1,173 million), representing a year on year increase of 24.9%. The basic earnings per share was increased by 24.8% from HK30.17 cents to HK37.66 cents this period. The Board of directors declared an interim dividend per share of HK11.00 cents, the dividend payout ratio will be approximately 29.0%.

As at 30 June 2014, the equity attributable to the owners of the Company reached HK\$17,011 million (31 December 2013: HK\$16,181 million), representing an increase of 5.1% as compared to the end of the previous year. The book value of net assets per share was HK\$4.37 (31 December 2013: HK\$4.16), represent as an increase of 5.0%.

All the major segments of the Group have derived impressive results during the current period.

## SEGMENT RESULTS

### CONSTRUCTION AND RELATED BUSINESS – HONG KONG

During the period under review, the Group's construction business remained robust and continued to experience a steady growth in revenue of approximately 23.4% to HK\$6,248 million (corresponding period in 2013: HK\$5,062 million). Despite the Group has not yet recognised profits of certain large project as they are still in their initial stages, the Group has managed to maintain its gross profit ratio at approximately 6.3% (corresponding period in 2013: 6.7%). As result, both gross profit and the segment profit for the current period recorded a moderate increment of 15.4% and 13.0% respectively.



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**MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)***SEGMENT RESULTS** *(CONTINUED)***CONSTRUCTION AND RELATED BUSINESS – MACAU**

With the commencement of major housing and casino projects, revenue contribution from this segment increased by approximately 126.7% during the period under review, amounting to approximately HK\$969 million (the corresponding period in 2013: HK\$427 million). However, the Group has not yet recognised profit of these new projects as they were still at preliminary stages, while additional profit had been recognised for successful completion of a project during the corresponding period in 2013. Therefore, this segment recorded a temporary drop in gross profits by 34.0% to HK\$62 million during the six months ended 30 June 2014 (the corresponding period in 2013: HK\$94 million). In spite of this, segment profit from this segment increased by approximately 40.4% to HK\$204 million (the corresponding period in 2013: HK\$145 million).

**CONSTRUCTION – OVERSEAS**

The overseas segment represented mainly the construction projects in United Arab Emirates. During the period under review, negotiation with employers for settlement of those completed projects continued with positive progress.

**CONSTRUCTION AND INFRASTRUCTURE INVESTMENT BUSINESS – MAINLAND CHINA**

The Group continued to focus on the businesses in affordable housing and infrastructure projects during the period under review. Both sectors had experienced significant horizontal expansion to new strategic growth, with existing projects progressed successfully as planned. As a result, this segment continued delivering relatively steady growth in revenue and gross profit contribution of approximately 23.2% and 32.0% respectively. Following the successful completion of some of our BT projects, the Group has received buy-back payment of approximately HK\$1,880 million (including the attributable share of such payment received by our joint venture investments). In addition, the Group also continued exploring new investment opportunities that will leverage the Group strategic advantages.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)***SEGMENT RESULTS** *(CONTINUED)***CONSTRUCTION AND INFRASTRUCTURE INVESTMENT BUSINESS – MAINLAND CHINA** *(CONTINUED)***(1) Affordable Housing Projects**

During the period under review, the scale of the Group's affordable housing business expanded steadily. Upon the successful completion of the affordable housing projects in Chongqing and Zhangzhou, the Group's affordable housing projects in cities such as Wuxi, Hangzhou, Wenzhou and Zhenjiang have been in full swing during the period. As a result, construction revenue from this sector reported a tremendous rise of approximately 69.2% to HK\$3,312 million (corresponding period in 2013: HK\$1,958 million). In addition, as the investment in this sector continued to be accumulated, interests earned from these BT projects also expanded by approximately 118.8% to HK\$350 million (corresponding period in 2013: HK\$160 million) and were reclassified as part of the revenue of this sector. Accordingly, this sector has recorded a brilliant growth in both gross profit and result of approximately 91.2% to HK\$759 million (corresponding period in 2013: HK\$397 million) and 89.9% to HK\$735 million (corresponding period in 2013: HK\$387 million) respectively. During the period under review, the Group's portfolio continued expanding with new projects in Pinghu, Hefei and Xi'an added to the pipeline. The new affordable housing project in Hefei will be implemented by the Group by way of residential industrialisation for the first time in Mainland China. Relying on its own extensive experience in prefabricated unit design, production, construction and installation, the Group will continue to actively promote the operation of the affordable housing business by way of residential industrialisation.

**(2) Investment and Construction of Infrastructure Projects**

During the period under review, the Group continued participating in investments in its infrastructure businesses portfolio including the BT, "Build-Operate-Transfer" ("BOT") and "Transfer-Operate-Transfer" ("TOT") arrangements of various transport infrastructure facilities and direct ownership of a thermoelectric plant. While the projects in Shanxi had been substantially completed, this sector has maintained its steady growth as the contribution from the BT projects in Zhengzhou has increased to a significant level since its commencement last year. In addition, contribution from the Group's infrastructure investment project in Wuhan, Taiyuan and Nanchang and the Thermal Power Plant in Shenyang continued to bring in steady contribution to this segment. As a result, the investment portfolio has recorded a steady growth in both revenue and gross profit of approximately 24.2% to HK\$2,639 million (corresponding period in 2013: HK\$2,125 million) and 18.9% to HK\$686 million (corresponding period in 2013: HK\$577 million) respectively. With the award of new infrastructure BT projects in Fuzhou and Xi'an, the Group portfolio has been maintained for the sustainable growth.



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## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### SEGMENT RESULTS *(CONTINUED)*

#### CONSTRUCTION AND INFRASTRUCTURE INVESTMENT BUSINESS – MAINLAND CHINA *(CONTINUED)*

##### *(3) Construction – Cash contract and related business*

The revenue and gross profit contribution from this sector have dropped to HK\$127 million (corresponding period in 2013: HK\$974 million) and HK\$44 million (corresponding period in 2013: HK\$154 million) respectively as the Group continued to direct its focus to affordable housing and infrastructure project during the period under review.

#### FACADE CONTRACTING – FAR EAST GLOBAL GROUP LIMITED

During the period under review, the new management of Far East Global Group Limited continued its effort to improving its structure and portfolio so as to position this subsidiary for future expansion. The revenue and gross profits contribution from Far East Global Group Limited amounted to HK\$614 million and HK\$58 million respectively for the period.

### SHARE OF PROFITS OF JOINT VENTURES

Contribution for the period under review is mainly attributable to the Group's joint venture investments in infrastructure investment project in Nanjing, Tangshan and Zhengzhou. Despite the additional contribution from Zhengzhou project commencing from the second half of 2013, decrease contribution from both Tangshan and Nanjing projects have accounted for the decrease in the share of profits of joint ventures for the period under review by approximately 23.9% to HK\$172 million (corresponding period in 2013: HK\$226 million).

### 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 by maintaining a reasonable level of cash and a debt structure suitable to the Group's current and future business development.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### CORPORATE FINANCE (CONTINUED)

#### FINANCIAL POSITION OF THE GROUP

##### (a) *Bank Balances and Cash*

As at 30 June 2014, the Group had bank balances and cash of HK\$9,284 million (31 December 2013: HK\$8,116 million). The portfolio of the currencies of bank deposits is listed as follows:

	<b>30 June 2014</b>	31 December 2013
	%	%
Hong Kong Dollars	<b>45</b>	32
Renminbi	<b>40</b>	56
Macao Patacas	<b>13</b>	7
United States Dollars	<b>1</b>	4
Others	<b>1</b>	1

The bank deposits outside Hong Kong are mainly for the local use of the subsidiaries in various regions outside Hong Kong. During the period, the Group has no financial instruments for currency hedging purpose.

##### (b) *Borrowings*

The Group has endeavored to maintain a suitable debt structure that can meet the Group's business development and operating requirement. In order to achieve this target, the Group is constantly seeking new financing sources that can improve the Group's debt structure.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### CORPORATE FINANCE (CONTINUED)

#### FINANCIAL POSITION OF THE GROUP (CONTINUED)

##### *(b) Borrowings (Continued)*

As at 30 June 2014, the total borrowings of the Group (including the US\$500 million 5-year Guaranteed Notes (the "Notes")) were HK\$15,119 million of which, approximately 50.3%, 23.3% and 26.1% of the balances were denominated in Hong Kong dollars, Renminbi and US dollars respectively. Bank borrowings were bearing interest at floating rates with reference to Hong Kong Inter-bank Offered Rate ("HIBOR"), People's Bank of China ("PBOC") benchmark interest rate or prime rate while the Notes bear fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 30 June 2014 and 31 December 2013 with details as follows:

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'million</b>	HK\$'million
<b>BANK AND OTHER BORROWINGS</b>		
On demand or within one year	<b>3,289</b>	237
More than one year but not exceeding two years	<b>2,018</b>	3,736
More than two years but not more than five years	<b>3,969</b>	2,756
More than five years	<b>1,978</b>	2,048
Total bank and other borrowings	<b>11,254</b>	8,777
Unsecured guaranteed notes payable	<b>3,865</b>	3,860
Total borrowings	<b>15,119</b>	12,637



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### CORPORATE FINANCE (CONTINUED)

#### FINANCIAL POSITION OF THE GROUP (CONTINUED)

##### *(b) Borrowings (Continued)*

As at 30 June 2014, the Group had net borrowings of HK\$5,835 million (31 December 2013: HK\$4,521 million) and the Group's net gearing ratio was 33.8% (31 December 2013: 27.5%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 30 June 2014, unutilised loans and working capital facilities of HK\$17,824 million and guarantee and other facilities of HK\$7,153 million are available for the Group to support its future business development.

#### MAJOR BUSINESS DEVELOPMENT

The Group searches cautiously for valuable construction and investment projects in order to strengthen its presence in each major segment and enhance the value of the Company. During the period under review, the Group has achieved the following significant milestones in business expansion:

- (i) In January 2014, the Group completed its acquisition of 29.0% interest in residential portion of Nova City Phase V Development located in northern shore of Taipa Island, Macau. The Group, which has been appointed as the project's main-contractor, will co-develop the project with the Shun Tak Group, a prestigious developer in the Macau. The total consideration for the acquisition of the relevant shares and shareholder loan interest in this project was approximately HK\$2,066 million.
- (ii) In May 2014, the Group formed joint venture with a subsidiary of China State Construction Engineering Corporation Limited, the Company's intermediate holding company for infrastructure BT projects in Fuzhou. The joint venture was awarded with a BT Projects for rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou City, Fujian Province with the attributable contract value of the Group is about HK\$4,176 million.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### CORPORATE FINANCE (CONTINUED)

#### MAJOR BUSINESS DEVELOPMENT (CONTINUED)

- (iii) During the period under review, the Group secured various contracts of affordable housing BT projects, including Phase II of Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province, Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province, and Affordable Housing Phase IV, Shushan District Industrial Park, Hefei City, Anhui Province. The aggregate attributable contract value amounts to approximately HK\$9,618 million.
- (iv) During the period under review, the Group took the advantage of booming construction markets in Hong Kong and Macau and has secured a number of prominent projects such as Widening of Fanling Highway – Tai Hang to Wo Hop Shek Interchange, Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities – Design and Build of New Stream II and MGM Cotai Project.

#### FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

There has been neither any change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December ("2013 annual report"), and should be read in conjunction with the relevant disclosures in the 2013 annual report.

During the period under review, the Group continued to step up its efforts in risk management and control. 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.



# UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000 (restated)
Revenue	6	<b>14,258,816</b>	11,508,961
Costs of sales		<b>(12,257,115)</b>	(9,887,777)
Gross profit		<b>2,001,701</b>	1,621,184
Investment income	8	<b>108,962</b>	124,517
Other income and other gains, net		<b>157,887</b>	77,526
Administrative expenses		<b>(380,445)</b>	(420,599)
Distribution, selling and other operating expenses		<b>(41,856)</b>	(53,234)
Share of profits of			
Joint ventures		<b>171,639</b>	226,290
Associates		<b>13,757</b>	7,607
Finance costs	9	<b>(264,715)</b>	(184,578)
Profit before tax	10	<b>1,766,930</b>	1,398,713
Income tax expense, net	11	<b>(312,982)</b>	(238,822)
Profit for the period		<b>1,453,948</b>	1,159,891
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>1,465,158</b>	1,172,796
Non-controlling interests		<b>(11,210)</b>	(12,905)
		<b>1,453,948</b>	1,159,891
Earnings per share (HK cents)	13		
Basic		<b>37.66</b>	30.17
Diluted		<b>37.13</b>	29.72

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit for the period	<b>1,453,948</b>	1,159,891
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Items that may be reclassified to profit and loss</i>		
Gain/(loss) on fair value changes of available-for-sale investments, net of tax	<b>408</b>	(11,744)
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	<b>(7,162)</b>	–
Exchange differences on translation of foreign operations	<b>(166,698)</b>	151,919
Other comprehensive (loss)/income for the period, net of tax	<b>(173,452)</b>	140,175
Total comprehensive income for the period, net of tax	<b>1,280,496</b>	1,300,066
Total comprehensive income/(loss) attributable to:		
Owners of the Company	<b>1,296,145</b>	1,315,399
Non-controlling interests	<b>(15,649)</b>	(15,333)
	<b>1,280,496</b>	1,300,066

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>2,400,702</b>	2,342,163
Investment properties		<b>38,567</b>	39,085
Interests in infrastructure project investments		<b>1,301,827</b>	1,186,012
Prepaid lease payments		<b>180,432</b>	183,987
Interests in joint ventures		<b>2,765,753</b>	2,277,443
Interests in associates		<b>2,121,688</b>	48,757
Concession operating rights		<b>6,252,789</b>	6,353,833
Deferred tax assets		<b>189,568</b>	151,027
Trademark, project backlogs and licenses		<b>213,618</b>	226,596
Goodwill		<b>577,664</b>	577,664
Available-for-sale investments		<b>488,426</b>	543,642
Amounts due from investee companies		<b>406,784</b>	399,645
Trade and other receivables	15	<b>11,347,671</b>	8,141,167
Deposit paid for an investment		<b>-</b>	500,000
		<b>28,285,489</b>	22,971,021

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

	Note	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (restated)
<b>CURRENT ASSETS</b>			
Interests in infrastructure project investments		<b>21,217</b>	10,566
Inventories		<b>177,309</b>	163,427
Properties held for sale		<b>114,805</b>	152,905
Amounts due from customers for contract work		<b>1,235,346</b>	1,075,267
Trade and other receivables	15	<b>10,588,924</b>	9,757,495
Deposits and prepayments		<b>302,967</b>	300,014
Amounts due from joint ventures		<b>6,858</b>	7,154
Amount due from an associate		–	388
Tax recoverable		<b>4,952</b>	18,697
Bank balances and cash		<b>9,283,695</b>	8,116,273
		<b>21,736,073</b>	19,602,186
Assets held for sale		<b>10,847,520</b>	9,169,319
		<b>32,583,593</b>	28,771,505

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

	Note	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (restated)
<b>CURRENT LIABILITIES</b>			
Amounts due to customers for contract work		<b>3,488,861</b>	1,903,378
Trade payables, other payables and accruals	16	<b>14,406,455</b>	12,617,176
Deposits received and advances from customers		<b>1,645,519</b>	1,755,670
Amount due to an associate		<b>20,694</b>	27,505
Current tax payables		<b>694,297</b>	606,061
Borrowings		<b>3,289,547</b>	236,449
Obligations under finance leases		<b>1,017</b>	1,087
Dividend payables		<b>467,088</b>	–
		<b>24,013,478</b>	17,147,326
Liabilities directly associated with assets classified as held for sale		<b>6,720,713</b>	4,723,121
		<b>30,734,191</b>	21,870,447
<b>NET CURRENT ASSETS</b>		<b>1,849,402</b>	6,901,058
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>30,134,891</b>	29,872,079

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (restated)
<b>CAPITAL AND RESERVES</b>			
Share capital	17	<b>97,310</b>	97,219
Share premium and reserves		<b>16,913,395</b>	16,083,606
Equity attributable to owners of the Company		<b>17,010,705</b>	16,180,825
Non-controlling interests		<b>237,588</b>	253,237
<b>TOTAL EQUITY</b>		<b>17,248,293</b>	16,434,062
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<b>7,964,738</b>	8,539,842
Guaranteed notes payables		<b>3,865,058</b>	3,860,286
Deferred income		<b>671,674</b>	638,802
Deferred tax liabilities		<b>381,228</b>	394,807
Obligations under finance leases		<b>3,900</b>	4,280
		<b>12,886,598</b>	13,438,017
		<b>30,134,891</b>	29,872,079

# UNAUDITED 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 (note 17)	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 2013	97,186	8,117,395	(1,440,128)	337	3,138	55,930	592,542	75,350	6,008,074	13,509,824	343,144	13,852,968
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	-	-	-	-	-	(11,710)	154,313	-	1,172,796	1,315,399	(15,333)	1,300,066
TRANSACTIONS WITH OWNERS												
Issue of ordinary shares upon exercise of share options	33	339	-	-	(79)	-	-	-	-	293	-	293
Transfer of statutory reserve	-	-	-	-	-	-	-	7,782	(7,782)	-	-	-
At 30 June 2013	97,219	8,117,734	(1,440,128)	337	3,059	44,220	746,855	83,132	7,173,088	14,825,516	327,811	15,153,327
At 1 January 2014	97,219	8,117,735	(1,440,128)	337	3,058	63,842	1,183,167	189,729	7,965,866	16,180,825	253,237	16,434,062
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	-	-	-	-	-	(6,754)	(162,259)	-	1,465,158	1,296,145	(15,649)	1,280,496
TRANSACTIONS WITH OWNERS												
Issue of ordinary shares upon exercise of share options	91	956	-	-	(224)	-	-	-	-	823	-	823
Transfer of statutory reserve	-	-	-	-	-	-	-	20,774	(20,774)	-	-	-
2013 final dividend payable	-	-	-	-	-	-	-	-	(467,088)	(467,088)	-	(467,088)
At 30 June 2014	97,310	8,118,691	(1,440,128)	337	2,834	57,088	1,020,908	210,503	8,943,162	17,010,705	237,588	17,248,293

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(continued)*

Notes:

- (a) Special reserve arose from:
- (i) The balances of special reserve brought forward from prior years 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 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL") 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 in prior years.
  - (ii) During 2012, the Group obtained control over Far East Global Group Limited ("FEG") which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed an aggregate of 45,500,000 shares of FEG at a price of HK\$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in FEG was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK\$34 million, representing the difference between the cash consideration received for the disposal of partial interest in FEG of approximately HK\$57 million and carrying amount of the attributable share of net assets of FEG of approximately HK\$23 million, was credited to the special reserve.
- (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 reserves applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000 (restated)
Net cash from/(used in) operating activities	<b>182,698</b>	(1,237,197)
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(220,776)</b>	(149,625)
Capital investment in a joint venture	<b>(201,562)</b>	–
Loan to a joint venture	<b>(187,564)</b>	–
Increase in interest in an associate	<b>(1,572,596)</b>	–
Dividends received from joint ventures	<b>45,981</b>	312,232
Proceed from disposal of convertible bonds	–	304,352
Repayment of other receivables	–	189,961
Interests received	<b>83,338</b>	38,941
Increase in interests in infrastructure project investments	<b>(80,624)</b>	(112,980)
Acquisition of listed available-for-sale investments	<b>(144,175)</b>	(15,132)
Proceeds from disposal of listed available-for-sale investments	<b>203,692</b>	–
Dividends received from unlisted available-for-sale investments	<b>7,369</b>	65,833
Other investing cash flows	<b>20,522</b>	12,992
Net cash (used in)/from investing activities	<b>(2,046,395)</b>	646,574
<b>FINANCING ACTIVITIES</b>		
New bank loans raised (Note 1)	<b>4,180,588</b>	3,896,778
Issue of guaranteed notes payable	–	3,853,167
Repayment of bank loans	<b>(188,353)</b>	(796,789)
Finance costs paid	<b>(368,310)</b>	(336,119)
Other financing cash flows	<b>(8,679)</b>	(519)
Net cash from financing activities	<b>3,615,246</b>	6,616,518

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000 (restated)
Increase in cash and cash equivalents	<b>1,751,549</b>	6,025,895
Cash and cash equivalents at the beginning of the period	<b>8,115,820</b>	6,875,018
Effect of foreign exchange rate changes	<b>(39,155)</b>	81,439
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>9,828,214</b>	12,982,352
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENT</b>		
Bank balances and cash	<b>9,283,695</b>	12,987,316
Cash and cash equivalents reclassified to assets held for sale	<b>545,114</b>	–
Less: Pledged bank deposits and deposits with financial institutions	<b>(595)</b>	(4,964)
	<b>9,828,214</b>	12,982,352

Notes:

- (1) The new bank loans raised include those raised for the Group's project which was classified as assets held for sale. The respective loans were included in liabilities directly associated with assets classified as held for sale.
- (2) The net cash from/(used in) operating activities included net cash outflows of administrative expenses amounting to approximately HK\$362 million (corresponding period in 2013: HK\$401 million). Excluding the net expenditure for the Build-Transfer ("BT") and Build-Operate-Transfer ("BOT") projects amounting to approximately HK\$1,813 million (corresponding period in 2013: HK\$2,232 million), the net cash generated from operating activities for the period was approximately HK\$1,996 million (corresponding period in 2013: HK\$996 million).

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# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## (1) GENERAL INFORMATION

The principal activities of China State Construction International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contraction business.

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited (“COHL”) (incorporated in Hong Kong) and its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited (“CSCECL”), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation (“CSCEC”), respectively, both of which are established in the People’s Republic of China (“PRC”) and controlled by the PRC Government. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report.

## (2) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*
**(3) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

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 2013 except for the following:

- (i) In the current interim period, the Group has applied, for the first time, the following new or revised HKAS, Hong Kong Financial Reporting Standards ("HKFRS"), amendments or interpretation (hereinafter collectively reference to as the "new or revised HKFRSs") issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (3) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- (ii) Impact on the adoption of HKFRS 11 and reclassification of investment income to revenue

Following the adoption of the HKFRS 11 “Joint Arrangements” by the Group for the year ended 31 December 2013, the results and cash flows for the six months ended 30 June 2013 have been restated.

In addition, following the reclassification by the Group for the year ended 31 December 2013, the Group has classified interest income generated from “Build-Transfer”(“BT”) projects from investment income to revenue for the six months ended 30 June 2013, as the income is generated from the Group’s investment in BT projects, which is an ordinary course of business of the Group.

The effects of the adoption of HKFRS 11 and the change of classification of interest income generated from BT projects on the results for the six months ended 30 June 2013 by line items presented in the condensed consolidated income statement and the condensed consolidated statement of cash flows are as follows:

	For the period ended 30 June 2013 HK\$'000 (As previously presented)	Effect on adoption of HKFRS 11 HK\$'000	Effect of reclassification of investment income to revenue HK\$'000	For the period ended 30 June 2013 HK\$'000 (As restated)
Revenue	10,896,216	371,256	241,489	11,508,961
Cost of sales	(9,522,700)	(365,077)	–	(9,887,777)
Investment income	366,006	–	(241,489)	124,517
Share of profits of joint ventures	231,236	(4,946)	–	226,290
Income tax expense, net	(237,589)	(1,233)	–	(238,822)

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (3) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

- (ii) Impact on the adoption of HKFRS 11 and reclassification of investment income to revenue (continued)

	For the period ended 30 June 2013 HK\$'000 (As previously presented)	Effect on adoption of HKFRS 11 HK\$'000	Effect of reclassification of investment income to revenue HK\$'000	For the period ended 30 June 2013 HK\$'000 (As restated)
Net cash used in operating activities	(1,236,249)	(948)	–	(1,237,197)
Net cash from investing activities	628,580	17,994	–	646,574

	As at 30 June 2013 HK\$'000 (As previously presented)	Effect on adoption of HKFRS 11 HK\$'000	Effect of reclassification of investment income to revenue HK\$'000	As at 30 June 2013 HK\$'000 (As restated)
Cash and cash equivalents	12,807,201	175,151	–	12,982,352

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (3) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- (iii) Reclassification of the trade balances of amounts due from/to immediate holding company, intermediate holding companies and fellow subsidiaries

Certain amounts due from/to immediate holding company, intermediate holding companies and fellow subsidiaries in trade nature have been reclassified in current period. The effect of the change of classification on the financial position as at 30 June 2014 and 31 December 2013 by line items presented in the condensed consolidated statement of financial position is as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Current assets</b>		
Increase in trade and other receivables	<b>1,230,430</b>	1,103,028
Increase in deposits and prepayments	<b>42,412</b>	71,719
Decrease in amount due from immediate holding company	<b>(9,635)</b>	(4,833)
Decrease in amounts due from fellow subsidiaries	<b>(238,617)</b>	(264,025)

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Current liabilities</b>		
Increase in trade payables, other payables and accruals	<b>3,603,722</b>	4,052,461
Decrease in amount due to an intermediate holding company	<b>(448,790)</b>	(548,536)
Decrease in amounts due to fellow subsidiaries	<b>(2,130,342)</b>	(2,598,036)

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*
**(3) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**  
**(CONTINUED)**

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

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Annual Improvements Project	Annual Improvements to HKFRS 2010-2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements to HKFRS 2011-2013 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The Group is in progress of assessing the impact of these new or revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the condensed consolidated financial statements.



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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*

**(4) ESTIMATES**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

**(5) FINANCIAL RISK MANAGEMENT ESTIMATES**

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December 2013 ("2013 Annual Report"), and should be read in conjunction with the relevant disclosures in the 2013 Annual Report.

During the period under review, the Group continued to step up its efforts in risk management and control. 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (6) REVENUE

Revenue represents the revenue arising from construction contracts, interest income generated from BT projects, project consultancy services, thermoelectricity business, infrastructure project investments and toll road operation, facade contracting, sales of precast structures and building materials, machinery leasing and insurance contracts.

An analysis of the revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000 (restated)
Revenue from construction contracts	<b>12,470,529</b>	9,326,273
Revenue from construction contracts under service concession arrangements	–	269,546
Interest income generated from BT projects	<b>474,385</b>	241,489
Revenue from project consultancy services	<b>104,544</b>	119,023
Revenue from thermoelectricity business	<b>364,696</b>	330,389
Revenue from infrastructure project investments and toll road operation	<b>142,291</b>	167,590
Revenue from facade contracting business	<b>614,370</b>	786,441
Others (Note)	<b>88,001</b>	268,210
	<b>14,258,816</b>	11,508,961

Note: Revenue from others mainly comprise of revenue from sales of precast structures and building materials, machinery leasing and insurance contracts.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (7) SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ("UAE") and India).

FEG, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together, the "FEG Group") is currently managed by a separate business team. The chief operating decision maker regards FEG Group as a distinct reportable segment and assesses its performance based on its overall result.

Segment revenue and results for the six months ended 30 June 2014 and 2013 are as follows:

	Segment revenue		Gross profit/(loss)		Segment results	
	2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)
Reportable segments						
Hong Kong	6,247,706	5,061,858	392,731	340,309	348,262	308,184
Mainland China	6,428,187	5,217,022	1,489,433	1,128,207	1,405,030	971,835
Macau	968,553	427,166	62,405	94,507	203,698	145,073
Overseas	-	16,474	(1,235)	(1,912)	(11,808)	5,077
FEG Group	614,370	786,441	58,367	60,073	(43,491)	(14,375)
	14,258,816	11,508,961	2,001,701	1,621,184	1,901,691	1,415,794
Unallocated corporate expenses					(75,837)	(80,338)
Non-recurring investment income, other income and other gains, net					20,395	13,938
Share of profits of joint ventures					171,639	226,290
Share of profits of associates					13,757	7,607
Finance costs					(264,715)	(184,578)
Profit before tax					1,766,930	1,398,713

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)***(8) INVESTMENT INCOME**

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000 (restated)
Interest income on:		
Bank deposits	<b>67,353</b>	33,106
Debt securities	<b>4,243</b>	3,672
Imputed interest on amounts due from investee companies	<b>7,159</b>	12,039
Loan receivables	–	2,163
Loan to a joint venture	<b>11,742</b>	–
	<b>90,497</b>	50,980
Gain on disposal of convertible bonds	–	7,525
Gain on disposal of available-for-sale investments	<b>11,096</b>	–
Dividend income from:		
Listed available-for-sale investments	–	179
Unlisted available-for-sale investments	<b>7,369</b>	65,833
	<b>108,962</b>	124,517

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

## (9) FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Interest on bank loans wholly repayable within five years	<b>112,171</b>	104,031
Interest on bank loans not wholly repayable within five years	<b>177,564</b>	146,501
Interest on guaranteed notes wholly repayable within five years	<b>66,725</b>	32,451
Finance leases charge	<b>140</b>	157
Others	<b>18,132</b>	85,588
Total finance costs	<b>374,732</b>	368,728
Less: Amounts capitalised in concession operating rights	–	(30,962)
Amounts capitalised in amounts due from customers for contract work	<b>(105,674)</b>	(147,447)
Amounts capitalised in construction in progress	<b>(4,343)</b>	(5,741)
	<b>264,715</b>	184,578

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*
**(10) PROFIT BEFORE TAX**

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Profit before tax has been arrived at after charging/(crediting):		
Depreciation	<b>59,712</b>	57,347
Amortisation of concession operating rights	<b>71,128</b>	70,239
Amortisation of trademark and projects backlogs	<b>12,978</b>	12,978
Gain on disposal of properties held for sale	<b>(139,134)</b>	–

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (11) INCOME TAX EXPENSE, NET

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000 (restated)
Current tax:		
Hong Kong	<b>33,552</b>	36,620
Other jurisdictions	<b>312,336</b>	180,222
	<b>345,888</b>	216,842
(Over)/under provision in prior years:		
Hong Kong	<b>(166)</b>	(555)
Other jurisdictions	<b>(6,043)</b>	11,393
	<b>(6,209)</b>	10,838
Deferred tax, net	<b>(26,697)</b>	11,142
Income tax expense for the period, net	<b>312,982</b>	238,822

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

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*
**(12) DIVIDENDS**

	<b>Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Dividends recognised as distributions during the period	<b>467,088</b>	–

In July 2014, the Company distributed 2013 final dividends of HK12.00 cents per share, amounting to approximately HK\$467,088,000.

The Board declared the payment of an interim dividend of 2014 of HK11.00 cents per share (2013: HK9.00 cents).



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (13) 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:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>1,465,158</b>	1,172,796
	<b>2014 '000</b>	2013 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,890,299</b>	3,887,837
Effect of dilutive potential ordinary shares in respect of share options	<b>56,057</b>	58,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>3,946,356</b>	3,945,939

### (14) PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$225,410,000 (corresponding period in 2013: HK\$155,365,000) on the additions to property, plant and equipment.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (15) TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on invoice date or progress certification date at the end of the reporting period:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000 (restated)
Trade receivables, net of allowance for doubtful debts, aged		
0-30 days	<b>3,337,499</b>	4,343,123
31-90 days	<b>2,368,948</b>	3,205,488
Over 90 days	<b>12,912,846</b>	7,352,497
	<b>18,619,293</b>	14,901,108
Retention receivables	<b>1,921,758</b>	1,819,575
Other receivables	<b>1,395,544</b>	1,177,979
Trade and other receivables	<b>21,936,595</b>	17,898,662
Current portion	<b>(10,588,924)</b>	(9,757,495)
Non-current portion (note)	<b>11,347,671</b>	8,141,167

Note: The balances were mainly attributable to certain affordable housing projects in Mainland China. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The total amount of the receivable for affordable housing is expected to be fully received from 2015 to 2017, with approximately HK\$4,155,724,000 to be received in 2015, HK\$5,627,780,000 in 2016, HK\$1,564,167,000 in 2017. As a result, they are classified as non-current.

Amounts of HK\$11,232,513,000 (31 December 2013: HK\$6,443,102,000) were included in the receivables aged over 90 days, which were attributable to the affordable housing projects and were not due in accordance with the contracts.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (15) TRADE AND OTHER RECEIVABLES (CONTINUED)

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 30 June 2014, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$1,288,302,000 (31 December 2013: HK\$1,354,603,000).

Except for the receivables arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2013: 90 days) to its customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

### (16) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000 (restated)
Trade payables, aged		
0-30 days	<b>6,620,444</b>	4,936,303
31-90 days	<b>1,142,364</b>	1,657,754
Over 90 days	<b>1,886,290</b>	1,461,882
	<b>9,649,098</b>	8,055,939
Retention payables	<b>3,378,495</b>	3,124,465
Other payables and accruals	<b>1,378,862</b>	1,436,772
	<b>14,406,455</b>	12,617,176

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (16) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables included in the other payables and accruals amounted to approximately HK\$1,347,331,000 (31 December 2013: HK\$1,404,936,000), which comprise primarily staff cost, other tax and other operating expenses payables.

The average credit period on trade and construction cost payables is 60 days (2013: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame. At 30 June 2014, the amount of retention payables expected to be due after more than one year was approximately HK\$1,319,538,000 (31 December 2013: HK\$1,462,830,000).

### (17) SHARE CAPITAL

	Number of Shares	Amounts HK\$'000
<b>AUTHORISED:</b>		
Ordinary shares of HK\$0.025 each as at 30 June 2013 and 30 June 2014	60,000,000,000	1,500,000
<b>ISSUED AND PAID UP:</b>		
Balance as at 1 January 2013	3,887,447,383	97,186
Issue of ordinary shares upon exercise of share options	1,297,268	33
Balance as at 30 June 2013 and 31 December 2013	3,888,744,651	97,219
Issue of ordinary shares upon exercise of share options	3,654,276	91
<b>BALANCE AS AT 30 JUNE 2014</b>	<b>3,892,398,927</b>	<b>97,310</b>

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*
**(18) COMMITMENTS**

At 30 June 2014 and 31 December 2013, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Contracted but not provided for		
– construction in progress for property, plant and equipment	<b>234,878</b>	77,940
– investment	<b>240,000</b>	1,566,216

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### (19) RELATED PARTY TRANSACTIONS

- (a) The Group had the following significant transactions with its intermediate holding company, fellow subsidiaries, associate and joint ventures during the period under review as follows:

TRANSACTIONS	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000 (restated)
Fellow subsidiaries		
Security service payment	<b>9,101</b>	10,581
Revenue from construction contracts	–	237,198
Project consultancy service income	<b>14,377</b>	14,934
Design consultancy fee charge	<b>724</b>	11,523
Construction costs	<b>230,468</b>	168,595
Associate		
Purchase of construction materials	<b>61,365</b>	54,295
Joint ventures		
Revenue from construction contracts	<b>902,189</b>	11,505
Purchase of materials	<b>23,066</b>	24,756
Sales of building materials	<b>2,414</b>	16,751
Insurance premium income	<b>24,391</b>	1,915
Intermediate holding company		
Construction costs	<b>159,500</b>	1,008,413

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** *(continued)*

**(19) RELATED PARTY TRANSACTIONS** *(CONTINUED)*

**(b) TRANSACTIONS WITH OTHER STATE-CONTROLLED ENTITIES IN MAINLAND CHINA**

Certain of the Group's businesses are operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the PRC Government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC Government.

Apart from transactions with its intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

Certain of the Company's subsidiaries had entered into various transactions with state-controlled entities, including general banking facilities transactions with certain banks and financial institutions which are state-controlled entities, in their ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

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## OTHER INFORMATION

### INTERIM DIVIDEND

The Board declared an interim dividend of HK11.00 cents per share (2013: HK9.00 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 19 September 2014. The interim dividend will be payable on Monday, 6 October 2014.

### 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, 18 September 2014 to Friday, 19 September 2014, both days inclusive, for the purpose of determining shareholders' entitlement 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 17 September 2014.

### SHARE CAPITAL

The Company's total issued share capital as at 30 June 2014 was 3,892,398,927 ordinary shares of HK\$0.025 each ("Shares").

During the reporting period, the Company issued 3,654,276 new Shares pursuant to the Company's Share Option Scheme.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, 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 (the "SFO")), as recorded in the register required to be kept by the Company under 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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code"), were as follows.

As at 30 June 2014, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 2,273,780; 3,300,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 913,569 and 913,569 shares of the Company respectively. In addition, Mr. Zhou Yong held 959,247 share options of the Company. All the shares and share options held by the directors in the capacity of beneficial owners.



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**OTHER INFORMATION** *(continued)*

As at 30 June 2014, Mr. Hung Cheung Shew held 87,095 shares in China Overseas Land & Investment Limited (an associated corporation of the Company); and 30,000 shares in Far East Global Group Limited (a non wholly owned subsidiary of the Company). All the shares held by the director in the capacity of beneficial owner.

As at 30 June 2014, Mr. Li Jian held 330,000 shares in China State Construction Engineering Corporation Limited (an intermediate holding company of the Company). All the shares held by the director in the capacity of beneficial owner.

Save as disclosed above, as at 30 June 2014, 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.

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**OTHER INFORMATION** *(continued)*

As at 1 January 2014, Mr. Zhou Yong, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 959,247; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. During the reporting period, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See exercised 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. All the share options held by the directors in the capacity of beneficial owners. As at 1 January 2014, the outstanding share options of the Company under the category of directors, employees and consultants are 4,613,523; 35,520,224 and 18,440,841 respectively. During the reporting period, 3,654,276 share options of the Company were exercised under the category of directors. As at 30 June 2014, the outstanding share options under the category of directors, employees and consultants are 959,247; 35,520,224 and 18,440,841 respectively. 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.

## OTHER INFORMATION *(continued)*

During the reporting period, an aggregate of 3,654,276 share options of the Company were exercised. The date of exercise of the share options, the total number of share options exercised on each date and the weighted average closing price of the Company's shares immediately before each of the exercise date were 15 April 2014; 3,654,276; and HK\$13.36.

Save as the share options disclosed above, at no time during the six months ended 30 June 2014 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 2014, the register of substantial shareholders maintained by the Company under 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	57.00
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	57.00
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/ beneficial owner	2,218,813,659	2,218,813,659	57.00

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## OTHER INFORMATION *(continued)*

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2014 (i.e. 3,892,398,927 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 a subsidiary of 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 2014, 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 2014, 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 2014, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for certain deviations as specified and explained below with considered reasons for such deviations:—

- Under code provision A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings). Mr. Li Jian, Non-executive Director, due to other business engagement was unable to attend the annual general meeting of the Company which held on 30 May 2014.

## OTHER INFORMATION *(continued)*

- Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong has acted as Executive Director, Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group's business. If the positions occupied by unqualified persons, the Group's performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

### DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a model code for securities transactions by directors and relevant employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the six months ended 30 June 2014.

### REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

### DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2014, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 30 June 2014 is set out below:

	HK\$'000
Non-current assets	1,733,923
Current assets	1,367,518
Current liabilities	(3,291,675)
Net liabilities	(190,234)
Equity and reserves	(190,234)

As at 30 June 2014, the Group shared the accumulated losses of these affiliated companies amounted to approximately HK\$164 million.

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**OTHER INFORMATION** *(continued)*

**CHANGES IN DIRECTORS' INFORMATION**

Changes in Directors' information since the date of the 2013 Annual Report are set out below:

Dr. Raymond Ho Chung Tai SBS, MBE, S.B. St. J., JP

- Ceased to be board member of the Hong Kong Airport Authority.

Mr. Adrian David Li Man Kiu JP

- Appointed as an Executive Director of The Bank of East Asia, Limited.
- Appointed as a member of the Judging Panel of the 2014 BAI-Finacle Global Banking Innovation Awards.
- Retired as a Steering Committee member of the Asian Financial Forum.

Mr. Lee Shing See GBS, OBE, JP

- Retired as Director of the Hong Kong Cyberport Management Company Limited.



中國建築國際集團有限公司

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