



# 中國建築國際集團有限公司

## CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

|  | <u>2007</u>  | <u>2006</u>  | <u>Change</u> |
|--|--------------|--------------|---------------|
|  | HK\$'000     | HK\$'000     | %             |
| <b>1. Turnover</b>   |              |              |               |
| - Overall <sup>(note 1)</sup>  | 10,168,321   | 11,094,546   | -8.3%         |
| - Same basis <sup>(note2)</sup>  | 9,590,844    | 10,294,826   | -6.8%         |
| <b>2. Gross profit</b>   |              |              |               |
| - Overall <sup>(note 1)</sup>  | 766,116      | 541,366      | 41.5%         |
| - Same basis <sup>(note2)</sup>  | 577,405      | 459,050      | 25.8%         |
| <b>3. Profit attributable to equity shareholders</b>   |              |              |               |
| - Overall <sup>(note 1)</sup>  | 404,893      | 410,493      | -1.4%         |
| - Same basis <sup>(note2)</sup>  | 284,781      | 222,182      | 28.2%         |
| <b>4. Earnings per share</b>   | HK Cents     | HK Cents     |               |
| - Overall <sup>(note 1)</sup>  | 73.28        | 80.03        | -8.4%         |
| - Same basis <sup>(note2)</sup>  | 51.54        | 45.05        | 14.4%         |
| <b>5. Dividend per share (full year)</b>   | 27           | 19           | 42.1%         |
| <b>6. Net assets per share</b>   | HK\$<br>3.54 | HK\$<br>1.36 | 160.3%        |
| <b>7. The Group was awarded 34 new contracts amounting to HK\$ 11.2 billion during the year.</b> |              |              |               |
| <b>8. As at 31 December 2007, the Group had bank balances of about HK\$ 1.56 billion.</b>        |              |              |               |

Note1: The Group applied Merger Accounting for common control combinations. The newly acquired businesses in the 4th quarter of 2007 were deemed to be included in the Group as at 1 January 2006. The overall performance has taken up the newly acquired businesses and the comparative figures have been restated accordingly.

Note 2: In order to reflect the actual performance of the core business of the Group in 2006 and 2007, the same business structure as last year was used for the analysis of the results, thereby excluding the newly acquired businesses.

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 together with the audited comparative figures for the year ended 2006 as follow:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

|                                   | Notes | 2007<br>HK\$'000 | 2006<br>HK\$'000<br>(Restated) |
|-----------------------------------|-------|------------------|--------------------------------|
| Revenue                           | 3     | 10,168,321       | 11,094,546                     |
| Contract costs                    |       | (9,089,599)      | (10,245,529)                   |
| Other operating costs             |       | (312,606)        | (307,651)                      |
| Gross profit                      |       | 766,116          | 541,366                        |
| Net investment income             | 5     | 99,700           | 242,347                        |
| Other income                      |       | 30,167           | 18,252                         |
| Administrative expenses           |       | (332,000)        | (281,230)                      |
| Distribution and selling expenses |       | (10,719)         | (10,814)                       |
| Other expenses                    |       | (29,919)         | (16,820)                       |
| Share of profits of associates    |       | 8,788            | 6,860                          |
| Finance costs                     |       | (1,823)          | (4,786)                        |
| Profit before tax                 |       | 530,310          | 495,175                        |
| Income tax expense                | 6     | (82,355)         | (63,545)                       |
| Profit for the year               |       | 447,955          | 431,630                        |
| Attributable to :                 |       |                  |                                |
| Equity holders of the Company     |       | 404,893          | 410,493                        |
| Minority interests                |       | 43,062           | 21,137                         |
|                                   |       | 447,955          | 431,630                        |
| Dividends                         | 7     | 104,132          | 88,580                         |
| Earnings per share                | 8     |                  |                                |
| Basic (HK cents)                  |       | 73.28            | 80.03                          |
| Diluted (HK cents)                |       | 68.78            | 75.38                          |

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

|  | <b>2007</b>      | 2006       |
|--|------------------|------------|
|  | <b>HK\$'000</b>  | HK\$'000   |
|  |                  | (Restated) |
| <b>Non-current Assets</b>                                    |                  |            |
| Property, plant and equipment                                | <b>971,953</b>   | 898,147    |
| Investment properties  | <b>9,705</b>     | 10,065     |
| Prepaid lease payments - non-current                         | <b>60,327</b>    | 24,307     |
| Interests in associates                                      | <b>35,071</b>    | 44,894     |
| Available-for-sale investments                               | <b>111,295</b>   | 129,329    |
| Amounts due from investee companies                          | <b>146,772</b>   | 10,909     |
|  | <b>1,335,123</b> | 1,117,651  |
| <b>Current Assets</b>  |                  |            |
| Inventories  | <b>54,486</b>    | 45,134     |
| Properties held for sale                                     | <b>20,408</b>    | 20,408     |
| Amounts due from customers for contract work                 | <b>595,037</b>   | 238,577    |
| Trade and other receivables                                  | <b>3,339,204</b> | 2,898,577  |
| Deposits and prepayments                                     | <b>228,566</b>   | 266,427    |
| Amounts due from jointly controlled entities                 | <b>80,552</b>    | 83,720     |
| Amounts due from the partners of jointly controlled entities | <b>193,761</b>   | 129,224    |
| Amounts due from fellow subsidiaries                         | <b>159,653</b>   | 142,125    |
| Tax recoverable  | <b>31,146</b>    | 21,452     |
| Prepaid lease payments - current                             | <b>1,612</b>     | 836        |
| Deposits with financial institutions                         | <b>5,305</b>     | 535        |
| Pledged bank deposits  | <b>17,654</b>    | 42,319     |
| Bank balances and cash                                       | <b>1,545,000</b> | 2,133,007  |
|  | <b>6,272,384</b> | 6,022,341  |

## Consolidated Balance Sheet (Con't)

At 31 December 2007

|  | 2007<br>HK\$'000 | 2006<br>HK\$'000<br>(Restated) |
|--|------------------|--------------------------------|
| <b>Current Liabilities</b>                                 |                  |                                |
| Amounts due to customers for contract work                 | 425,864          | 356,004                        |
| Trade and other payables                                   | 3,759,933        | 3,975,701                      |
| Deposits received and receipt in advance                   | 601,960          | 536,816                        |
| Amounts due to jointly controlled entities                 | 223,225          | 168,868                        |
| Amounts due to the partners of jointly controlled entities | 73,257           | 44,603                         |
| Amount due to ultimate holding company                     | -                | 31,036                         |
| Amount due to immediate holding company                    | -                | 511,137                        |
| Amounts due to fellow subsidiaries                         | 12,389           | 474,552                        |
| Amount due to an associate                                 | 16,474           | 2,733                          |
| Tax liabilities  | 101,520          | 54,466                         |
| Borrowings   | 29,729           | 22,586                         |
| Obligations under finance leases                           | 175              | 179                            |
|  | <u>5,244,526</u> | <u>6,178,681</u>               |
| <b>Net Current Assets (Liabilities)</b>                    | <u>1,027,858</u> | <u>(156,340)</u>               |
| <b>Total Assets less Current Liabilities</b>               | <u>2,362,981</u> | <u>961,311</u>                 |
| <b>Capital and Reserves</b>                                |                  |                                |
| Share capital  | 60,821           | 49,896                         |
| Share premium and reserves                                 | 2,094,862        | 629,227                        |
| Equity attributable to equity holders of the Company       | 2,155,683        | 679,123                        |
| Minority interests   | -                | 85,091                         |
|  | <u>2,155,683</u> | <u>764,214</u>                 |
| <b>Non-current Liabilities</b>                             |                  |                                |
| Deferred income  | 118,593          | 91,515                         |
| Deferred tax liabilities                                   | 67,437           | 54,863                         |
| Borrowings   | 21,165           | 50,441                         |
| Obligations under finance leases                           | 103              | 278                            |
|  | <u>207,298</u>   | <u>197,097</u>                 |
|  | <u>2,362,981</u> | <u>961,311</u>                 |

## NOTES :

### (1) Basis of preparation

On 20 July 2007, Sales and Purchase Agreements were entered into between the Company and China Overseas Holdings Limited (“COHL”), an immediate holding company of the Company, whereby COHL agreed to transfer the entire paid up share capital of China Overseas Insurance Limited (“COIL”) and China Overseas Insurance Services Limited (“COISL”) at the consideration of HK\$393,000,000; COHL (Macao) Commercial and Industrial Company Limited (“COHL Macao”) at the consideration of HK\$100,000,000; and Shenzhen China Overseas Construction Limited (“SCOCL”) at the consideration of HK\$17,000,000, to the Company and / or its nominees. On 7 November 2007, a Sales and Purchase Agreement was entered into between the Company and China Overseas Infrastructure Holdings Limited (“COIHL”), a wholly owned subsidiary of China Overseas Land & Investment Ltd., listed fellow subsidiary of the Company, where by COIHL agreed to transfer the entire paid up share capital of China Overseas Public Utility Investment Limited (“COPUIL”) at the consideration of HK\$400,000,000 to the Company and / or its nominees. All the transfers were completed during the year.

The transfer of the entire interests in COIL, COISL, COHL Macao, SCOCL and COPUIL (the “Acquired Companies”) as mentioned above is regarded as common control combinations. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as if the transfer of the controlling interests in Acquired Companies has been completed as at 1 January 2006. Accordingly, the comparative figures of the consolidated financial statements have been restated.

The effects of the combination of Acquired Companies on the result of the Group for the year ended 31 December 2006 are summarized below:

|                               | For the year ended 31<br>December 2006<br>HK\$ '000<br>(previously stated) | Combination of<br>Acquired<br>Companies<br>HK\$ '000 | Combination<br>Adjustments<br>HK\$ '000 | For the year ended<br>31 December 2006<br>HK\$ '000<br>(restated) |
|-------------------------------|--|--|---|---|
| Revenue                       | 10,294,826   | 898,221  | (98,501)                                | 11,094,546  |
| Contract costs                | (9,799,760)  | (544,270)  | 98,501                                  | (10,245,529)  |
| Other operating costs         | (36,016)   | (271,635)  |   | (307,651)   |
| Gross profit                  | <u>459,050</u>   | <u>82,316</u>  |   | <u>541,366</u>  |
| Other income and expenses     | (188,006)  | 141,815  |   | (46,191)  |
| Profit before tax             | <u>271,044</u>   | <u>224,131</u>                                       |   | <u>495,175</u>  |
| Income tax expense            | (49,181)   | (14,364)   |   | (63,545)  |
| Profit for the year           | <u><u>221,863</u></u>  | <u><u>209,767</u></u>                                |   | <u><u>431,630</u></u>   |
| Attributable to:              |  |  |   |   |
| Equity holders of the Company | 222,182  | 188,311  |   | 410,493   |
| Minority interests            | (319)  | 21,456   |   | 21,137  |
|                               | <u><u>221,863</u></u>  | <u><u>209,767</u></u>                                |   | <u><u>431,630</u></u>   |

## (2) Adoption of new and revised Hong Kong Financial Reporting Standards

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

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

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

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

|                    |  |
|--------------------|--|
| HKAS 1 (Revised)   | Presentation of Financial Statements <sup>1</sup>  |
| HKAS 23 (Revised)  | Borrowing Costs <sup>1</sup>   |
| HKFRS 8            | Operating Segments <sup>1</sup>  |
| HK(IFRIC) - Int 11 | HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>  |
| HK(IFRIC) - Int 12 | Service Concession Arrangements <sup>3</sup>   |
| HK(IFRIC) - Int 13 | Customer Loyalty Programmes <sup>4</sup>   |
| HK(IFRIC) - Int 14 | HKAS 19 - The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their Interaction <sup>3</sup> |

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

<sup>2</sup>Effective for annual periods beginning on or after 1 March 2007

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

<sup>4</sup>Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### (3) Revenue

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

|  | For the year ended 31 December |                   |
|--|--------------------------------|-------------------|
|  | 2007                           | 2006              |
|  | HK\$'000                       | HK\$'000          |
|  |                                | (Restated)        |
| Revenue from construction contracts                | <b>9,393,364</b>               | 10,634,356        |
| Project management service income                  | <b>345,708</b>                 | 84,631            |
| Revenue from supply of heat and electricity        | <b>221,097</b>                 | 178,693           |
| Revenue from provision of connection services      | <b>81,325</b>                  | 51,901            |
| Sales of precast structures and building materials | <b>97,788</b>                  | 110,507           |
| Other income (note)                                | <b>29,039</b>                  | 34,458            |
|  | <b>10,168,321</b>              | <u>11,094,546</u> |

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

### (4) Geographical information

The Group is principally engaged in the construction activities, generation and supply of heat and electricity and provision of connection services, other activities are insignificant.

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

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



## For the year ended 31 December 2007

|                     | Hong Kong<br>HK\$'000 | Regions in the<br>PRC (other than<br>Hong Kong and<br>Macau)<br>HK\$'000 | Macau<br>HK\$'000 | Dubai<br>HK\$'000 | India<br>HK\$'000 | Sub-total<br>HK\$'000 | Inter-segment<br>eliminations<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------|-----------------------|--|-------------------|-------------------|-------------------|-----------------------|---|--------------------------|
| <b>REVENUE</b>      |                       |  |                   |                   |                   |                       |   |                          |
| External sales      | 5,501,408             | 663,262  | 1,586,782         | 2,065,445         | 351,424           | 10,168,321            | -   | 10,168,321               |
| Inter-segment sales | 26,179                | 38,586   | -                 | -                 | -                 | 64,765                | (64,765)                                  | -                        |
| Total revenue       | <u>5,527,587</u>      | <u>701,848</u>   | <u>1,586,782</u>  | <u>2,065,445</u>  | <u>351,424</u>    | <u>10,233,086</u>     | <u>(64,765)</u>                           | <u>10,168,321</u>        |

Inter-segment sales are charged at prevailing market rates.

### RESULT

|                                |                |                |                |               |               |                |                |                |
|--------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Segment gross profit           | <u>179,397</u> | <u>234,343</u> | <u>274,070</u> | <u>52,791</u> | <u>25,515</u> | <u>766,116</u> | -              | <u>766,116</u> |
| Segment results                | 155,728        | 168,725        | 255,874        | 11,543        | 30,710        | 622,580        | -              | 622,580        |
| Inter-segment result           | 9,500          | -              | -              | -             | -             | 9,500          | (9,500)        | -              |
|                                | <u>165,228</u> | <u>168,725</u> | <u>255,874</u> | <u>11,543</u> | <u>30,710</u> | <u>632,080</u> | <u>(9,500)</u> | <u>622,580</u> |
| Unallocated corporate expenses |                |                |                |               |               |                |                | (99,235)       |
| Share of profits of associates |                |                |                |               |               |                |                | 8,788          |
| Finance costs                  |                |                |                |               |               |                |                | (1,823)        |
| Profit before tax              |                |                |                |               |               |                |                | 530,310        |
| Income tax expenses            |                |                |                |               |               |                |                | (82,355)       |
| Profit for the year            |                |                |                |               |               |                |                | <u>447,955</u> |

## For the year ended 31 December 2006 (Restated)

|                     | Hong Kong<br>HK\$'000 | Regions in the<br>PRC (other<br>than Hong Kong<br>and Macau)<br>HK\$'000 | Macau<br>HK\$'000 | Dubai<br>HK\$'000 | India<br>HK\$'000 | Sub-total<br>HK\$'000 | Inter-segment<br>eliminations<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------|-----------------------|--|-------------------|-------------------|-------------------|-----------------------|---|--------------------------|
| <b>REVENUE</b>      |                       |  |                   |                   |                   |                       |   |                          |
| External sales      | 7,449,136             | 845,162  | 1,551,600         | 794,504           | 454,144           | 11,094,546            | -   | 11,094,546               |
| Inter-segment sales | 15,492                | -  | -                 | -                 | -                 | 15,492                | (15,492)                                  | -                        |
| Total revenue       | <u>7,464,628</u>      | <u>845,162</u>   | <u>1,551,600</u>  | <u>794,504</u>    | <u>454,144</u>    | <u>11,110,038</u>     | <u>(15,492)</u>                           | <u>11,094,546</u>        |

Inter-segment sales are charged at prevailing market rates.

### RESULT

|                                |                |               |                |                 |               |                |                |                |
|--------------------------------|----------------|---------------|----------------|-----------------|---------------|----------------|----------------|----------------|
| Segment gross profit           | <u>348,376</u> | <u>68,894</u> | <u>109,172</u> | <u>6,731</u>    | <u>8,193</u>  | <u>541,366</u> | -              | <u>541,366</u> |
| Segment results                | 481,654        | 33,254        | 80,857         | (17,630)        | 13,172        | 591,307        | -              | 591,307        |
| Inter-segment result           | 16,051         | -             | (7,506)        | -               | -             | 8,545          | (8,545)        | -              |
|                                | <u>497,705</u> | <u>33,254</u> | <u>73,351</u>  | <u>(17,630)</u> | <u>13,172</u> | <u>599,852</u> | <u>(8,545)</u> | <u>591,307</u> |
| Unallocated corporate expenses |                |               |                |                 |               |                |                | (98,206)       |
| Share of profits of associates |                |               |                |                 |               |                |                | 6,860          |
| Finance costs                  |                |               |                |                 |               |                |                | (4,786)        |
| Profit before tax              |                |               |                |                 |               |                |                | 495,175        |
| Income tax expenses            |                |               |                |                 |               |                |                | (63,545)       |
| Profit for the year            |                |               |                |                 |               |                |                | <u>431,630</u> |

**(5) Net investment income**

|  | For the year ended 31 December |                |
|--|--------------------------------|----------------|
|  | <b>2007</b>                    | 2006           |
|  | <b>HK\$'000</b>                | HK\$'000       |
| Interest income on:  |                                | (Restated)     |
| Bank deposits  | 59,946                         | 58,490         |
| Debt securities  | 5,439                          | 12,604         |
| Other receivables  | -                              | 34             |
| Deposits with financial institutions   | 9,804                          | 2,882          |
| Total interest income  | 75,189                         | 74,010         |
| Dividend income from<br>available-for-sale investments                                       | 3,549                          | 3,163          |
| Gain on disposal of unlisted<br>available-for-sale investments                               | -                              | 5,048          |
| Gain on disposal of listed<br>available-for-sale investments                                 | 14,139                         | 98,749         |
| Recycling of gain from equity on disposal of<br>investments classified as available-for sale | 6,823                          | 61,377         |
|  | <b>99,700</b>                  | <b>242,347</b> |

**(6) Income tax expense**

|                                      | For the year ended 31 December |               |
|--------------------------------------|--------------------------------|---------------|
|                                      | <b>2007</b>                    | 2006          |
|                                      | <b>HK\$'000</b>                | HK\$'000      |
| Current tax:                         |                                | (Restated)    |
| Hong Kong                            | <b>30,970</b>                  | 43,762        |
| Other jurisdictions                  | <b>42,309</b>                  | 15,405        |
|                                      | <b>73,279</b>                  | <b>59,167</b> |
| Over provision in prior years:       |                                |               |
| Hong Kong                            | <b>(1,742)</b>                 | (459)         |
| Deferred tax:                        |                                |               |
| Current year                         | <b>8,532</b>                   | 4,837         |
| Attributable to a change in tax rate | <b>2,286</b>                   | -             |
|                                      | <b>10,818</b>                  | <b>4,837</b>  |
| Income tax expense for the year      | <b>82,355</b>                  | <b>63,545</b> |

## (7) Dividends

|   | For the year ended 31 December |                  |
|---|--------------------------------|------------------|
|   | 2007<br>HK\$'000               | 2006<br>HK\$'000 |
| Dividends recognised as distributions during the year:        |                                |                  |
| 2006 Final, paid - HK10 cents<br>(2005: HK9 cents) per share  | 49,960                         | 44,290           |
| 2007 Interim, paid - HK9 cents<br>(2006: HK9 cents) per share | 54,172                         | 44,290           |
|   | <b>104,132</b>                 | <b>88,580</b>    |

The final dividend of HK 18 cents (2006: HK10 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## (8) 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:

|  | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
|--|------------------|------------------|
| <b>Earnings</b>  |                  | (Restated)       |
| Earnings for the purposes of basic earnings and diluted earnings per share | <b>404,893</b>   | 410,493          |

  

|  | 2007<br>'000   | 2006<br>'000 |
|--|----------------|--------------|
| <b>Number of shares</b>  |                | (Restated)   |
| Weighted average number of ordinary shares for the purposes of basic earnings per share        | <b>552,533</b> | 512,934      |
| Effect of dilutive potential ordinary shares in respect of share options issued by the Company | <b>36,156</b>  | 31,598       |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share      | <b>588,689</b> | 544,532      |

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 December 2006 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed on 10 September 2007. The corresponding number of ordinary shares of 2006 has been retrospectively adjusted to reflect the said open offer.

The following table summarized the impact on both basic and diluted earnings per share of 2006 as a result of combination of the Acquired Companies:

|   | Impact on basic<br>earnings per share<br>HK cents | Impact on diluted<br>earnings per share<br>HK cents |
|---|---|---|
|   | <u>                    </u>                       | <u>                    </u>                         |
| Reported figures before combination   | 45.05   | 42.43   |
| Adjustments arising from transfer of controlling<br>interests in the Acquired Companies | 38.18   | 35.97   |
| Adjustment arising from open offer  | <u>(3.20)</u>                                     | <u>(3.02)</u>                                       |
| Restated  | <u><u>80.03</u></u>                               | <u><u>75.38</u></u>                                 |

**(9) Post balance sheet event**

On 26 February 2008, the Company raised long-term equity funding through a bonus issue of 1 warrant for every 7 shares held. The Warrants entitle the holders to subscribe in cash for shares of the Company at a subscription price of HK\$15.00 per share for a term of one year from 28 February 2008, which was the date the warrants first traded in The Stock Exchange of Hong Kong Limited.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK18 cents (2006: HK10 cents) per share to the shareholders whose names appear in the register of members of the Company on 12 June 2008. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 12 June 2008, dividend warrants will be despatched on or about 26 June 2008.

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

The register of members and the register of warrantholders of the Company will be closed from 6 June 2008 (Friday) to 12 June 2008 (Thursday), both days inclusive, during such period no transfer of shares/warrants will be registered, and no share to be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company.

In order to qualify for the recommended final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and subscription monies, must be lodged with the Company's Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 5 June 2008 (Thursday).

## **RESULTS**

The Group's audited profit attributable to the equity holders for the year ended 31 December 2007 was HK\$405 million, represented an increase of 28.2% under the same basis of 2006 for comparison (excluding the new business acquired in 2007). Annual turnover was HK\$10,168 million while basic earnings per share was HK 73.28 cents. Return on shareholders' fund was 18.8% with equity attributable to shareholders rose to HK\$2,156 million, represented an increase of HK\$1,476 million. Net asset per share was HK\$ 3.54, increased by HK\$ 2.18 or 160.3% as compared with 2006. The Board recommends the payment of a final dividend of HK 18 cents per share for the year ended 31 December 2007, together with the interim dividend of HK9 cents per share, the annual total dividends per share will be amounted to HK 27 cents, representing a year-on-year increase of 42.1% .

## **REVIEW OF OPERATION**

In 2007, the global economy maintained its robust growth momentum, with instable factors emerging. While the global financial markets were hard hit by the US subprime mortgage crisis, the economies of emerging countries are expected to grow continuously. As a whole, the economic growth of China and India will remain rapid, while the economies of Macau and Hong Kong will maintain a robust momentum, which will create favourable conditions for the implementation of the Group's strategies, and enable the Company to significantly increase its shareholder value and market value.

### **Market Conditions**

Hong Kong's economy remained strong, with GDP increasing by 6.7% in 2007. The robust economy of Mainland China continues to provide impetus to Hong Kong's economic growth. The Group adheres to its sound operation strategy of "Competing by Low Cost and High Quality of Management" and succeeds in maintaining its competitiveness in the market of Hong Kong, and has achieved satisfactory results of operation.

The overall economy of Macau is rosy, with 2007 GDP growth rate exceeds the record high of 28.4% in 2004, government revenue increased significantly and resident income improved continuously. Affected by the Ao Man Long incident, there are just a few newly-launched construction projects in the construction market of Macau although existing construction is in full swing. The Group took advantage of its comprehensive competitive edge in Hong Kong and Macau to strengthen linkage of its operation in Hong Kong and Macau, as well as maintaining its market share in Macau, which brought considerable proceeds.

The economy of Dubai of the United Arab Emirates enjoys strong growth, drawing a large number of investors to the Dubai market. Large projects from both the public and the private sectors have been launched onto the market one after another. The construction market continues to prosper and has become an important driver for the local GDP. As the investment environment of the United Arab Emirates is favourable for us to expand our business by leveraging our mature experience in Hong Kong, the Group achieves remarkable results by adhering to its prudent operation strategy, and seizing opportunities at the right time.

With its middle class population rapidly growing and its long-term cooperation with major economies in the world, India continues to witness rapid economic growth. The government's further increase in the investment in infrastructure and residential buildings and the permission for private investment to participate in the construction of relevant projects also provide new momentum to boost the construction market of India. The Group adhered to its prudent and sound operation strategy, worked hard to implement its construction-in-progress and selectively took part in a few targeted tender processes, thus ensuring its steady development in the Indian market.

### **Completed Projects**

26 projects were completed in 2007, which mainly included:

- Hong Kong: Enterprise Square 5, Kowloon Bay; TWTL398, Tai Ho Road, Tsuen Wan, Superstructure; Residential Development at Tung Lo Wan Hill Road, Shatin; Design and Construction of Hin Tin Swimming Pool Phase 2, Shatin; Formation and Associated Infrastructure Works for Development at Choi Wan Road and Jordan Valley; and Castle Peak Road Improvement between Ting Kau and Sham Tseng, Tsuen Wan.
- Macau: Commercial and Residential Development at Lot R+R1; and Construction of Nova Taipa Gardens, Phase 2B.
- Mainland China: Shangri-La Hotel, Phase 3, Beijing.

## New Projects Awarded

34 new contracts were awarded in 2007, with an aggregated attributable contract value of approximately HK\$ 11,190 million, of which the Hong Kong market accounted for 46.2%, the Macau market accounted for 33.7%, the overseas market accounted for 18.8%.

### New contract awarded in the year of 2007

|   | Hong Kong<br>Market | Macau<br>Market | Overseas<br>Market | Mainland<br>China Market<br>(note) | Total  |
|---|---------------------|-----------------|--------------------|------------------------------------|--------|
| Number of contracts                         | 27                  | 3               | 4                  | N/A                                | 34     |
| Attributable contract value (HK\$' Million) |                     |                 |                    |                                    |        |
| Building construction                       | 3,788               | 3,773           | 2,099              | -                                  | 9,660  |
| Civil engineering works                     | 1,051               | -               | -                  | -                                  | 1,051  |
| Others                                      | 325                 | -               | -                  | 151                                | 476    |
| Total                                       | 5,164               | 3,773           | 2,099              | 151                                | 11,187 |

Note: Represents the contract of precast products and consultants services contract.

New contracts awarded mainly included:

- Hong Kong: Proposed Residential Development (Package 2) (Phase 1) – Carcass Contract at Tseung Kwan O; Tai Wai Maintenance Centre Superstructure Main Contract (Phase 1); Design and Construction of Junior Police Officer’s Married Quarters at Tuen Mun; Construction at Tung Tau Cottage Area West; Replacement and Rehabilitation of Water Mains, Stage 2 – Mains in Kowloon City and West Kowloon; Central Park at TKOTL70, Area 86, Tseung Kwan O; and Redevelopment of Quarantine B Stables at Shatin Racecourse.
- Macau: Commercial and Residential Development at Lot U, Macau; Wynn Resorts Macau - Diamond Suites and Residential Development at Lot TN25b & TN26d Taipa, Macau project.
- Dubai, the United Arab Emirates: Trident Grand Residence; Dubai Sport City – Profile Project Development and XL Tower and Business Tower at Business Bay.



## Projects in Progress

As at 31 December 2007, the Group has a total of 71 projects in progress, with a total attributable contract value of HK\$32.87 billion (value of incomplete contract was HK\$20.22 billion).

Projects in progress has been smoothly undertaken and with great effort in the control and management on quality, safety, environmental protection, progress and cost control area in accordance with the laws of the local government and contract requirements, clients are served with services of the best quality. As at the report date, there are altogether 81 projects in progress, with an aggregated attributable contract value of HK\$36.78 billion.

|                         | Contracts on hand as at 31 December 2007 |               |                              | New contracts awarded after year end date |               |
|-------------------------|--|---------------|------------------------------|---|---------------|
|                         | Attributable Contract value              |               | Value of incomplete contract | Attributable contract value               |               |
|                         | No.                                      | HK\$' Million | HK\$' Million                | No.                                       | HK\$' Million |
| Hong Kong Project       |  |               |                              |   |               |
| Building construction   | 25                                       | 8,969         | 5,397                        | 5   | 1,514         |
| Civil engineering works | 18                                       | 6,110         | 2,564                        | 2   | 2,240         |
| Others                  | 6  | 404           | 307                          | 2   | 126           |
| Macau Projects          | 10                                       | 10,859        | 8,775                        | -   | -             |
| Dubai Projects          | 8  | 5,878         | 3,056                        | -   | -             |
| Indian Projects         | 1  | 303           | 80                           | -   | -             |
| Mainland China Projects | 3  | 350           | 38                           | 1   | 21            |
| <b>Total</b>            | <b>71</b>                                | <b>32,873</b> | <b>20,217</b>                | <b>10</b>                                 | <b>3,901</b>  |

## **Corporate Governance**

The Rules, Regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited are being strictly complied with while operation is adhered to legal basis. With effective monitoring of the Board, strengthened communication with the investors and release of relevant information in a timely manner, investors' understanding of the Company is enhanced and the standard of corporate governance is further improved.

The interests of shareholders are being further protected by the maintenance of a sound and effective corporate governance structure together with continuing optimization in the internal risk monitoring system. A steady growth of operation is promoted with the further improvement in brand building that highlights the image of the brand.

## **Financial Management**

The management and control of the Group's financial, capital management and external financing functions are centralized at head office level with adherence to the principle of prudent financial management. As at 31 December 2007, the bank balance was HK\$ 1.56 billion with no bank borrowings and thus, the financial position was very healthy. There are also sufficient committed but unused facilities to meet the need for business development. On 4 February, 2008, the Group signed a contract with the Bank of China, HSBC, Bank of Communications, and the Bank of East Asia Bank in relation to a syndicated loan amounting to HK\$1 billion. The syndicated loan lays a more reasonable capital structure as well as a solid foundation for the diversification of the Group's construction and related investment. Close monitoring of overseas markets is made and effective measures is implemented when necessary to avoid any risk in currency or interest rate.

At the quarterly economic activity analysis meeting and thematic session on finance, rolling evaluation on the Group's overall operations and system establishment is made to ensure a steady expansion of business.

## **Capital Operation and Related Investment Business**

Approximately HK\$1 billion (gross of expenses) had been raised by way of an open offer.

Acquisition of several assets from holding company at a total consideration of HK\$ 510 million, that plays an important role in exploring the Mainland China market, consolidating market presence in Macau and expanding into engineering insurance business as well as bringing considerable proceeds.

Engage in 10% equity interest in two real estate projects in Chongqing and Zhuhai through establishment of a joint venture company with China Overseas Land & Investment Limited, a company within the group of holding company. The investment is expected to make positive contribution to the steady growth of the Group's profit.

Acquisition of 100% equity interest in Shenyang Huanggu Thermal Power Co. Ltd from China Overseas Land & Investment Limited, a company within the group of holding company, at a consideration of HK\$ 400 million, which will further diversify the Group's related investment business and bring long-term and stable revenue.

Towards the end of 2007, Shenzhen China Overseas Construction Limited (wholly-owned subsidiary) signed a contract with Tianjin Binhai Development Investment Holdings Co., Ltd for the consolidation and rehabilitation of certain pieces of land in the Tuanbohu District in Tianjin through the joint establishment of a project company. The total expected investment amounts to HK\$ 692 million, and the Group holds 60% equity interest in the project company.

“Proposal for bonus issue of warrants” scheme was announced on 8 January 2008 with an exercise period of 1 year commencing on 28 February 2008. If all the warrants are fully exercised, a long-term equity funding of over HK\$ 1.3 billion (gross of expenses) will be raised which will be used to strengthen the Group's financial position and net asset base for the future expansion of its business.

## **Human Resources Management**

With a firm belief that people are the most important asset of a company, utmost effort is made to provide the staff with a challenging and harmonious working environment. Life-time learning is promoted with training and development opportunities are provided to widen the perspective and improve the quality of the staff. Staff selection and appraisal system, job promotion and effective incentives mechanism are established. To share the fruits of operation with the staff under the strong belief that people are the base of everything is a way to pay back the community and to practice good corporate citizenship.

At the human resources management meeting held in Zhuhai, Guangdong Province of PRC in April of 2007, the capability in overall human resources planning is further strengthened and its human resources management system is enriched, regulated and improved through in-depth research and discussion.

## **Corporate Citizenship**

Taking to heart a traditional idea for corporate citizenship, great emphasis is being put on social responsibilities, customer service, safety management, environmental protection and staff welfare as components of corporate citizenship, in addition to the pursuit of profits for its shareholders.

Active participation in community activities and charity is made to contribute to the society and raises funds to help people in need. For example, a love and care team of over 300 persons had been organized as a full support of the “2008 Community Chest Walks for Millions” held on Hong Kong Island’, the largest charity activity in Hong Kong, participation to the “MTR Race Walking” and fund donation by various means to the areas hit by the severe snow storm in Mainland China.

## **Key Awards**

The Premium Management Award-Bronze Prize presented by the Hong Kong Management Association (HKMA) in May 2007.

Three sites received CIOB Construction Manager Award and Excellence Award presented by the Chartered Institute of Building (Hong Kong) in June 2007 respectively.

Technical achievement in “Research on the Construction Technologies for the Hong Kong Disneyland Project” received the Central Enterprise Youth Innovation Award-Gold Award presented jointly by the Ministry of Science and Technology, Youth Federation for Central Enterprises and Enterprise Federation in May 2007.

The technological achievement of the “Research and Application of Key Construction Technologies for the Hong Kong Disneyland Project” received the second prize of 2007 National Award for Science and Technology. The Group was the only enterprise in Hong Kong that received the award.

In December, 2007, the top prize of the 2007 People Management Award - Large-scale Enterprise Category presented by the Hong Kong Institute of Human Resource Management.

The 2007 Excellent Environment Award presented by the Hong Kong Construction Association.

## **BUSINESS PROSPECTS**

Given the fact that the global financial markets were hard hit by the US subprime mortgage crisis, and the soaring prices of energy and bulk commodities, it is anticipated that growth of the global economy will slow down, but the economic growth of emerging countries will remain steady.

The Group attempts to shift its focus from construction business to construction and related investment, so as to maximize shareholders’ value. The development strategy of “cross-region operation” to build an operation platform integrating such three major regions of Hong Kong and Macau, overseas region and the Mainland China will be continuously implemented for the purpose of avoiding risk from a single market. Active promotion is made on related investment business to seize investment opportunities in Mainland China and to closely attend to the construction-related investment market in India so as to utilize its complementary strength and optimize resource allocation effectively, promote value chain management and further enhance the core competitiveness of the Company.

## **Market condition**

The economy of Hong Kong is expected to keep growing moderately as spurred by the rapid growth of the Mainland economy. From a long-term perspective, the economy of Hong Kong will maintain robust momentum while entering into an era of negative interest rate with the emergence of inflation pressure and the drop in interest rate following US's rate cut, which will be certain to stimulate a new round of growth in the real estate market. In addition, the substantial fiscal surplus enjoyed by the Hong Kong government and the ten major construction plans launched in succession by the government will definitely rejuvenate the construction market in Hong Kong. The Group can maintain its position as one of the largest construction contractors in Hong Kong by taking advantage of its familiarity with the Hong Kong market for nearly 30 years.

Although the construction market in Macau has entered into a stable stage in terms of scale, Macau's infrastructure and investment environment will further improve when the large-scale infrastructure projects planned by the government, such as the extension work of the Macau International Airport, cross harbour tunnel, Hong Kong-Macau-Zhuhai Bridge, the light-rail transit system and land reclamation are launched in succession. By taking advantage of China Construction Engineering (Macau) Company Limited's familiarity with the local market and the Group's comprehensive advantage on resource integration, competitiveness in the Macau market is enhanced through strengthening the integration of operation in Hong Kong and Macau and achieving complementary strength and resource sharing.

The market in Dubai, the United Arab Emirates, remains prosperous and large-scale governmental and private projects will be launched one after another, it is expected that the value of contracts from developers will amount to HK\$ 700 billion in the next 5 years. Meanwhile, new opportunities emerge in the construction industry of Abu Dhabi as hot money from the Middle East is flowing into the Abu Dhabi market. As a result, the growing number of population, urban plans and the booming tourism industry will enable the construction market to grow remarkably and have a promising prospect. The Group is highly confident in the prospects of the United Arab Emirates market and on the basis of executing well projects already awarded, seizes further opportunities in the growing construction market in Dubai, fully displays its competitive strength in its ability to import Chinese labour, shall grow stronger and bigger in Dubai. Expanding move towards the market of Abu Dhabi will be made where its resources permit.

With the rapid and steady growth of the Indian economy, government and private investment in infrastructure and residential buildings are increasing. Together with the drastic increase in demand for office buildings in the next five years resulting from the rapid development of the IT industry in India, the construction industry will remain robust. The Group will closely watch and study the Indian construction market, prudently and selectively take part in tenders in the contracting field, pay particular attention to construction-related investment opportunities in India.

Mainland China will face inflation pressure in 2008 but boosted by the troika of consumption, investment and export as well as the effect of the 2008 Beijing Olympic, its economy will continue to grow in a steady but relatively rapid pace. With the acceleration of urbanization and the increase in investment in infrastructure, the Mainland construction market and infrastructure investment will grow rapidly in future, which will create a favourable external environment and broader room for the development of the Group's construction and related investment business. The Group believes that strategically, it is a right choice for the Group to enter into the Mainland market. With "achieving sustainable growth in profit" as the basic objective for business expansion and operation, construction contracting business and construction-related investment business are being prudently selected, to achieve a steady return based on the Group's financial capability and synergy. In addition, the feasibility of acquiring infrastructure projects in the Mainland from its parent company will be further studied and discussed so as to seek new sources of profit growth.

## **Operation strategy**

The Group has been engaging in the fully internationalized and competitive construction business in Hong Kong for almost 30 years, and has developed five major competitive strengths and core competitiveness. Firstly, a large number of experienced employees and efficient management teams; secondly, a mature and highly efficient internal control system; thirdly, a strong team of sub-contractors and suppliers; fourthly, good reputation established throughout the years and a proven track record; fifthly, strong financial support. High regard is put on the promotion of the 『5+3』 project management model, namely: balanced development in five major aspects: project quality, progress, safety, environmental protection and cost, as well as a strong emphasis on the practice of three assurance systems on workflow, process and responsibility at the decision-making, management and operating levels so that the contract responsibility, operation responsibility and social responsibility are organically integrated.

The objective of “Pursuit for Excellence” is integrated in all its internal management procedures, to build the brand name of “China State Construction” in all dimensions and all-regional basis, to carry forward the strategy of “Excellence Works”, and to implement the essence of 『5+3』 project management model. While business development is moving on a fast track, project management and comprehensive quality service are being strictly implemented with value chain management being effectively applied. The project implementation capability is enhanced in its full play with further emphasis is placed on the balance among operation scale, efficiency, risk and opportunities. Scientific and systematic customer resource management is made possible by the Group with the establishment of the CRM system, which is also used as an effective mechanism for communication and coordination with customers, so that customers are provided with premium services and more business opportunities can be captured subsequently.

## **Financial Management**

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

## **COMPANY MISSION**

With an assertion on using people well, a harmonious and win-win operating environment is created for the Group’s products, customers, shareholders and staff by continued innovations and reinforcing its core competitiveness.

To develop as an evergreen corporation through strengthening strategies, focus on core business, actively expansion on related investment businesses, application of the principle of prudent financial management to strengthen its cash management so a to maintain the position as an industry leader and to maximize the shareholders' value.



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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

## **REVIEW OF ACCOUNTS**

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2007.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **ACKNOWLEDGEMENT**

May I take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for lending their strong support, and to the community for their enthused 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, 18 March 2008

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