



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(stock code:03311)



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

Interim Report 2008



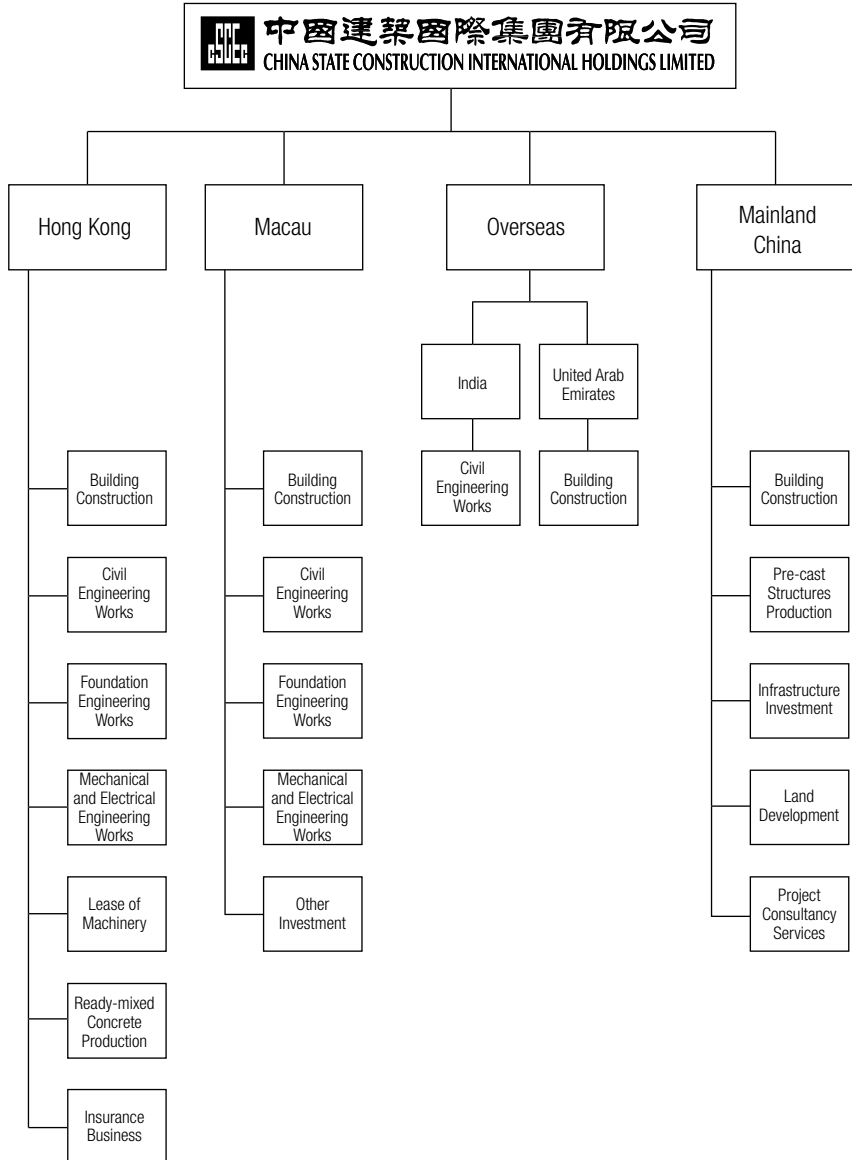


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## CORPORATE STRUCTURE





## BOARD OF DIRECTORS AND COMMITTEES

### Board of Directors

#### Chairman and Non-executive Director

Kong Qingping

#### Honorary Chairman (Non-board Member)

Sun Wen Jie

#### Executive Directors

Zhou Yong

*(Vice-chairman and Chief Executive Officer)*

Yip Chung Nam

Fu He

Zhou Hancheng

Cheong Chit Sun

#### Independent Non-executive Directors

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

### Authorised Representatives

Kong Qingping

Zhou Yong

### Audit Committee

Raymond Ho Chung Tai *(Chairman)*

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

### Remuneration Committee

Kong Qingping *(Chairman)*

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

### Nomination Committee

Kong Qingping *(Chairman)*

Zhou Yong

Fu He

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See



## CORPORATE INFORMATION

### Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of Communications Co., Ltd. Hong Kong Branch  
BNP Paribas Hong Kong Branch  
The Bank of East Asia, Limited  
CALYON  
DBS Bank Ltd., Hong Kong Branch

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### Head Office and Principal Place of Business in Hong Kong

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

### Auditors

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### Legal Adviser

JSM

### Qualified Accountant

Chan Sim Wang

### Company Secretary

Connie Chiang Yuet Wah

### Stock Code

03311

### Warrant Code

00501

### Website

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

### Financial Calendar

#### Interim Results Announcement

19 August 2008

#### Closure of Registers of Members and Warranholders

22 September 2008 to 23 September 2008  
(both days inclusive)

#### 2008 Interim Dividend Payable

3 October 2008



## CHAIRMAN'S STATEMENT

### Exercise Caution in Details and Implementation. Build a Strong Foundation to Seek Greater Success

The Group's unaudited profit attributable to the shareholders for the six months ended 30 June 2008 increased by 122.4% to HK\$257 million, and its turnover achieved was HK\$5,408 million while its basic earnings per share was HK10.55 cents, representing an increase of 82.2% as compared with HK5.79 cents per share announced in the corresponding period last year. The equity attributable to equity holders and the net assets per share was HK\$2,355 million and HK\$0.97, representing an increase of 126.2% and 86.5% as compared to the corresponding period last year respectively. The Board declared an interim dividend payment of HK3.70 cents per share for the six months ended 30 June 2008, representing an increase of 64.4% as compared to the corresponding period in 2007.

### Business Review

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

### Market Conditions

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

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

The overall economy of Macau is rosy with the significant increase in government treasure and the continuous improvement of residents income. Affected by the Ao Man Long incident, appearing "the number of newly-launched construction projects is few while existing construction projects are in full swing". Through strengthening the linkage between Hong Kong and Macau, the market share in the Macau market has been secured, which brought considerable proceeds.



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

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

### **Corporate Governance**

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

### **Financial Management**

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





On 26 February 2008, the Company raised long term funding through a bonus issue of 1 warrant for every 7 shares held. The warrants entitle the holders to subscribe in cash at a subscription price of HK\$15.00 per share (before share subdivision).

With effect from 13 June 2008, the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company were subdivided into 4 subdivided shares of HK\$0.025 each.

### **Related Investment Business**

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

### **Human Resources Management**

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



## **Corporate Citizenship**

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

## **Business Prospects**

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

## **Market Conditions**

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

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

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



growing number of population, urban plans and the booming tourism industry will enable the construction market to grow remarkably and have a promising prospect.

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

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

### **Operation Strategies**

The Group pursues the philosophy of **“Exercise caution in details and implementation. Build a strong foundation to seek greater success”**. The Group focuses on details and advocates putting into practice. Consistently pursuing the professionalism of “achieving superb quality in each process thus making each property of superb quality”, the Group is committed to offering excellent products and services in excess of their own values, facilitating the urbanization and enhancing the living environment quality, actively performing its responsibilities as a corporate citizen, striving to build up an evergreen business regime.

The Group is in full gear to implement the developing strategy of “cross-region operation” to take full advantage from its experiences as an international contractor, building an operation platform for the three major regions of Hong Kong and Macau, overseas regions and the Mainland China to avoid being exposed to a single market risk. With the advantage of being familiarized with the Hong Kong market over the past 30 years, the Group adopts cost effective and differential strategies and maintains its position as one of the largest leading construction contractors in Hong Kong. By leveraging on the advantage of China Construction Engineering (Macau) Company Limited's familiarity with the local market and enhancing the model of integrating Hong Kong and Macau, so as to achieve complementary strength and resources sharing. On the basis of well executing the projects already awarded, the Group seizes the opportunities in the growing construction market in Dubai, fully displays its competitive strength in its ability to import Chinese labour and expand the Dubai market. Where its resources are balanced, the Group will further expand the efforts on business development and await to enter the Abu Dhabi market. The Group will closely watch and study the Indian market, mainly from an alliance strategic perspective, prudently and selectively take part in tenders in respect of the construction contracting field. With “achieving sustainable growth in profit” as the basic objective for the expansion and operation of construction business in the Mainland China, and prudently select the construction contracting business, mainly of the foreign-enterprise projects.



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

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

### **Operation Management**

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

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

### **Financial Management**

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



## Company Mission

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

## Appreciation

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

## Kong Qingping

*Chairman and Non-executive Director*

Hong Kong, 19 August 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall performance

For the six months ended 30 June 2008, the profit attributable to shareholders was HK\$257 million, representing an increase of 122.4% as compared to the announced results of the same period last year. The following table is the analysis of the results for the six months ended 30 June 2008 as compared with the figures reported in 2007 interim report:

	For the six month ended 30 June		Change %
	2008 HK\$'000	2007 HK\$'000 (Per interim report 2007)	
Revenue	5,407,512	5,202,037	3.9
Gross profit	398,060	245,935	61.9
Gross profit margin	7.4%	4.7%	57.4
Profit attributable to shareholders	257,215	115,673	122.4
	HK Cents	HK Cents	
Earnings per share — basic	10.55	5.79	82.2

The acquisitions of Shenzhen China Overseas Construction Limited, Shenzhen China Overseas Engineering Consultant Co., Ltd. and Shenyang Huanggu Thermal Power Co., Ltd. in the second half of 2007 have been accounted for using the merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” as if the acquisitions had been completed on 1 January 2007. In addition, a construction contract was reclassified to be a project management contract. Thus, the consolidated income statement reported previously in first half of 2007 was restated by incorporation of the results of the acquisitions and the reclassification. The following analysis and comparison are presented on restated basis:

	For the six month ended 30 June		Change %
	2008 HK\$'000	2007 HK\$'000 (Restated)	
Revenue	5,407,512	4,901,624	10.3
Gross profit	398,060	319,973	24.4
Gross profit margin	7.4%	6.5%	13.8
Profit attributable to shareholders	257,215	185,660	38.5
Core business	204,749	115,673	77.0
New business	52,466	69,987	-25.0
	HK Cents	HK Cents	
Earnings per share — basic	10.55	9.29	13.6



For the reporting period, the profit attributable to shareholders arising from the core business increased by 77.0% to HK\$205million (the corresponding period in 2007: HK\$116 million) while the profit arising from the new business in the period was decreased by 25.0% to HK\$52 million (the corresponding period in 2007: HK\$70 million) due to a one-off gain on disposal of the listed securities in the corresponding period of 2007.

## Revenue

The Group recorded a consolidated revenue of approximately HK\$5,408 million for the first six months of 2008 (the corresponding period in 2007: HK\$4,902 million), representing an increase of 10.3%.

(i) *Hong Kong market*

During the period, revenue contributed from Hong Kong market increased by 9.4% to HK\$2,842 million. The reason for the growth was the existing large scale projects had a desirable progress in the period. Hong Kong market remained the major revenue contributor, making up 52.6% of the overall revenue.

(ii) *Mainland China market*

The revenue derived from the Mainland China market was HK\$287 million, representing 5.3% of the overall revenue. The major source was the income arising from the supply of electricity and heat.

(iii) *Macau market*

The revenue contributed by Macau market increased by 64.5% to HK\$1,276 million because certain large scale projects (included Windsor Arch and Wynn Resorts Macau – Diamond Suites) commenced in last year had contributed a considerable income for the Group in the period. Macau market made up as a significant proportion of about 23.6% of the Group's revenue.

(iv) *Dubai market*

Dubai market contributed HK\$945 million revenue, representing 17.5% of the overall revenue, slightly increased by 4.1% as compared to the corresponding period last year.



## Gross Profit

### (i) *Hong Kong market*

During the period, the gross profit from Hong Kong market increased by 14.8% to HK\$117 million. The result of effective cost control system was executed, that outweighed the inflation impact, the gross profit margin increased from 3.9% in the corresponding period of 2007 to 4.1%.

### (ii) *Mainland China market*

The Mainland China market contributed HK\$86 million gross profit in the period representing an increase of 22.4%. The gross profit margin increased from 25.0% in the corresponding period of 2007 to 30.1%. The major reason for the increase was the project management contract generated a higher margin to the Group.

### (iii) *Macau market*

During the period, the gross profit contributed from Macau market increased by 53.4% to HK\$139 million. It was partly because the most of the projects with higher margin awarded in last year contributed satisfactory result in the period and a mechanical and electrical project awarded in the period has begun to contribute with a considerable result.

### (iv) *Dubai market*

During the period, Dubai contributed HK\$52 million gross profit representing an increase of 9.5%. The gross profit margin increased from 5.3% in the corresponding period of 2007 to 5.5%.

## Net Investment Income

As the global investment environment was fluctuating throughout the period, in order to avoid the market risk and maintain a safe operation, the Group chose to hold cash with bank deposit even though the interest rate in the period decreased as compared with the corresponding period of last year. As the result, the investment income decreased to HK\$15 million in the period.





### **Administrative Expenses**

Administrative expenses increased by 27.5% to HK\$166 million. The major reasons for the increment were the followings:

- (i) in order to strengthen the investment in construction related projects in the Mainland China, the Group has established a separate department named Investment and Development Department for searching and studying the investment opportunity;
- (ii) the Group has been continuing to expand the operation in the United Arab Emirates by setting up a new office in Abu Dhabi, as a footstone to better capitalize the blooming construction industry of the region.

### **Finance Costs**

The finance costs for the period increased to HK\$6.70 million (corresponding period in 2007: HK\$0.60 million). The significant increase was due to the arrangement fee and interest paid for the new syndicated loan obtained in February 2008.

### **Earnings Per Share**

For the six months ended 30 June 2008, basic earnings per share increased by 13.6% to HK10.55 cents. Other than the impact of the open offer in the second half of 2007, the actual increase of the basic earnings per share should be 35.8% to HK12.62 cents.

### **Completed Projects**

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

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

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

### **New Projects Awarded**

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



New projects awarded during the first half of 2008

	Hong Kong	Macau	Mainland China	Total
Number of projects	14	5	2	21
Attributable contract value (HK\$' Million)				
Building construction	2,213	1,000	603	3,816
Civil engineering works	2,863	—	—	2,863
Others works	360	476	113	949
Total	5,436	1,476	716	7,628

New projects awarded mainly included:

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

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

Mainland China: 成都西錦城項目.

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



## Projects in Progress

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

	Contracts on hand as at 30 June 2008			New contracts awarded after 30 June 2008	
	No.	Attributable contract value HK\$' Million	Incomplete attributable contract value HK\$' Million	No.	Attributable contract value HK\$' Million
Hong Kong Project					
Building construction	23	9,043	6,702	2	1,378
Civil engineering works	24	9,579	4,873	—	—
Other works	8	692	407	—	—
Mainland China Project	8	1,113	667	—	—
Macau Project	16	12,006	9,236	—	—
Dubai Project	7	5,267	2,537	—	—
Indian Project	1	309	63	—	—
<b>Total</b>	<b>87</b>	<b>38,009</b>	<b>24,485</b>	<b>2</b>	<b>1,378</b>



## Corporate Finance

### Liquidity

As at 30 June 2008, the Group had bank balances and cash of HK\$1,646 million (31 December 2007: HK\$1,563 million). As the global economy changed, in order to capture the opportunity of the appreciation of Renminbi, the Group has adjusted the combination of the currencies of bank deposits as follow:

	As at 30 June 2008	As at 31 December 2007
Hong Kong dollars	38%	50%
Renminbi	35%	20%
Macao Patacas	15%	15%
United Arab Emirates Dirhams	11%	12%
Indian Rupees	1%	2%
US dollars	—	1%

The deposit with foreign currencies is mainly for the projects funding in various regions. During the period, the Group has no financial instruments for currency hedging purpose.

### Financing Credit and Financial Resources

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

### Utilization of Financial Resources

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



### **Exchange Risk and Corresponding Hedging Arrangement**

Since the Group's operations relate to various regions, the Group pays close attention to foreign exchange exposure and continuously tracks the local economic development, monetary policies and conditions that would have an impact on exchange rates. In order to capture the appreciation opportunity of Renminbi, the Group has increased the proportion of Renminbi assets and adjusted the combination of bank deposit currencies. The UAE Dirham is linked to the US dollar and has remained relatively stable. Although the exchange rate of the Indian Rupee is subject to fluctuation, the proportion of Indian Rupee is relatively low and the management still keeps watching the fluctuation of the rate. No hedging arrangement is required at present but the management will continue to pay close attention and implement efficient measures for hedging arrangement when necessary.

### **Credit Exposure**

The Group deals with credit exposure according to the risk management policies. Credit extended to customers is based on their reputation and financial capacity. In connection with projects in progress (no matter in Hong Kong, Mainland China, Macau or overseas), the major customers are the local Government, certain institutional organisations and certain reputable property developers. Therefore, no significant credit risk is exposed to the Group.



## UNAUDITED CONSOLIDATED INCOME STATEMENT

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



## CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		985,908	971,953
Investment properties		48,297	9,705
Prepaid lease payments		102,164	60,327
Interests in associates		36,711	35,071
Available-for-sale investments		102,831	111,295
Amounts due from investee companies		<u>178,958</u>	<u>146,772</u>
		<u>1,454,869</u>	<u>1,335,123</u>
<b>Current Assets</b>			
Inventories		68,829	54,486
Properties under development		40,430	—
Properties held for sale		—	20,408
Amounts due from customers for contract work		892,178	595,037
Trade and other receivables	10	3,032,804	3,339,204
Deposits and prepayments		267,860	228,566
Amounts due from the partners of jointly controlled entities		223,423	193,761
Amounts due from jointly controlled entities		66,389	80,552
Amounts due from ultimate holding company		1,222	—
Amounts due from fellow subsidiaries		76,966	159,653
Tax recoverable		34,107	31,146
Prepaid lease payments		2,396	1,612
Deposits with financial institutions		658	5,305
Pledged bank deposits	12	16,357	17,654
Bank balances and cash		<u>1,629,814</u>	<u>1,545,000</u>
		<u>6,353,433</u>	<u>6,272,384</u>



## CONSOLIDATED BALANCE SHEET (continued)

	Notes	As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Amounts due to customers for contract work		318,202	425,864
Trade and other payables	11	3,329,582	3,759,933
Deposits received and receipt in advance		611,946	601,960
Amounts due to jointly controlled entities		230,459	223,225
Amounts due to the partners of jointly controlled entities		72,266	73,257
Amounts due to fellow subsidiaries		23	12,389
Amount due to an associate		21,038	16,474
Tax liabilities		109,314	101,520
Other borrowings		31,181	29,276
Obligations under finance leases		525	175
Bank loan and overdraft — unsecured		500,348	453
		<u>5,224,884</u>	<u>5,244,526</u>
<b>Net Current Assets</b>		<u>1,128,549</u>	<u>1,027,858</u>
<b>Total Assets less Current Liabilities</b>		<u>2,583,418</u>	<u>2,362,981</u>
<b>Capital and Reserves</b>			
Share capital		60,960	60,821
Share premium and reserves		2,294,352	2,094,862
Equity attributable to equity holders of the Company		2,355,312	2,155,683
Minority interests		13,221	—
		<u>2,368,533</u>	<u>2,155,683</u>
<b>Non-current Liabilities</b>			
Deferred income		129,189	118,593
Deferred tax liabilities		72,571	67,437
Other borrowings		13,109	21,165
Obligations under finance leases		16	103
		<u>214,885</u>	<u>207,298</u>
		<u>2,583,418</u>	<u>2,362,981</u>





## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007											
As previously stated	49,896	8,050	313,680	4,601	555	423	659	596,337	974,201	—	974,201
Effect of combination under common control	—	—	(585,277)	—	7,967	27,905	7,460	246,867	(295,078)	85,091	(209,987)
As restated	49,896	8,050	(271,597)	4,601	8,522	28,328	8,119	843,204	679,123	85,091	764,214
Loss on fair value changes of available-for-sale investment	—	—	—	—	(10,159)	—	—	—	(10,159)	—	(10,159)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	22,727	—	—	22,727	—	22,727
Total income directly recognised to equity holders	—	—	—	—	(10,159)	22,727	—	—	12,568	—	12,568
Profit for the period	—	—	—	—	—	—	—	185,660	185,660	18,055	203,715
Total recognised income and expense for the period	—	—	—	—	(10,159)	22,727	—	185,660	198,228	18,055	216,283
Issue of ordinary shares upon exercise of share options	65	768	—	(160)	—	—	—	—	673	—	673
Recognition of equity-settled share based payments	—	—	—	1,397	—	—	—	—	1,397	—	1,397
2006 final dividend paid	—	—	—	—	—	—	—	(49,960)	(49,960)	—	(49,960)
At 30 June 2007	49,961	8,818	(271,597)	5,838	(1,637)	51,055	8,119	978,904	829,461	103,146	932,607
At 1 January 2008	60,821	997,528	(271,597)	5,121	2,532	81,041	11,192	1,269,045	2,155,683	—	2,155,683
Loss on fair value changes of available-for-sale investments	—	—	—	—	(8,464)	—	—	—	(8,464)	—	(8,464)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	58,320	—	—	58,320	—	58,320
Capital contribution from minority interest of a subsidiary	—	—	—	—	—	—	—	—	—	13,634	13,634
Total income directly recognised to equity holders	—	—	—	—	(8,464)	58,320	—	—	49,856	13,634	63,490
Profit for the period	—	—	—	—	—	—	—	257,215	257,215	(413)	256,802
Total recognised income and expense for the period	—	—	—	—	(8,464)	58,320	—	257,215	307,071	13,221	320,292
Issue of ordinary shares upon exercise of share options and warrants	139	1,639	—	(338)	—	—	—	—	1,440	—	1,440
Recognition of equity-settled share based payments	—	—	—	844	—	—	—	—	844	—	844
2007 final dividend paid	—	—	—	—	—	—	—	(109,726)	(109,726)	—	(109,726)
At 30 June 2008	60,960	999,167	(271,597)	5,627	(5,932)	139,361	11,192	1,416,534	2,355,312	13,221	2,368,533



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Notes:

- (a) Special reserve as at 1 January 2007 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, Shenzhen China Overseas Construction Limited and China Overseas Public Utility Investment Limited under common control.
- (b) The statutory reserves of the Group represents general and development fund reserve applicable to the People's Republic of China ("the PRC") and overseas subsidiaries which was established in accordance with the relevant regulations.



## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months  
ended 30 June

2008	2007
HK\$'000	HK\$'000

(Restated)

<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(209,841)</b>	(159,378)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(94,324)</b>	(45,804)
<b>NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b><u>389,323</u></b>	<u>(94,715)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>85,158</b>	(299,897)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>1,544,547</b>	2,118,731
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b><u>(239)</u></b>	<u>(3,263)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b><u>1,629,466</u></b>	<u>1,815,571</u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>1,629,814</b>	1,816,124
Bank overdrafts, unsecured	<b><u>(348)</u></b>	<u>(553)</u>
	<b><u>1,629,466</u></b>	<u>1,815,571</u>



## NOTES TO THE FINANCIAL STATEMENTS

### (1) Basis of preparation of financial statements

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

The transfer of the controlling interests in COIL, COISL, COHL Macao, SCOCL and COPUIL (the “Acquired Companies”) as mentioned above is regarded as common control combinations. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as if the transfer of the controlling interests in Acquired Companies had been completed as at 1 January 2007. Accordingly, the comparative figures of the consolidated financial statements have been restated.

These unaudited interim consolidated financial statements have been prepared under the historical cost convention and complied with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. The unaudited interim consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (2) Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

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

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

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (3) Revenue

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (4) Segment information

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

#### RESULT

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (4) Segment information (continued)

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

	Hong Kong HK\$'000	Regions in the PRC (other than Hong Kong and Macau) HK\$'000	Macau HK\$'000	Dubai HK\$'000	India HK\$'000	Sub-total HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>								
External sales	2,596,935	282,237	775,778	907,323	339,351	4,901,624	—	4,901,624
Inter-segment sales	15,453	—	—	—	—	15,453	(15,453)	—
Total revenue	<u>2,612,388</u>	<u>282,237</u>	<u>775,778</u>	<u>907,323</u>	<u>339,351</u>	<u>4,917,077</u>	<u>(15,453)</u>	<u>4,901,624</u>
Inter-segment sales are charged at prevailing market rates.								
<b>RESULT</b>								
Segment gross profit	<u>101,885</u>	<u>70,596</u>	<u>90,824</u>	<u>47,732</u>	<u>8,936</u>	<u>319,973</u>	<u>—</u>	<u>319,973</u>
Segment results	70,986	58,162	79,955	32,438	13,021	254,562	—	254,562
Inter-segment result	<u>4,691</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,691</u>	<u>(4,691)</u>	<u>—</u>
	<u>75,677</u>	<u>58,162</u>	<u>79,955</u>	<u>32,438</u>	<u>13,021</u>	<u>259,253</u>	<u>(4,691)</u>	<u>254,562</u>
Unallocated corporate expenses								(42,536)
Gain on disposal of available-for-sale investments								17,277
Finance costs								(595)
Share of profits of associates								3,790
Profit before tax								232,498
Income tax expense								(28,783)
Profit for the period								<u>203,715</u>





## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (5) Net investment income

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

### (6) Profit before tax

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (7) Income tax expense

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

### (8) Dividends

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (9) Earnings per share

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (10) Trade and other receivables

The Group allows an average credit period of 60 days to its customers. An aged analysis of trade and other receivables is as follows:

	<b>As at 30 June 2008 HK'000</b>	As at 31 December 2007 HK'000
Trade and other receivables		
0 – 30 days	<b>1,038,460</b>	1,751,982
31 – 90 days	<b>939,225</b>	603,086
over 90 days	<b>146,591</b>	166,721
	<b>2,124,276</b>	2,521,789
Retention receivables	<b>908,528</b>	817,415
	<b>3,032,804</b>	3,339,204
Retention receivables		
due within one year	<b>376,295</b>	370,733
due more than one year	<b>532,233</b>	446,682
	<b>908,528</b>	817,415

The fair value of the Group's trade and other receivables at 30 June 2008 and 31 December 2007 approximate to the corresponding carrying amount.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (11) Trade and other payables

An aged analysis of trade and other payables is as follows:

	<b>As at 30 June 2008 HK'000</b>	As at 31 December 2007 HK'000
Trade and other payables		
0 – 30 days	<b>1,464,017</b>	2,328,386
31 – 90 days	<b>788,737</b>	408,024
over 90 days	<b>316,916</b>	275,449
	<hr/> <b>2,569,670</b>	<hr/> 3,011,859
Retention payables	<b>759,912</b>	748,074
	<hr/> <b>3,329,582</b>	<hr/> 3,759,933
Retention payables		
due within one year	<b>388,054</b>	400,090
due more than one year	<b>371,858</b>	347,984
	<hr/> <b>759,912</b>	<hr/> 748,074

The fair value of the Group's trade and other payables at 30 June 2008 and 31 December 2007 approximate to the corresponding carrying amount.

### (12) Pledged bank deposits

As at 30 June 2008, bank deposits amounting to HK\$16,357,000 (31 December 2007: HK\$17,654,000) were pledged mainly for the guarantee of employment visa for the construction projects in Dubai.



## OTHER INFORMATION

### Interim Dividend

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

### Closure of Register of Members and Register of Warranholders

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

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



## Share Options

Movements of the share options of the Company during the six months ended 30 June 2008 are listed below:

Category	Date of grant	Number of Share Options				Outstanding at 30.06.2008	Exercise Price <sup>1</sup> (HK\$)	Exercise period
		Outstanding at 01.01.2008	Adjustment/Granted during the period <sup>1</sup>	Exercised during the period	Cancelled during the period			
<b>Directors</b>								
Kong Qingping	14.09.2005	748,800	2,246,400	—	—	2,995,200	0.2475	14.09.2006 to 13.09.2015
Zhou Yong	14.09.2005	655,200	1,965,600	—	—	2,620,800	0.2475	14.09.2006 to 13.09.2015
Yip Chung Nam	14.09.2005	468,000	1,404,000	—	—	1,872,000	0.2475	14.09.2006 to 13.09.2015
Fu He	14.09.2005	474,000	1,422,000	—	—	1,896,000	0.2475	14.09.2006 to 13.09.2015
Zhou Hancheng	14.09.2005	442,400	1,327,200	—	—	1,769,600	0.2475	14.09.2006 to 13.09.2015
Cheong Chit Sun	14.09.2005	374,400	1,123,200	—	—	1,497,600	0.2475	14.09.2006 to 13.09.2015
Raymond Ho Chung Tai	14.09.2005	208,000	624,000	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Adrian David Li Man Kiu	14.09.2005	208,000	624,000	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Raymond Leung Hai Ming	14.09.2005	208,000	624,000	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
Lee Shing See	14.09.2005	208,000	624,000	—	—	832,000	0.2475	14.09.2006 to 13.09.2015
All Directors		3,994,800	11,984,400	—	—	15,979,200		
<b>Employees</b>	14.09.2005	15,715,800	46,062,600	361,600	—	61,416,800	0.2475	14.09.2006 to 13.09.2015
<b>Consultants</b>	14.09.2005	13,925,520	38,721,600	1,018,320	—	51,628,800	0.2475	14.09.2006 to 13.09.2015
<b>Total</b>		<u>33,636,120</u>	<u>96,768,600</u>	<u>1,379,920</u>	<u>—</u>	<u>129,024,800</u>		



Notes:

1. Immediate after the share subdivision of the Company approved on 12 June 2008, the number of and the exercise price of the then outstanding share options were adjusted.
2. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised were as follows:

<b>Date of exercise of share options</b>	<b>Number of share options exercised</b>	<b>Weighted average closing price of the Company's shares immediately before the exercise (HK\$)</b>
04.01.2008	187,200	3.09
17.01.2008	905,120	3.32
04.03.2008	226,800	3.20
27.03.2008	20,800	3.17
06.05.2008	40,000	3.17
	<hr/>	
	1,379,920	





## Directors' Interests in Shares and Underlying Shares

As at 30 June 2008, the interests of the Directors and their associates in the shares, underlying shares and warrants of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of director	Number of ordinary shares held	Number of underlying shares held under equity derivatives		Total	% of shares in issue <sup>4</sup>
	Personal interests <sup>1</sup>	Share options <sup>2</sup>	On exercise of warrants <sup>3</sup>		
Kong Qingping	2,956,800	2,995,200	422,396	6,374,396	0.26
Zhou Yong	1,881,600	2,620,800	268,800	4,771,200	0.20
Yip Chung Nam	1,930,664	1,872,000	275,808	4,078,472	0.17
Fu He	1,320,000	1,896,000	188,568	3,404,568	0.14
Zhou Hancheng	1,280,000	1,769,600	182,856	3,232,456	0.13
Cheong Chit Sun	432,000	1,497,600	61,712	1,991,312	0.08
Raymond Ho Chung Tai	—	832,000	—	832,000	0.03
Adrian David Li Man Kiu	—	832,000	—	832,000	0.03
Raymond Leung Hai Ming	—	832,000	—	832,000	0.03
Lee Shing See	—	832,000	—	832,000	0.03

Notes:

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of the Company (the "Share Options") held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Company's Share Option Scheme. Details of which are set out in the section headed "Share Options" of this report.
3. This represents number of underlying ordinary shares held upon exercise the warrants of the Company (the "Warrants"). The interests in Warrants held by the relevant Director as a beneficial owner. Details of which are set out in the section headed "Directors' Rights to Acquire Shares" of this report.
4. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2008 (i.e. 2,438,357,304 ordinary shares).



**(b) Long positions in shares and underlying shares of Associated Corporation — China Overseas Land & Investment Ltd. (“COLI”)**

Name of director	Number of ordinary shares held	Number of underlying shares held under equity derivatives		Total	% of shares in issue <sup>4</sup>
	Personal interests <sup>1</sup>	Share options <sup>2</sup>	Warrants <sup>3</sup>		
Kong Qingping	7,156,000	1,344,000	726,333	9,226,333	0.119
Zhou Yong	2,103,750	768,000	136,979	3,008,729	0.039
Yip Chung Nam	3,800,000	400,000	—	4,200,000	0.054
Fu He	200,000	800,000	33,333	1,033,333	0.013
Zhou Hancheng	—	256,000	—	256,000	0.003
Cheong Chit Sun	240,000	160,000	20,000	420,000	0.005

Notes:

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of COLI held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Share Option Scheme of COLI. Details of which are set out in the section headed “Directors’ Rights to Acquire Shares” of this report.
3. This represents interests in warrants of COLI (the “COLI Warrants”) held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the terms and conditions of the COLI Warrants. Details of which are set out in the section headed “Directors’ Rights to Acquire Shares” of this report.
4. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2008 (i.e. 7,769,963,456 ordinary shares).

Save as disclosed above, as at 30 June 2008, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.



## Directors' Rights to Acquire Shares

### (i) The Company

#### (a) Share Options

As at 30 June 2008, the number of outstanding share options granted by the Company under the Company's Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section heading "Share Options" of this report.

#### (b) Warrants

As at 30 June 2008, the number of warrants (stock code: 00501) held by the Director to subscribe shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:—

Name of director	Amount of warrants (HK\$)	Subscription price <sup>1</sup> (HK\$)	Number of ordinary shares on exercise of warrants	% of share in issue <sup>2</sup>
Kong Qingping	1,583,985	3.75	422,396	0.017
Zhou Yong	1,008,000	3.75	268,800	0.011
Yip Chung Nam	1,034,280	3.75	275,808	0.011
Fu He	707,130	3.75	188,568	0.008
Zhou Hancheng	685,710	3.75	182,856	0.007
Cheong Chit Sun	231,420	3.75	61,712	0.003

Notes:

1. Immediate after the share subdivision of the Company approved on 12 June 2008, the subscription price of the then outstanding warrants were adjusted.
2. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2008 (i.e. 2,438,357,304 ordinary shares).
3. The exercise period of the Warrants is from 28 February 2008 to 27 February 2009.



## (ii) Associated Corporation

### (a) Share Options

As at 30 June 2008, the number of outstanding share options granted by COLI to the Directors to subscribe for shares of COLI, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:—

Name of director	Date of grant	Exercise period	Exercise price (HK\$)	Number of share options	% of share in issue*
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,344,000	0.017
Zhou Yong	18.06.2004	18.06.2005 to 17.06.2014	1.13	768,000	0.010
Yip Chung Nam	18.06.2004	18.06.2005 to 17.06.2014	1.13	400,000	0.005
Fu He	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000	0.010
Zhou Hancheng	18.06.2004	18.06.2005 to 17.06.2014	1.13	256,000	0.003
Cheong Chit Sun	18.06.2004	18.06.2005 to 17.06.2014	1.13	160,000	0.002

Note: \* The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2008 (i.e. 7,769,963,456 ordinary shares)

### (b) Warrants

As at 30 June 2008, the number of warrants (stock code: 00415) held by the Director to subscribe shares of COLI, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:—

Name of director	Exercise period	Exercise price (HK\$)	Number of warrants	% of share in issue*
Kong Qingping	28.08.2007 to 27.08.2008	12.50	726,333	0.009
Zhou Yong	28.08.2007 to 27.08.2008	12.50	136,979	0.002
Fu He	28.08.2007 to 27.08.2008	12.50	33,333	0.000
Cheong Chit Sun	28.08.2007 to 27.08.2008	12.50	20,000	0.000

Note: \* The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 30 June 2008 (i.e. 7,769,963,456 ordinary shares)

Other than the share options and the warrants disclosed above, at no time during the six months ended 30 June 2008 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 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Number of underlying shares on exercise of Warrants	Total	% of share in issue <sup>1</sup>
China Overseas Holdings Limited <sup>2</sup> ("COHL")	Beneficial owner	1,508,794,448	215,542,060	1,724,336,508	70.717
China State Construction & Engineering Corporation Limited <sup>3</sup> ("CSCECL")	Interest of a controlled corporation/ beneficial owner	1,508,794,448	215,542,060	1,724,336,508	70.717
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/ beneficial owner	1,508,794,448	215,542,060	1,724,336,508	70.717

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2008 (i.e. 2,438,357,304 ordinary shares).
2. Amongst the total number of 1,508,794,448 Shares and 215,542,060 underlying shares held by COHL, 1,444,113,384 Shares and 206,301,908 underlying shares were held as beneficial owner while the balance of 64,681,064 Shares and 9,240,152 underlying shares were interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 1,508,794,448 Shares and 215,542,060 underlying shares directly owned by COHL.
4. CSCECL is held as to 94% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 1,508,794,448 Shares and 215,542,060 underlying shares indirectly owned by CSCECL.

Save as disclosed above, as at 30 June 2008, 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

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

### **Corporate Governance**

During the six months ended 30 June 2008, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

### **Director's Securities Transactions**

The Company has adopted a code on securities transactions by directors ("Securities Code") with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the six months ended 30 June 2008.

### **Review of Accounts**

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



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This report is printed on environmentally friendly paper

Design and printing: iOne Financial Press Limited