

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2010**

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 June		
	<u>2010</u>	<u>2009</u>	<u>Change</u> %
RESULTS (HK\$'000)			
Revenue	5,584,219	5,501,951	1.5
Gross profit	646,264	464,546	39.1
Gross profit margin	11.6%	8.4%	38.1
Profit attributable to owners of the Company	401,728	303,351	32.4
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	13.58	12.40	9.5
Net assets (HK\$)	1.54	1.12	37.5
INTERIM DIVIDEND			
The Board has declared the payment of an interim dividend of HK5.00 cents per share.			
BANK BALANCES AND CASH			
As at 30 June 2010, the Group had bank balances and cash of approximately HK\$3.99 billion.			

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with the unaudited comparative figures for the corresponding period ended 30 June 2009 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- continued

	Note	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Current Liabilities			
Amounts due to customers for contract work		708,050	505,449
Trade and other payables	11	3,933,809	3,552,277
Deposits received and receipt in advance		488,057	681,801
Amounts due to jointly controlled entities		311,908	299,327
Amounts due to the partners of jointly controlled entities		35,406	42,034
Amounts due to fellow subsidiaries		1,416	13,316
Amount due to an associate		25,328	25,211
Tax liabilities		161,737	134,047
Borrowings		1,025,094	21,956
Obligations under finance leases		202	74
		6,691,007	5,275,492
Net Current Assets		3,377,066	5,181,598
Total Assets less Current Liabilities		7,220,152	7,883,990
Capital and Reserves			
Share capital		73,979	73,864
Share premium and reserves		4,488,185	4,230,918
Equity attributable to owners of the Company		4,562,164	4,304,782
Non-controlling interests		33,616	-
		4,595,780	4,304,782
Non-current Liabilities			
Deferred income		176,521	180,480
Deferred tax liabilities		98,011	93,219
Borrowings		630,445	1,601,931
Loans from intermediate holding company		1,719,395	1,703,578
		2,624,372	3,579,208
		7,220,152	7,883,990

NOTES:

(1) BASIS OF PREPARATION

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) REVENUE

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

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

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

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

(4) SEGMENTAL INFORMATION

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

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

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

(5) INVESTMENT INCOME

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

(6) PROFIT BEFORE TAX	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation	3,792	3,368
(7) INCOME TAX EXPENSE	For the six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current tax:		
Hong Kong	5,306	6,230
Other jurisdictions	61,981	24,783
	67,287	31,013
Under(Over) provision in prior years:		
Hong Kong	2,204	(7,495)
Other jurisdictions	-	(5,153)
	2,204	(12,648)
Deferred tax:		
Current year	6,342	13,283
Income tax expense for the period	75,833	31,648

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

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

(8) DIVIDENDS

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

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

(9) EARNINGS PER SHARE

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

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

(10) TRADE AND OTHER RECEIVABLES

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

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

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

(11) TRADE AND OTHER PAYABLES

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

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

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

(12) EVENTS AFTER REPORTING PERIOD

- (a) On 7 February 2010, the Group has entered into the subscription agreement to subscribe the guaranteed secured convertible bonds (“Bonds”) at the amount of HK\$200,000,000 in Skyjoy Assets Management Limited (“Skyjoy”) which has the ultimate beneficial interest of the land with a site area of approximately 62,000 square meters and some units of shops with total gross floor area of approximately 1,800 square meters in Qiaodong district of Shijiazhuang, PRC (the “Subscription”). The Subscription was divided into two phases. The first phase at the amount of HK\$63,950,000 was completed on 28 June 2010. The second phase was completed on 9 July 2010. The maturity date of the bonds should be fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity.

If the Group converts the Bonds in full, 1,800 shares of US\$1.00 each representing 18% of the issued share capital of the Skyjoy on a fully diluted basis will be issued to the Group.

- (b) On 22 July 2010, China Construction Third Engineering Bureau Corp., Ltd., (“CCTEB”, a subsidiary of China State Construction Engineering Corporation Limited (“CSCECL”), the intermediate holding company of the Company) and Shenzhen China Overseas Construction Limited (“SCOCL”, a wholly owned subsidiary of the Company) entered into a project cooperation agreement (“Agreement”) in relation to the formation of a joint venture company in Wuhan (“Wuhan JV”). Pursuant to the Agreement, CCTEB and SCOCL will hold 70% and 30% equity interests in the Wuhan JV, respectively. The Wuhan JV will undertake an infrastructure project in Wuhan by the way of build-transfer model. The project involves the construction of the Wuchang section and the Hanyang section of the Wuhan No. 2 Circle Line (武漢市二環線武昌段和漢陽段) located in Wuhan. The duration for the completion of the project is expected to be 15 months

RESULTS

The Group's unaudited profit attributable to the shareholders for the six months ended 30 June 2010 increased by 32.4% to HK\$402 million, and its earnings per share was HK13.58 cents, representing an increase of 9.5% as compared with HK12.40 cents per share for the corresponding period last year. The equity attributable to owners of the Company increased by 5.98% to HK\$4,562 million. The net assets per share were HK\$1.54, representing an increase of 37.5% as compared to the corresponding period in 2009.

Review of Operations

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

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

Market Conditions

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

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

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

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

New Projects Awarded

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

Major New Projects Awarded

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

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

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

Projects in Progress

As at the date of the announcement, the Group had a total of 85 projects in progress, with a total attributable contract value of HK\$55,030 million. Projects in progress have been smoothly undertaken and with great effort in control and management on quality, safety, environmental protection, progress and cost in accordance with the laws of the government of various places and the contractual requirements. Customers are served with services of the best quality.

Corporate Governance

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

Financial Management

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

Capital Operation and Related Investment Business

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

Risk Management

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

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

Corporate Citizenship

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

Key Awards

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

BUSINESS PROSPECTS

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

Market Conditions

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

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

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

Operation Strategies

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

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

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

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

Operation Management

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

COMPANY MISSION

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF ACCOUNTS

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

APPRECIATION

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

By order of the Board
**China State Construction
International Holdings Limited**
Kong Qingping
Chairman and Non-executive Director

Hong Kong, 12 August 2010

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. Zhang Yifeng (Executive Director), Mr. Cheong Chit Sun (Executive Director), Mr. Zhou Hancheng (Executive Director), Dr. Raymond Ho Chung Tai (Independent Non-executive Director), Mr. Adrian David Li Man Kiu (Independent Non-executive Director), Dr. Raymond Leung Hai Ming (Independent Non-executive Director) and Mr. Lee Shing See (Independent Non-executive Director).