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**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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**FINANCIAL HIGHLIGHTS**

	For the six months ended 30 June		Change %
	<u>2011</u> (unaudited)	<u>2010</u> (restated)	
<b>RESULTS (HK\$'000)</b>			
Revenue			
- Group revenue	<b>6,071,012</b>	4,997,737	21.5
- Share of revenue of jointly controlled entities	<b>1,013,655</b>	1,018,546	-0.5
	<b>7,084,667</b>	<b>6,016,283</b>	17.8
Gross profit	<b>585,675</b>	528,796	10.8
Gross profit margin	<b>9.6%</b>	10.6%	-9.4
Profit attributable to owners of the Company	<b>652,953</b>	463,835	40.8
<b>FINANCIAL INFORMATION PER SHARE</b>			
Earnings – basic (HK cents)	<b>20.06</b>	(note) 15.07	33.1
Net assets (HK\$)	<b>2.41</b>	1.30	85.4

**INTERIM DIVIDEND**

The Board has declared the payment of an interim dividend of HK6.00 cents per share.

**BANK BALANCES AND CASH**

As at 30 June 2011, the Group had bank balances and cash of approximately HK\$7,266 million.

Note: The calculation of the basic earnings per share for the six months ended 30 June 2011 has accounted for the impact of the rights issue which was completed on 16 May 2011. The basic earnings per share for the corresponding period of 2010 has been retrospectively adjusted to reflect the impact of the rights issue.

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 2011 together with the unaudited comparative figures for the corresponding period ended 30 June 2010 as follow:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

	Note	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
<b>Current Liabilities</b>			
Amounts due to customers for contract work		595,030	692,965
Trade and other payables	11	4,856,237	4,116,911
Deposits received and receipt in advance		520,231	688,845
Amounts due to jointly controlled entities		433,055	326,041
Amounts due to fellow subsidiaries		209,216	958,600
Amount due to an immediate holding company		-	157,000
Amount due to an intermediate holding company		776,551	1,130,294
Amount due to an associate		35,207	49,245
Tax liabilities		144,088	112,362
Bank borrowings		341,510	-
		<b>7,911,125</b>	<b>8,232,263</b>
<b>Net Current Assets</b>		<b>5,528,670</b>	<b>684,504</b>
<b>Total Assets Less Current Liabilities</b>		<b>15,706,776</b>	<b>10,447,159</b>
<b>Capital and Reserves</b>			
Share capital		89,669	74,486
Share premium and reserves		8,565,758	4,544,964
Equity attributable to owners of the Company		8,655,427	4,619,450
Non-controlling interests		2,270	3,950
		<b>8,657,697</b>	<b>4,623,400</b>
<b>Non-current Liabilities</b>			
Deferred income		245,175	244,047
Deferred tax liabilities		222,639	228,813
Bank borrowings		4,919,192	2,880,362
Loans from an intermediate holding company		1,662,073	2,470,537
		<b>7,049,079</b>	<b>5,823,759</b>
		<b>15,706,776</b>	<b>10,447,159</b>

## **NOTES:**

### **(1) BASIS OF PREPARATION**

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

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

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

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

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

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

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

(2) **PRINCIPAL ACCOUNTING POLICIES** (*continued*)

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

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

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

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

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

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

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

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

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

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

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

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

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

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



#### (4) 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 2011 and 2010 are as follows:

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

**(5) INVESTMENT INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
		(restated)
Interest income :		
Bank deposits	<b>20,343</b>	9,296
Debt securities	<b>2,037</b>	2,034
Imputed interest on amounts due from investee companies	<b>2,551</b>	7,145
Loan receivables	<b>11,860</b>	-
	<b>36,791</b>	18,475
Dividend income :		
Unlisted available-for-sale investments	<b>134,862</b>	5,825
Listed available-for-sale investments	<b>1,754</b>	95
	<b>173,407</b>	24,395

**(6) PROFIT BEFORE TAX**

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

**(7) INCOME TAX EXPENSE**

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

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

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

**(8) DIVIDENDS**

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

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

**(9) EARNINGS PER SHARE**

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

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>652,953</b>	463,835
	<b>2011</b>	2010
	<b>'000</b>	'000
		(restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>3,254,550</b>	3,077,024
Effect of dilutive potential ordinary shares in respect of share options	<b>35,091</b>	86,225
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>3,289,641</b>	3,163,249

**(9) EARNINGS PER SHARE** *(continued)*

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

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

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

## (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:

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

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

## (11) TRADE AND OTHER PAYABLES

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

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

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

## **RESULTS**

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

### **Review of Operation**

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

### **Market Conditions**

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

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

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

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

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

### **Corporate Governance**

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



## **Risk Management**

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

## **Financial Management**

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

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

## **Human Resources Management**

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

## **Equity Funding**

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

## **Social Responsibility**

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

## **Key Awards**

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

## **Business Prospects**

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

## **Market Conditions**

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

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

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

### **Operation Strategies**

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

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

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

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

### **Operation Management**

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

### **COMPANY MISSION**

In pursuit of its philosophy of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**” and the continual formulation of the brand’s advantage of “**China State Construction**”, the Group will continue to focus on details and advocate pragmatic approach to its work. Consistently pursuing the professionalism of “**Achieving superb quality in each process thus making each property of superb quality**”, the Group is committed to offering excellent products and services in excess of their own values, actively performing its responsibilities as a corporate citizen, improving competitiveness and shareholder’s value, and striving to build an evergreen business regime.

### **INTERIM DIVIDEND**

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

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

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

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

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2011, the Company had complied with the code provisions 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 2011 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, 19 August 2011

*As at the date of this announcement, the Board comprises Mr. Kong Qingping (Chairman) as Non-executive Director; Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Zhang Yifeng, Mr. Cheong Chit Sun, Mr. Zhou Hancheng, Mr. Tian Shuchen and Mr. Hung Cheung Shew as Executive Directors; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.*