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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 2012**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2012 (unaudited)	2011 (unaudited)	
RESULTS (HK\$'000)			
Revenue			
- Group revenue	8,957,737	6,071,012	47.5
- Share of revenue of jointly controlled entities	1,529,983	1,013,655	50.9
	10,487,720	7,084,667	48.0
Gross profit	1,004,831	585,675	71.6
Gross profit margin	11.2%	9.6%	16.7
Profit attributable to owners of the Company	886,956	652,953	35.8
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	24.73	20.06	23.3
Net assets (HK\$)	2.83	2.41	17.4

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK7.00 cents per share.

BANK BALANCES AND CASH

As at 30 June 2012, the Group had bank balances and cash of approximately HK\$5,423 million.

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 2012 together with the unaudited comparative figures for the corresponding period ended 30 June 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
Notes		HK\$'000	HK\$'000
Group revenue		8,957,737	6,071,012
Share of revenue of jointly controlled entities		1,529,983	1,013,655
		10,487,720	<u>7,084,667</u>
Group revenue	3	8,957,737	6,071,012
Costs of sales		(7,952,906)	(5,485,337)
Gross profit		1,004,831	585,675
Investment income	5	214,910	173,407
Other income		54,469	38,272
Gain on fair value changes of investment in convertible bonds		26,000	15,524
Administrative expenses		(304,255)	(222,810)
Distribution and selling expenses		(3,503)	(5,671)
Other expenses		(42,278)	(672)
Share of profits of			
Associates		6,965	8,241
Jointly controlled entities		225,999	220,120
Finance costs		(110,058)	(98,073)
Profit before tax	6	1,073,080	714,013
Income tax expenses	7	(183,634)	(62,740)
Profit for the period		889,446	<u>651,273</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		886,956	652,953
Non-controlling interests		2,490	(1,680)
		889,446	<u>651,273</u>
Earnings per share (HK cents)	9		
Basic		24.73	20.06
Diluted		24.33	19.85

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	889,446	651,273
Other comprehensive (loss)/income		
Gain/(loss) on fair value changes of available-for-sale investments	44,380	(18,825)
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	(21,625)	-
Exchange differences arising on translation of foreign operations	(43,574)	65,488
Other comprehensive (loss)/income for the period	(20,819)	46,663
Total comprehensive income for the period	868,627	697,936
Total comprehensive income/(loss) attributable to:		
Owners of the Company	866,465	699,616
Non-controlling interests	2,162	(1,680)
	868,627	697,936

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		1,989,295	1,870,033
Investment properties		40,537	41,063
Interests in infrastructure project investments		776,666	673,224
Trade receivables	10	1,927,780	919,473
Prepaid lease payments		182,750	184,978
Interests in associates		31,477	29,237
Interests in jointly controlled entities		2,507,226	2,589,828
Trademark, project backlogs and licences		257,617	9,950
Concession operating rights		5,093,734	4,926,465
Available-for-sale investments		444,349	490,842
Investment in convertible bonds		266,000	240,000
Goodwill		577,664	-
Amounts due from investee companies		362,946	356,085
		14,458,041	12,331,178
Current Assets			
Interests in infrastructure project investments		9,536	23,490
Inventories		175,801	149,559
Properties held for sale		158,566	158,608
Amounts due from customers for contract work		4,515,301	2,937,900
Trade and other receivables	10	5,417,361	4,736,191
Deposits and prepayments		329,959	234,679
Amounts due from jointly controlled entities		296,420	185,237
Amounts due from fellow subsidiaries		316,287	423,284
Amount due from an intermediate holding company		27,757	72,159
Amount due from a related company		26,939	10,990
Tax recoverable		14,345	6,217
Pledged bank deposits		4,971	4,992
Deposits with financial institutions		2,948	848
Bank balances and cash		5,422,665	5,457,812
		16,718,856	14,401,966

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Current Liabilities			
Amounts due to customers for contract work		1,613,265	1,282,035
Trade and other payables	11	5,728,644	5,175,888
Deposits received and receipts in advance		760,947	699,874
Amounts due to jointly controlled entities		450,282	501,666
Amounts due to fellow subsidiaries		2,051,678	1,398,076
Amount due to immediate holding company		3,907	208,218
Amount due to intermediate holding company		564,201	676,461
Amount due to an associate		21,909	6,125
Amount due to a related company		-	16,851
Tax liabilities		448,820	313,787
Borrowings		77,118	357,716
Obligations under finance leases		521	-
Loan from intermediate holding company		79,735	940,151
		11,801,027	11,576,848
Net Current Assets		4,917,829	2,825,118
Total Assets less Current Liabilities		19,375,870	15,156,296
Capital and Reserves			
Share capital		89,686	89,668
Share premium and reserves		10,049,744	9,400,684
Equity attributable to owners of the Company		10,139,430	9,490,352
Non-controlling interests		338,229	6,724
		10,477,659	9,497,076
Non-current Liabilities			
Deferred income		436,125	421,938
Deferred tax liabilities		369,956	276,014
Borrowings		8,090,644	4,961,268
Obligations under finance lease		1,486	-
		8,898,211	5,659,220
		19,375,870	15,156,296

NOTES:

(1) BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2012 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 interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The condensed consolidated interim financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

(2) PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at 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 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011. During the six months ended 30 June 2012, the Group acquired a subsidiary and its intangible assets and goodwill were recognised at the date of acquisition. The intangible assets acquired in a business combination are recognised at fair values on the acquisition date. The intangible assets having finite useful lives are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs of intangible assets over their useful lives of 3 to 20 years. Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable share of the net identifiable assets of the acquired subsidiary. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of testing for impairment.

(2) PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for the First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

(2) PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKFRS 1 (Amendment)	Government Loans ²
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance ²
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements Project	Annual Improvements 2009-2011 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the condensed consolidated financial statements.

(3) GROUP REVENUE

Group revenue represents revenue arising from construction contracts and project management services, revenue from the supply of heat and electricity, revenue from the provision of connection services, revenue from the infrastructure project investments, toll revenue, revenue from the net sales of precast structures, building materials and asphalts and revenue from machinery leasing income and insurance contracts.

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue from construction contracts	7,681,874	5,528,112
Revenue from construction contracts under service concession arrangements	261,380	44,838
Revenue from project management services	131,182	96,365
Revenue from supply of heat and electricity	280,802	240,366
Revenue from provision of connection services	8,252	5,076
Revenue from infrastructure project investments	81,891	42,836
Toll revenue	47,766	3,059
Sales of precast structures, building materials and asphalts	88,497	56,831
Revenue from facade contracting business	326,451	-
Others (note)	49,642	53,529
Group revenue	8,957,737	6,071,012

Note: Others mainly comprise 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 resources allocation and performance assessment are based on geographical location where the principal activities they operates, namely Hong Kong, regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates and India.)

In March 2012, the Group completed the acquisition of additional equity interests in Far East Global Group Limited ("FEG"), a public limited company incorporated in the Cayman Islands, listing on the SEHK. Since then, FEG and its subsidiaries (together, the "FEG Group") became subsidiaries of the Group. Since the FEG Group is currently managed by a separate business team, the chief operating decision maker regards FEG Group as a distinct operating segment and assesses its performance based on its segment results.

Segment results for the six months ended 30 June 2012 and 2011 are as follows:

	<u>Segment revenue</u>		<u>Gross profit/(loss)</u>		<u>Segment result</u>	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Operating and Reportable segments						
Hong Kong	4,592,256	4,126,955	321,782	315,624	261,581	263,053
Regions in the PRC	3,634,506	1,859,901	618,683	272,305	628,011	212,650
Macau	390,626	81,909	22,474	72,126	79,090	207,344
Overseas	13,898	2,247	(6,828)	(74,380)	4,051	(62,745)
FEG Group	<u>326,451</u>	-	<u>48,720</u>	-	<u>6,990</u>	-
Consolidated total	<u>8,957,737</u>	<u>6,071,012</u>	<u>1,004,831</u>	<u>585,675</u>	<u>979,723</u>	620,302
Unallocated corporate expenses					(88,073)	(65,578)
Other income					32,524	13,477
Gain on fair value changes of investment in convertible bonds					26,000	15,524
Share of profits of associates					6,965	8,241
Share of profits of jointly controlled entities					225,999	220,120
Finance costs					<u>(110,058)</u>	<u>(98,073)</u>
Profit before tax					<u>1,073,080</u>	<u>714,013</u>

(5) INVESTMENT INCOME

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest income on :		
Bank deposits	17,274	20,343
Debt securities	1,858	2,037
Amounts due from customers for contract work and trade receivables	88,989	-
Loan receivables	12,717	11,860
Imputed interest on amounts due from investee companies	6,861	2,551
	127,699	36,791
Gain on remeasuring previously held interests of available-for-sale investment at fair value upon becoming a subsidiary	21,625	-
Dividend income :		
Unlisted available-for-sale investments	65,553	134,862
Listed available-for-sale investments	33	1,754
	214,910	173,407

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation	64,269	41,209
Amortisation of concession operating rights	69,372	22,248
Amortisation of trademark and projects backlogs	14,400	-

(7) INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	27,737	26,767
Other jurisdictions	136,350	49,682
	164,087	76,449
(Over)/under provision in prior years:		
Hong Kong	(4,595)	(28,608)
Other jurisdictions	1,193	8,879
	(3,402)	(19,729)
Deferred tax:		
Current period	22,949	6,020
Income tax expenses for the period	183,634	62,740

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

(8) DIVIDENDS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period:		
2011 Final, paid HK7.00 cents (2010 Final: HK6.00 cents) per share	251,072	215,177

The Board declared the payment of an interim dividend of 2012 of HK7.00 cents per share (2011: HK6.00 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:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	886,956	652,953
	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,586,829	3,254,550
Effect of dilutive potential ordinary shares in respect of share options	58,491	35,091
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,645,320	3,289,641

(10) TRADE AND OTHER RECEIVABLES

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade receivables, aged (note)		
0-30 days	2,753,909	2,834,776
31-90 days	469,711	456,701
Over 90 days	1,793,540	583,459
	5,017,160	3,874,936
Retention receivables	1,579,055	1,350,703
Other receivables	748,926	430,025
	7,345,141	5,655,664
Trade and other receivables	7,345,141	5,655,664
Portion classified as current assets	(5,417,361)	(4,736,191)
	1,927,780	919,473

Note: Included in the trade receivables as at 30 June 2012 are receivables of HK\$1,927,780,000 (31 December 2011: HK\$919,473,000) arising from certain affordable housing construction projects in the PRC. The balances are unsecured, mainly interest bearing at 130% of the prevailing interest rate of the People's Bank of China per annum and repayable in 2013 and 2014. As a result, they are classified as non-current assets.

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period not exceeding 90 days (2011: 90 days) to its trade debtors. Retention receivables are generally repaid after the defect liabilities period of the construction projects. Of the retention receivables, an amount of HK\$924,677,000 (31 December 2011: HK\$737,166,000) will not be due in the next 12 months.

(11) TRADE AND OTHER PAYABLES

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade and other payables, aged		
0-30 days	3,009,686	3,055,107
31-90 days	1,008,752	755,182
Over 90 days	475,755	270,961
	4,494,193	4,081,250
Retention payables	1,234,451	1,094,638
	5,728,644	5,175,888

The average credit period on trade and construction cost payables is 60 days (2011: 60days). Of the retention payables, an amount of HK\$544,399,000 (31 December 2011: HK\$443,779,000) will not be due in the next 12 months.

(12) EVENT AFTER THE REPORTING PERIOD

In July 2012, China Overseas Holdings Limited (“COHL”), a substantial shareholder of the Company, entered into a placing agreement with Citigroup Global Markets Asia Limited and BNP Paribas Capital (Asia Pacific) Limited (collectively the “Placing Agents”) pursuant to which COHL agreed to sell via the Placing Agents to independent purchasers 300,000,000 ordinary shares of the Company at HK\$7.57 per share (“Placing Price”). At the same time, COHL and the Company entered into a subscription agreement under which COHL agreed to subscribe for 300,000,000 new ordinary shares of the Company at the Placing Price. Upon the completion of such top-up placing arrangement, the Company issued capital increased by approximately 8.36 percent and the net proceeds of approximately HK\$2,230 million was raised. The Company intends to apply such net proceeds as general working capital and capital expenditure of the Group which may include funding build-and-transfer, build-operate-transfer, and affordable housing projects.

RESULTS

The Group's unaudited profit attributable to the owners of the Company for the six months ended 30 June 2012 was HK\$887 million, representing an increase of 35.8% as compared to the corresponding period of last year. The revenue was HK\$8,958 million, representing an increase of 47.5% as compared with the same period of last year. Earnings per share was HK24.73 cents, representing an increase of 23.3% as compared with the same period of last year.

REVIEW OF OPERATION

In the first half of 2012, the European sovereign debt crisis continued to spread and the aftermath of the international financial crisis lingered. This, along with the economic downtrend experienced by a majority of the world's major economies, made the prospect of global economic recovery to be complex and uncertain. Against such a backdrop, the Group adhered to the principle of "Cool Response, Self-strengthening, Innovative Adjustment and Steady Operation", and grasped opportunities to ensure sound development amid the changing situations, thus enabling it to achieve remarkable results in the dual-core businesses of infrastructure investment and construction.

Market Conditions

In the first half of the year, the Hong Kong and Macau construction markets remained buoyant. In the meantime, given the growing downside pressure faced by China's economy, the central government made "stable economic growth" its first priority and successively launched a slew of stimulating policies and measures, including the relaxation of macroeconomic controls and monetary policies, thereby allowing infrastructure investment to regain some momentums. In response to the changes in external economies and market environments, the Group made timely adjustment to its business strategy and managed to achieve sustainable and healthy development of its construction investment business.

1. Hong Kong and Macau Regions

Construction business in Hong Kong and Macau were in line with the latest market development, as illustrated by the Company's efforts to tap the market opportunities arising from the "Ten Mega Infrastructure Projects" in Hong Kong, with the bidding focus leaned towards sizable projects of high-profile brands. Thanks to its meticulous deliberation to grasp opportunities, the Company achieved another breakthrough on business expansion front. In the first half of the year, the Group won the construction project of Hong Kong - Zhuhai - Macao Bridge Hong Kong Link Road - Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, which is among the city's "Ten Mega Infrastructure Projects" and has a total contract value of HK\$8,875 million, the highest contract value ever recorded for a solely-run project in the Company's history. In the first half of 2012, the total contract value of new construction projects awarded in Hong Kong and Macau hits a historical high, further reinforcing the Group's leading position in the Hong Kong and Macau markets and its economies of scale.

Macau's economy kept developing steadily and continued to post double-digit growth in the first half of 2012. The Group participated vigorously in competition in the market leveraging on the synergy effect between Hong Kong and Macau. In the first half of the year, the Company won three construction projects, including Residential Development of Nova City Phase 4 at Lot PT35, Taipa in Macau, signaling significant progress in the Group's business expansion in Macau.

2. Mainland China Market

In the first half of 2012, infrastructure and affordable housing projects in Mainland China were progressing well, with a number of projects successfully awarded, which included the Supplemental Section of the 2nd Circle Line of Wuhan City, Wuxian Highway (Extension), Wuhan East Lake Passageway and Yangtze River Avenue BT Project, Affordable Housing and Limited-price Housing Project in Zhangzhou and the Tianjin Tuanbo Lake Relocation Housing Project. Meanwhile, repurchase of the Wuxian Highway Reconstruction and Shahu Passageway BT Project was scheduled earlier once again, with the second installment of repurchase consideration settled by the Wuhan municipal government already. The second repurchase for the Tangshan Binhai Avenue BT Project was also carried out. The above repurchases have strongly indicated the Company's sound risk control capability. Shanxi Yangquan Yangwu Expressway Yangquan to Yuxian section BOT Project's operation was progressing well, with significantly higher average daily toll revenue upon commencement of operations of the coal quality inspection station.

The Group's infrastructure operation business in Mainland China maintained a stable growth. Both traffic flow and toll revenue of the Nanjing No. 2 Yangtze River Bridge grew steadily, while Shenyang Huanggu Thermoelectricity Company Limited further expanded its heat supply area through strengthening internal administration and market expansion.

The Group's project consultancy business in Mainland China continued to implement a strategy of "Big Market, Big Client, Big Project" to enhance the quality in bidding for site supervision contracts, under which fruitful results were obtained on business operation and brand building fronts.

3. Overseas Market

The real estate and construction market of the United Arab Emirates ("UAE") remained sluggish. As such, the Group ceased to undertake new projects in the UAE market since 2008, and instead focuses on commercial management and project account finalisation for the time being.

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 the investment community, relevant information has been released timely to enhance investors' knowledge and understanding of the Company and hence promote the continual uplifting of its corporate governance standards. The Group has established an all-round corporate governance structure as well as sound internal control, risk management and crisis management mechanisms, in an effort to continuously improve corporate governance and standardise operations. The Group has also adjusted its strategic planning in a timely manner to cope with the complicated market condition. The function and role of each dedicated decision-making team have been enhanced and the regionalisation of business units and specialization of management capabilities have been strengthened to improve management efficiency.

Risk Management

The special management team has kept enhancing and carrying out full-scale monitoring and controlling of risks; persisted in centralisation of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the “Examination by Three Departments” mechanism; and emphasised the balance between control and efficiency. A linkage mechanism on risk management between the Group, relevant operating units and projects has been put in place. The Group also holds regular quarterly meetings for every operating unit and has fully implemented the mechanism of centralised decision-making in regular meetings of general managers and the “Three Centralisation” management models, thus successfully enhancing the headquarters’ management functions on human resources, financial resources and material resources and bolstering the Group’s ability in risk management over construction and investment projects.

Financial Management

The Group’s financial management, fund management and external financing have been centrally managed and controlled at the headquarters. In line with its principle of prudent finance, as at 30 June 2012, the Group had bank balances of HK\$5.42 billion and total borrowings of HK\$8.25 billion, and a net gearing ratio of 27.9%. In the first half of 2012, the Group made significant progress in fund-raising, with total drawdown of bank loans amounting to HK\$3.12 billion. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unutilised credit facilities of HK\$7.28 billion to meet the need of its business development.

By holding half-yearly economic activity analysis 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 has fully utilised the regional platforms of Hong Kong, Macau and Mainland China to raise and manage capital. It also enhanced the synergy between the headquarters and the subsidiaries in investment and financing, and raised the level of financial management by strengthening cost management and stressing on financial planning and time value of funds, thus effectively supporting the development of business operation.

Human Resources Management

The Group has launched a new performance appraisal system and staff ranking system, increased efforts in salary and benefits reform, and rationalised its remuneration system. Besides, the Group further implemented the construction site contract responsibility system and examined the practicability of the investment project contract responsibility system. Through campus recruitment and personnel nomination incentive scheme, the Group actively engaged 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 China investments and strengthened its capability to retain human resources.

Equity Funding

In the first half of 2012, the Group acquired a controlling stake in Far East Global Group Limited (“Far East Global”), a company listed in Hong Kong. Far East Global is an international leading provider of glass curtain wall products and services. The acquisition will effectively diversify the Group’s relevant businesses and create synergy between the cooperating parties. It is also favorable to the setting up of an integrated international platform within the Group. On 18 July 2012, the Group raised HK\$2,230 million through share placement to further strengthen its capital base.

Corporate Citizenship

The Group cares for the community and has actively participated in community affairs and charitable deeds, contributed to the society and raised funds to help people in need. Thanks to the effectiveness of the Group's innovative safety management reward system, the accident rate has dropped to a new low, making the Group an industry leader in this area. The Group has extensively utilised energy saving, low carbon emission and environmental-friendly construction technologies in the development of a harmonious living environment, successfully playing a leading role and setting a good example for the industry. The Group also puts high emphasis on the localisation of its regional companies, in order to build a friendly and harmonious working environment for its staff members.

Key Awards

The Group received a number of important awards in the first half of 2012. For instance, the Ex-Cheung Sha Wan Police Quarters project and the Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) project received the Gold Award in Building Sites (Public Contract) and Civil Engineering Sites Category respectively in The Construction Safety Award Scheme 2011-2012 organised by the Labour Department of Hong Kong, while the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 project was honoured with the Gold Award in the Considerate Contractors Site Award Scheme 2011 organised by the Development Bureau of Hong Kong.

BUSINESS PROSPECTS

In the second half of 2012, the aftermath of the financial tsunami and the European sovereign debt crisis will continue to dampen the world's economy. Emerging economies are likely to experience a continual downtrend and inflationary pressure will keep piling up, dragging global economies into the dangerous position of a marginal stagflation. The Group will closely monitor the macroeconomic development trends in Mainland China and make timely adjustment of business strategies while focusing on sound operation to safeguard operational safety.

Market Conditions

In the second half of 2012, against the current macroeconomic backdrop, China will continue to boost consumption and domestic demand by fuelling investment. The recovery in infrastructure investment will present golden opportunities for the Group to add horizon to its infrastructure business in Mainland China. From 2012, China has shifted the focus of its affordable housing policy to execution of construction targets. The central government has announced for the first time its plan to have five million affordable housing units completed. On top of this, the Ministry of Housing and Urban-Rural Development has requested all local governments to report on a monthly basis the number of affordable housing units with construction commenced, in progress, and completed, in a bid to allow public surveillance and enhance transparency of affordable housing construction.

The Hong Kong government will continue to launch a great deal of construction projects and the city's construction sector will continue to flourish. In view of the further introduction of the "Ten Mega Infrastructure Projects" and other major infrastructure projects, construction program for government public housing, the new revitalisation policy of the Home Ownership Scheme flats and optimisation of the "My Home Purchase Plan", both the scale and difficulty of construction projects will be increased. Meanwhile, the tight supply of site workers and subcontractor resources will drive the cost of local construction workers and materials to be higher and prolong the current inflation.

Spurred by the public construction and mega casino projects, the region's construction sector continues to maintain its vigor. While endeavoring to expand the contracting business, the Group will continue to explore the opportunities for investment-driven contracting projects.

The real estate and construction sectors in Dubai remain lackluster. The Group will adhere to its principle of turning down new projects in the region and continue to follow up on the amount finalisation and commercial management of existing projects.

Operation Strategies

The Group will adhere to its business philosophy 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 around the globe. The Group will work hard towards its predetermined 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 enhance its shareholders' value and market competitiveness.

Besides devoting efforts to maintain and broaden the scale of its business in Hong Kong and Macau, the Group will fully leverage on the synergy arising from the integration of the two regions and insist on differentiated tendering strategy to capture market opportunities such as those from the "Ten Mega Infrastructure Projects" with its professionalism edge. Moreover, the Group will guard against various risks to secure its position as one of the largest contractors in Hong Kong. In Macau, the Group will focus on projects including large scale construction and government public housings while deepening its business diversification and cross-regional operation, striving to achieve a breakthrough in investment-driven contracting.

As a major platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group will continue to strengthen its investments in Mainland China's infrastructure construction, endeavoring to establish its investment business as strong impetus for fuelling the sustainable growth of its operating results. The Group will closely observe State policies and focus on affordable housing projects to expand its investments in Mainland China, whilst tapping other kinds of infrastructure investment in a moderate fashion. The focus of investment and expansion will be leaned towards provincial capitals and economically-developed cities, as well as projects that feature high profit and quick turnaround to strive for better investment return.

Operation Management

The Group has engaged in construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group puts great emphasis on the promotion of the "5+3" project management model (i.e. coordinated management over the five elements, namely progress, quality, cost, safety and environmental protection, and the three systems, namely flow guarantee system, procedure guarantee system and responsibility guarantee system) to launch different projects with balance and refine its project management. On top of this, the Group will continue to explore the regional management model and perfect the performance assessment system of the target operation responsibility system. By upholding the principle of prudence, moderation, control and profitability, the Group insists on giving preference to cash flow management. Also, it will further improve the human resources management system and strengthen the development of its information technology system.

COMPANY MISSION

In pursuit of its philosophy to "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**", the Group will continue to fully leverage the advantages of its "**China State Construction**" brand and to focus on details and advocate a pragmatic approach to its work. Upholding 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 values, actively performing its responsibilities as a corporate citizen, propping up competitiveness and shareholder's value, and striving to build an evergreen business regime

INTERIM DIVIDEND

The Board declared an interim dividend of HK7.00 cents per share (2011: HK6.00 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2012. The interim dividend will be payable on Friday, 28 September 2012.

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, 20 September 2012 to Friday, 21 September 2012, both days inclusive, for the purpose of determining shareholders' entitlement to the interim dividend.

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates, must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 19 September 2012.

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

During the six months ended 30 June 2012, 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 2012, the Company complied with all code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except Code Provisions A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings) and E.1.2 (chairman of the board should attend the annual general meeting).

Mr. Kong Qingping, Chairman and Non-executive Director, and Mr. Li Jian, Non-executive Director, both due to other business engagement were unable to attend the annual general meeting of the Company which held on 28 May 2012 ("AGM"). Mr. Zhou Yong, Vice-chairman and Chief Executive Officer, chaired the AGM to ensure effective communication with shareholders of the Company at such meeting. Other non-executive director and all the independent non-executive directors attended the AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.

REVIEW OF ACCOUNTS

The Group's unaudited interim results for the six months ended 30 June 2012 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, 22 August 2012

As at the date of this announcement, the Board comprises Mr. Kong Qingping as Chairman and Non-executive Director; Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Zhang Yifeng, Mr. Zhou Hancheng, Mr. Tian Shuchen and Mr. Hung Cheung Shew as Executive Directors; Dr. Cheong Chit Sun and Mr. Li Jian as Non-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.