



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Stock Code 股份代號 : 03311

2017 Interim Report  
中期報告



Exercise Caution < < <  
in Details and Implementation  
Build a Strong Foundation  
to Seek **GREATER SUCCESS**

慎微篤行 精築致遠



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# Corporate Structure



\* "PPP" — "Public-Private-Partnership"

\*\* Operate through a listed subsidiary, Far East Global Group Limited (Stock Code: 00830)

# Board of Directors and Committees

## BOARD OF DIRECTORS

### Executive Directors

Zhou Yong

*(Chairman and Chief Executive Officer)*

Tian Shuchen

Zhou Hancheng

Pan Shujie

Hung Cheung Shew

Wu Mingqing

Zhang Haipeng

*(Appointed on 13 July 2017)*

### Independent Non-executive Directors

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

## COMMITTEES

### Audit Committee

Raymond Ho Chung Tai

*(Chairman)*

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

### Remuneration Committee

Adrian David Li Man Kiu

*(Chairman)*

Raymond Ho Chung Tai

Raymond Leung Hai Ming

Lee Shing See

### Nomination Committee

Lee Shing See

*(Chairman)*

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

# Corporate Information

## AUTHORISED REPRESENTATIVES

Zhou Yong  
Tian Shuchen

## COMPANY SECRETARY

Tse Sui Ha

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House — 3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISOR

Mayer Brown JSM

## PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
BNP Paribas Hong Kong Branch  
China Construction Bank Corporation  
China Development Bank Corporation  
Hang Seng Bank Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Wing Lung Bank, Limited

## LISTING INFORMATION

Shares

Hong Kong Stock Exchange: 03311

Bond (CSC FIN N1804)\*

Hong Kong Stock Exchange: 05916

\* US\$500,000,000 3.125% Guaranteed Notes due 2018 issued by China State Construction Finance (Cayman) I Limited, a wholly owned subsidiary of the Company

## WEBSITE

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

## FINANCIAL CALENDAR

Closure of Register of Members  
19 September 2017

2017 Interim Dividend Payable

3 October 2017

# Chairman's Statement

## ENHANCING QUALITY AND EFFICIENCY CASTING OUR BRAND

### OPERATION RESULTS

The Group's unaudited profit attributable to the owners of the Company for the half year ended 30 June 2017 was HK\$2,493 million, representing an increase of 10.7% as compared with the corresponding period of last year. The revenue was HK\$22,966 million, representing an increase of 21.9% as compared with the same period of last year. Earnings per share was HK55.56 cents, representing an increase of 0.4% as compared with the same period of last year.

### DIVIDEND PAYMENT

The Board declared an interim dividend of HK15.00 cents per share for the period ended 30 June 2017 (2016: HK15.00 cents per share).

### REVIEW OF OPERATION

In the first half of the year, the global economy saw steady growth with pickups in the manufacturing industry and trading. The market showed greater confidence but was still concerned about the future. The commodity prices were gradually stabilised. The Federal Reserve delivered the second rate hike during the year and planned to reduce the size of its balance sheet gradually. Other major economies such as the European Union and Japan reported better-than-expected growth rates. China's overall economic development was stable with certain improvement.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED)

During the year, the Group adopted an operating strategy of “**improving its service quality and efficiency while facing different difficulties and challenges and casting its brand with synergy and innovation**”. Facing complicated market conditions, we reinforced our confidence, overcame challenges, strengthened internal and external synergistic collaborations, innovated the investment and financing model, and promoted the transformation and upgrade of business. Scale expansion and efficiency improvement were achieved at the same time and craftsmanship's spirit was strongly promoted, which scaled new heights for the brand in terms of quality.

### MARKET CONDITIONS

The accelerating economic recovery of Hong Kong and Macau posed both opportunities and challenges to the construction market. The economic development of Mainland China was stable with continuously strong infrastructure investment and increasing scale. The Public-Private-Partnership (“PPP”) market saw rapid development. The overall glass curtain wall market was stable while the curtain wall market of North America was relatively active.

#### 1. Hong Kong and Macau

Driven by stronger economy of Hong Kong, the investment and construction of private properties were booming; however, the number of projects launched by the government decreased significantly and market competition was increasingly intense. As for Macau, the overall construction market shrank and the rollout of government-owned projects was slow, offsetting the development of private construction. To adapt to the changes in market conditions, the Group actively identified potential partners and effectively integrated advantages and resources to overcome the adverse impact of the market and to consolidate and expand the market share. New contracts in Hong Kong and Macau amounted to HK\$16,560 million in the first half of the year. All of the key projects under construction were progressing smoothly. The Group continuously made investment to boost the contracting business and gradually achieved results from such investment.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED)

#### MARKET CONDITIONS (continued)

##### 2. Mainland China

The infrastructure investment growth in Mainland China remained high and the PPP market saw rapid development. As phenomena such as non-compliant local government debts and varying project quality emerged, China successively implemented policies to regulate and standardise the market. Adhering closely to the state policies, the Group further increased its efforts in business expansion and seized market opportunities. It expedited the completion of transactions and projects and secured new contracts of HK\$34,440 million in the first half of the year.

##### 3. Curtain Wall

The curtain wall market of Hong Kong, Macau and Mainland China was stable in general but saw increasing competition while the curtain wall market of North America was in the middle of a rebound. Adhering to the high-end and sophisticated approach, Far East Global Group Limited ("FEG") tracked the projects in depth and continued to strengthen and develop the business relationship with key customers, continuously enhancing the market expansion standard. New contracts of HK\$1,875 million were secured in the first half of the year.



## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED) CORPORATE GOVERNANCE

The Group has strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with investors, relevant information is promptly released to enhance the transparency of operation, so as to improve the corporate governance standards. The Board is committed to maintaining a high standard of business ethics, a healthy corporate culture and a good corporate governance practice. The Group has established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also adjusted its strategies in a timely manner in line with market changes to better capitalise on the function and role of each dedicated decision-making team. The Group has also strengthened the regional and specialised management capabilities of each business unit to enhance management efficiency.

### RISK MANAGEMENT

Based on its general operation target, the Group has established a sound risk management system. Through formulating a risk management strategy, it has basic risk management procedures in place for each operation management unit. With coordination among its information system, organisational function system and internal control system, the Group is able to nurture excellent risk management culture and effectively implement comprehensive risk management.

The Group actively responded to market and policy risks, fully applying its advantages as an enterprise supported by the central government and foreign investment to stand out in competition. The Group further strengthened the natural hedging mechanism for foreign exchange risks, arranged and secured Renminbi loans for the investment projects in Mainland China in advance, accelerated the development of foreign business and enhanced the weight of foreign assets and expanded the operating scale. Tax risks were effectively prevented and legal and compliant operation was ensured.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED) FINANCIAL MANAGEMENT

Adhering to its prudent financial management principle, the Group has arranged centralised management for funds and credit, reasonably deployed financial resources, promoted the innovation of the financing model and strengthened its advantage in the cost of capital. In the first half of the year, the Group secured new loans of RMB6,230 million in Mainland China, with drawdown of loans in Mainland China of RMB5,337 million. The proportion of Renminbi bank borrowings increased to 45.4%. At 30 June 2017, the Group had bank deposits of HK\$11,211 million, total borrowings of HK\$27,745 million and a net gearing ratio of 58.0%, with drawdown of bank loans amounting to HK\$7,155 million and committed but unutilised credit facilities amounting to HK\$26,446 million. The Group has closely monitored the latest changes in the capital market and actively explored various financing means to strengthen its financial resources.

### HUMAN RESOURCES

The Group has improved the human resources management system in accordance with the guidelines of the 13th Five Year Plan for human resources. By innovating a talent nurturing procedure and establishing a sound system for double-path career development, the Group has enabled upward mobility to the professional path for its employees and created larger room for talent development. Based on the administrative measures for nurturing “the Son of the Sea” and the talent pool programme in Hong Kong and Macau, the Group has focused on talent nurturing and reserve in different regions and developed sophisticated courses so as to provide effective training.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED) TECHNOLOGY INNOVATION

In the first half of the year, the Group received approval from the PRC government for four applications of invention patent and four applications of utility model patent, as well as approval from the provincial government for five applications of construction method. In addition, two applications of technological innovation were appraised by the national authority as internationally advanced technological invention in whole and internationally leading technological invention in part. The book prepared by the Group, "Essays on Basic Construction Techniques", was published by the China Architecture & Building Press.

Having successfully put the mobile synergistic office platform into use, the Group has comprehensively enhanced the efficiency of communication and synergy. The platform integrates brand-new unified communication technology, efficient methods for team collaboration and convenient mobile office applications, which offers the functions of mobile portals, information sharing, attendance registration and approval, instant communication, multi-party conferences and business contacts. This has achieved a unified organisational structure, the integration of business systems and the cross-platform and multi-device synchronisation of information.

### SOCIAL RESPONSIBILITY

The Group actively participated in the promotion of social welfare. It engaged its employees in Hangzhou, Qingdao, Hefei and other places in joining the "Children's Dream • Children's Art" Mainland and Hong Kong Art Exchange Programme jointly organised by China Overseas and TREATS. Together with a series of events such as "Architecture & Space" sharing session, art-themed drawing course and "Painting on Grounds", children could experience the harmonious and inclusive relationship among space, architecture and people and among different groups of people. Learning through fun activities enabled them to taste the joy of life.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED)

#### SOCIAL RESPONSIBILITY (continued)

The Group enthusiastically joined the 2017 Happy Run cum Carnival organised by the Construction Industry Council with a view to raising donations for the Construction Charity Fund to help the construction workers in need. In response to the “World Environment Day”, the Group organised the “Guided Tour of Kadoorie Farm & Botanic Garden”, where the employees could visit the Farm Museum, the Piers Jacobs Wildlife Sanctuary and the Raptor Roost to understand the biodiversity in Southern China and the local efforts in animal and plant conservation, thereby contributing to the promotion of ecological culture protection.

#### KEY AWARDS

In March 2017, in the “Construction Industry Safety Award Scheme 2016/2017” organised by the Labour Department of Hong Kong, the Occupational Safety and Health Council and other government authorities, the Group won a gold award in Building Sites (Private Sector), a silver award and a bronze award in Civil Engineering Sites, and a silver award and two merit awards in Safety Teams. In the “Construction Sites Housekeeping Award Scheme (2016)” organised by the Drainage Services Department of Hong Kong, the Group won the Best Construction Sites Housekeeping Award and the Grand Award in the category of large scale civil works contracts. In the same month, in the fifth “Building Inspectors Academy Awards” organised by the Hong Kong Professional Building Inspection Academy, the Group won the “Five Stars Residency of the Year 2016” for the excellent overall performance in multiple aspects of its housing estate project, Mayfair By The Sea, in Pak Shek Kok, Tai Po.

In May 2017, in respect of the outstanding performance in new technology promotion, use of new materials, innovative structural forms and other aspects of the BAIC project in Binzhou, Shandong, the Group was awarded the highest honour for the construction quality of China’s construction steel structure industry, the “12th China’s Steel Structure Gold Award”. This marks the Group’s leading role in the investment and building areas in steel structure construction.

## Chairman's Statement (continued)

### REVIEW OF OPERATION (CONTINUED)

#### KEY AWARDS (continued)

In July 2017, in the annual poll of “All-Asia (Ex-Japan) Executive Teams” organised by “Institutional Investor”, the Group was ranked as the “Most Honoured Company” again and top three among six categories in the industrial sector, as well as winning the first place in “Best CEO” in Asia for five consecutive years, which are the indicatives of the international capital market’s continual affirmation in respect of the Group’s operation and investor relations.

### BUSINESS PROSPECTS

In the second half of the year, the market will pay close attention to the balance sheet position of the Federal Reserve, the global macroeconomic trends as well as the geopolitical changes. The Group will precisely capture the trends of macro economy and industry development. Forward-looking operation strategies will also be formulated. This serves to raise the capabilities in market research and judgement as well as responsiveness to confront the external changes in operation environment in a proactive manner.

## Chairman's Statement (continued)

### BUSINESS PROSPECTS (CONTINUED) MARKET OUTLOOK

Economic recovery will continue in Hong Kong and Macau. The investment sentiment on Hong Kong's private properties remains strong, whereas the market of public sector is yet to be improved. The construction market of Macau will continue to be dominated by government-owned projects, and the market of private construction is relatively in the doldrums. For the construction markets of Hong Kong and Macau, they are faced with some temporary challenges in the short term; however, they are still developing towards a positive direction in general.

Driven by both domestic and foreign demands, the economic growth of Mainland China remains steady. Infrastructure investment, as an important driver of domestic demand, will continue to be supported by policies. In a more standardised policy framework, the government will strongly promote the PPP model to strengthen infrastructure construction, revitalise private investment and mend the constraints on economic development. Mainly based on the PPP model in the future, the infrastructure investment market will see orderly and rapid development.

In respect of the curtain wall market, the market of North America, driven by construction and real estate, will continue to become more active. The markets of Hong Kong, Macau and Mainland will stably improve, yet with relatively intense competition.

## Chairman's Statement (continued)

### BUSINESS PROSPECTS (CONTINUED) OPERATION STRATEGIES

Committed to the operation strategy of “**Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success**”, the Group carries out thorough investigations and researches into the market situations in a timely manner. Market opportunities are accurately grasped and operation risks are prevented and mitigated. This effectively maintains the comprehensive management standards for the projects. The Group puts great efforts in its core business of construction and infrastructure investment so as to continuously strengthen its corporate value and market competitiveness.

Adhering to the working philosophy of “prudent and progressive operation with good quality”, the construction business of Hong Kong and Macau adapts to the trends and further integrates the internal and external advantages and resources. More opportunities for exclusive bid negotiations are sought as well with an effort to convert the Group’s latecomer advantage in the private market into first-mover advantage, hence enlarging its market influences. The valuable experience in the investment-driven contracting business is consolidated in a timely manner. The fully proven investment-driven contracting model is strongly promoted and the proportion of equity investment projects is raised. This enhances the market competitiveness in public and private construction, thereby improving the Group’s overall profitability.

## Chairman's Statement (continued)

### BUSINESS PROSPECTS (CONTINUED)

#### OPERATION STRATEGIES (continued)

The Mainland investment business adheres to the state policy and accelerates the implementation of the development strategies for transformation and upgrade. The PPP model is innovatively expanded to promote the development in breadth and depth of the 3+ business models: “Government Platform +”, “Prefabricated Construction +” and “Industrial Integration +”. Regional development strategies and differentiated competition strategies are sensibly implemented. In the eastern region where the economy and infrastructure are more developed, the integrated quality-enhancing businesses such as new industrial towns, underground tunnels, sponge cities, etc. are strongly promoted. In the western region where the economy and infrastructure are less developed, large-scale infrastructure projects such as expressways, railways, etc. are heavily developed. This leads to the better and more rapid development of the investment business.

FEG is committed to the working approach of “Seize the Market, Build the Brand” and adheres to the bidding strategies of “Big Clients, Big Markets”. Synergistic and collaborative advantages of the resources of the whole industry chain such as global allocation design, procurement, production, installations, etc., are brought into play. Positive momentum is maintained for external market development. Internal control is enhanced and the bidding costs are controlled. This also strengthens the connections among the units within the system and stabilises the internal market.



## Chairman's Statement (continued)

### BUSINESS PROSPECTS (CONTINUED)

#### OPERATION STRATEGIES (continued)

While focusing on the current markets, the Group actively responds to the state's "Belt and Road" proposal by strengthening the collaboration with the policy-based financial institutions and bringing the financing advantages of being a listed company into play. The Group sets up business along the "Belt and Road" step by step and makes overseas investment according to the local circumstances as the subject of liability. A higher proportion of policy resources are invested. Together with a view to balancing the relationship between business expansion and risk management, the Group strives to turn the overseas business into another growth point to drive the continuous improvement of the Group's results.

#### MANAGEMENT MODEL

According to its strategic control and management model, the Group will further optimise the distribution of duties, reasonably allocate the authorities and clearly define business flows to strengthen the leadership, services and supervision of the headquarters and encourage proactive business management by regional teams. The Group will refine the internal cooperation mechanism so as to enlarge the general business scale, strengthen the profitability and consolidate the Group's operating foundation of construction contracts and investment businesses.

## Chairman's Statement (continued)

### COMPANY MISSION

The Group is dedicated to its longstanding operation philosophy of “**Sustainable Growth for Mutual Success with Harmony**”. The Group will proactively adhere to its core value of “**Good Quality and Value Creation**”. Committed to prudent and progressive operation, the Group will improve its service quality and efficiency. It will strive to achieve a “**win-win situation**” with the shareholders, cooperative partners, employees and society and become a new role model in the era. The Group will endeavour to develop into a “**leading corporation with competitive international complex construction and infrastructure investment**”.

### 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**

**Zhou Yong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 22 August 2017

# Management Discussion and Analysis

## OVERALL PERFORMANCE

Driven by the growth of Mainland China segment and increased contribution from joint ventures, the Group recorded revenue of HK\$22,966 million, and profit attributable to the owners of the Company amounted to HK\$2,493 million for the six months ended 30 June 2017, representing 21.9% and 10.7% growth respectively. Basic earnings per share was HK55.56 cents, representing an increase of 0.4% as compared with the same period of last year.

The Board declared an interim dividend of HK15.00 cents per share, the dividend payout ratio will be approximately 27.0%.

As at 30 June 2017, the equity attributable to the owners of the Company reached HK\$28,217 million, representing an increase of 10.9% as compared to 31 December 2016.

## SEGMENT RESULT

### Construction and related business — Hong Kong

Hong Kong segment's order book remain strong, it continued to provide stable performance and cash flow to the Group. Revenue derived from Hong Kong segment amounted to HK\$8,434 million during the period under review, compared with HK\$7,206 million for the corresponding period of 2016. Segment result amounted to HK\$403 million, compared with HK\$384 million for the same period of last year.

### Construction and related business — Macau

Despite the overall construction market in Macau shrank, the Group managed to deliver similar level of revenue as last corresponding period, amounting to HK\$4,221 million. With the continuous improvement in cost control through effective project management, the overall result increased significantly to HK\$469 million.

## Management Discussion and Analysis (continued)

### SEGMENT RESULT (CONTINUED)

#### Infrastructure Investment Projects and Construction Related Businesses — Mainland China

To further capture the growing investment in infrastructure project by PRC government, the Group actively increase its investment in Mainland China, in particular, the Public-Private-Partnership (“PPP”) project. In the first half of the year, the Group secured a number of large size PPP projects, thanks to our sound project execution and risk control and good cost controls. Following the growth momentum since last year, this segment recorded notable increase in both of revenue and result to HK\$9,456 million and HK\$1,903 million, representing a growth of 43.5% and 53.2% year-on-year.

#### Infrastructure Investment Projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and college. We mainly participated in these infrastructure projects by way of PPP model.

With the kick off of several mega size toll road and municipal infrastructure projects during the period, the result of infrastructure investment sector have been boosted, reported total revenue and result of HK\$8,740 million and HK\$1,776 million, compared with HK\$5,897 million and HK\$1,198 million respectively for the corresponding period in 2016.

#### Operating Infrastructure Projects

The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, excluding contribution from joint venture, this sector recorded revenue of HK\$421 million, which was close to the HK\$434 million for the corresponding period in last year.

## Management Discussion and Analysis (continued)

### SEGMENT RESULT (CONTINUED)

#### Facade Contracting — Far East Global Group Limited (“FEG”)

FEG focused on the facade contracting business, general contracting business and new business expansion. FEG continues to improve on operating efficiency and enhance core competitiveness, it reported satisfactory performance for the period under review.

#### Investment Income, Other Income and Other Gains, net

The Group recognised fair value gain of HK\$401 million on the revaluation of its investment properties, as the amount of revaluation is less than that of last corresponding period, the investment income, other income and other gains, net fell 51.6% to HK\$527 million.

#### Share of Profits of Joint Ventures

The Group mainly operates toll bridge and infrastructure investment projects in form of joint ventures. The share of profits of joint ventures have recorded notable growth to HK\$416 million, as more PPP project was operated in form of joint ventures.

### CORPORATE FINANCE

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders’ equity reached HK\$28,217 million as at 30 June 2017 (31 December 2016: HK\$25,448 million). The increase was mainly attributable to the profit for the period of HK\$2,493 million and HK\$1,077 million decrease in translation reserve (loss) due to the appreciation of RMB during the period.

## Management Discussion and Analysis (continued)

### CORPORATE FINANCE (CONTINUED)

#### Financial position of the Group

##### (a) Bank Balances and Cash

At 30 June 2017, the Group had bank balances and cash of HK\$11,211 million (31 December 2016: HK\$11,485 million), representing approximately 11.5% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	30 June 2017	31 December 2016
	%	%
Hong Kong Dollars	41	26
Renminbi	41	51
Macao Patacas	17	21
Others	1	2

The bank deposits outside Hong Kong are mainly for subsidiaries in various regions. During the period, the Group has no financial instrument for currency hedging purpose.

##### (b) Borrowings

The Group continued to strengthen the management of financing and capital operation. Focusing on cash flow management of projects and prudent wealth management. Capital management was further centralised and flexible use of funds between Mainland China and Hong Kong in order to enhance the effectiveness of capital usage and cost-efficiency.

During the period, the Group has net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of approximately HK\$6,297 million.

## Management Discussion and Analysis (continued)

### CORPORATE FINANCE (CONTINUED)

Financial position of the Group (continued)

#### (b) Borrowings (continued)

At 30 June 2017, the total borrowings of the Group (including the guaranteed notes denominated in US dollars issued by the Group in April 2013) were HK\$27,745 million of which, approximately 53.0% and 45.4% of the bank borrowing were denominated in Hong Kong dollars and Renminbi respectively. Bank borrowings were mainly bearing interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate (“HIBOR”) or People’s Bank of China (“PBOC”) reference rate (overall the condition is favorable) while the Notes bear fixed interest rate.

The following table sets out the maturities of the Group’s total borrowings as at 30 June 2017 and 31 December 2016:

	30 June 2017 HK\$' million	31 December 2016 HK\$' million
<b>Bank and other borrowings</b>		
On demand or within one year	1,296	1,456
More than one year but not exceeding two years	2,203	3,944
More than two years but not more than five years	13,726	9,968
More than five years	6,626	1,937
Total bank and other borrowings	23,851	17,305
Guaranteed notes payable	3,894	3,889
Total borrowings	27,745	21,194

## Management Discussion and Analysis (continued)

### CORPORATE FINANCE (CONTINUED)

Financial position of the Group (continued)

#### (b) Borrowings (continued)

At 30 June 2017, the Group had net borrowings of HK\$16,534 million (31 December 2016: HK\$9,709 million) and the Group's net gearing ratio was approximately 58.0% (31 December 2016: 37.8%). The increase was mainly attributable to the significant investment in PPP projects in PRC during the period, given the longer construction period and larger working capital need, but in return with higher margin. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 30 June 2017, committed but unutilised credit facilities and other facilities like construction performance bond facilities amounted to HK\$26,446 million.

### Major Business Development

The Group actively searches for valuable construction and investment projects in order to strengthen its presence in each major segment and enhance the value of the Company. During the period under review, the Group has achieved the following significant milestones in business expansion:

- (i) The Group was awarded numerous investment and construction project of municipal infrastructure, Industrial Park and Technology City by way of PPP model in different regions, Hubei, Anhui and Shanxi Province. The aggregate attributable contract value of the Group amounts to HK\$6,630 million.
- (ii) In January 2017, the Group was awarded an investment and construction project of expressway in Guizhou Province by way of joint venture with attributable contract value of the Group amounts to HK\$9,230 million.



## Management Discussion and Analysis (continued)

### CORPORATE FINANCE (CONTINUED)

#### Major Business Development (continued)

- (iii) The Group was awarded several relocation housing, science city and infrastructure projects in different regions, Sichuan, Anhui, Shandong, Jiangsu and Guizhou Province with aggregate attributable contract value amounts to HK\$15,990 million.
  
- (iv) In June 2017, the Group was awarded an investment and construction project of commercial building, office building, hotel, apartment and parking lot in Guangdong Province with attributable contract value of the Group amounts to HK\$1,490 million.

#### Financial Risk Factors and Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

There has been neither any change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December 2016 ("2016 annual report"), and should be read in conjunction with the relevant disclosures in the 2016 annual report.

During the period under review, the group continued to step up its efforts in risk management and control. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

## Unaudited Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	6	<b>22,966,135</b>	18,845,053
Costs of sales		<b>(19,712,731)</b>	(16,537,621)
Gross profit		<b>3,253,404</b>	2,307,432
Investment income, other income and other gains, net	8	<b>527,436</b>	1,089,615
Administrative, selling and other operating expenses		<b>(664,408)</b>	(645,732)
Share of profits of Joint ventures		<b>416,360</b>	239,963
Associates		<b>85,309</b>	9,197
Finance costs	9	<b>(442,166)</b>	(323,952)
Profit before tax	10	<b>3,175,935</b>	2,676,523
Income tax expenses, net	11	<b>(641,400)</b>	(433,028)
Profit for the period		<b>2,534,535</b>	2,243,495
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>2,493,401</b>	2,253,309
Non-controlling interests		<b>41,134</b>	(9,814)
		<b>2,534,535</b>	2,243,495
Earnings per share (HK cents)	13		
Basic		<b>55.56</b>	55.32
Diluted		<b>55.56</b>	55.32

## Unaudited Condensed Consolidated Statement of Comprehensive Income

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<b>2,534,535</b>	2,243,495
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit and loss</i>		
Gain on fair value changes of available-for-sale investments, net of tax	<b>3,571</b>	7,179
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	—	(1,124)
Exchange differences on translation of the Company and its subsidiaries	<b>891,328</b>	(674,568)
Exchange differences on translation of joint ventures	<b>176,987</b>	(93,980)
Exchange differences on translation of associates	<b>16,684</b>	(11,078)
Other comprehensive income/(loss) for the period, net of tax	<b>1,088,570</b>	(773,571)
Total comprehensive income for the period, net of tax	<b>3,623,105</b>	1,469,924
Total comprehensive income/(loss) attributable to:		
Owners of the Company	<b>3,573,846</b>	1,474,018
Non-controlling interests	<b>49,259</b>	(4,094)
	<b>3,623,105</b>	1,469,924

## Condensed Consolidated Statement of Financial Position

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	14	3,305,439	2,493,761
Investment properties		4,754,123	4,249,520
Interests in infrastructure project investments		2,681,936	1,495,041
Prepaid lease payments		379,616	315,097
Interests in joint ventures		8,248,168	4,949,241
Interests in associates		4,397,742	4,070,378
Concession operating rights		5,293,572	5,234,340
Deferred tax assets		223,696	225,006
Trademark, project backlogs and licenses		336,424	175,190
Goodwill		577,664	577,664
Available-for-sale investments		232,054	228,370
Amounts due from investee companies		200,440	196,818
Trade and other receivables	15	20,956,791	21,820,299
		<b>51,587,665</b>	<b>46,030,725</b>
<b>Current Assets</b>			
Interests in infrastructure project investments		38,786	37,041
Inventories		168,126	131,365
Properties held for sale		414,274	414,209
Amounts due from customers for contract work		12,590,492	6,485,536
Trade and other receivables	15	18,320,909	17,643,865
Deposits and prepayments		472,994	428,612
Loans to joint ventures		611,029	628,816
Amounts due from joint ventures		2,086,759	2,847,361
Tax recoverable		68,882	42,263
Bank balances and cash		11,210,638	11,484,652
		<b>45,982,889</b>	<b>40,143,720</b>

## Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<b>Current Liabilities</b>			
Amounts due to customers for contract work		6,079,252	5,304,671
Trade payables, other payables and accruals	16	28,817,594	29,000,144
Deposits received and advances from customers		1,030,135	827,167
Amounts due to joint ventures		622,493	735,030
Current tax payables		2,833,929	2,392,708
Dividend payables		807,865	—
Borrowings		1,295,524	1,455,620
Guaranteed notes payables		3,893,533	—
Obligations under finance leases		676	774
		<b>45,381,001</b>	39,716,114
<b>Net Current Assets</b>			
		<b>601,888</b>	427,606
<b>Total Assets less Current Liabilities</b>			
		<b>52,189,553</b>	46,458,331
<b>Capital and Reserves</b>			
Share capital	17	112,203	112,203
Share premium and reserves		28,104,988	25,335,755
Equity attributable to owners of the Company		28,217,191	25,447,958
Non-controlling interests		282,045	222,360
		<b>28,499,236</b>	25,670,318
<b>Non-current Liabilities</b>			
Borrowings		22,555,901	15,849,056
Guaranteed notes payables		—	3,888,839
Deferred income		730,078	699,088
Deferred tax liabilities		402,438	348,891
Obligations under finance leases		1,900	2,139
		<b>23,690,317</b>	20,788,013
		<b>52,189,553</b>	46,458,331

## Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained Profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 17)		(note a)	(note b)			(note c)				
At 1 January 2016	101,408	9,447,984	(2,460,221)	337	46,197	(548,194)	263,484	16,333,659	23,184,554	100,262	23,284,816
Profit/(loss) for the period	—	—	—	—	—	—	—	2,253,309	2,253,309	(9,814)	2,243,495
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	—	—	—	—	(940)	—	—	—	(940)	(184)	(1,124)
Gain on fair value changes of available-for-sale investments, net of tax	—	—	—	—	7,065	—	—	—	7,065	114	7,179
Exchange differences on translation of the Company and its subsidiaries	—	—	—	—	—	(680,358)	—	—	(680,358)	5,790	(674,568)
Exchange differences on translation of joint ventures	—	—	—	—	—	(93,980)	—	—	(93,980)	—	(93,980)
Exchange differences on translation of associates	—	—	—	—	—	(11,078)	—	—	(11,078)	—	(11,078)
Total comprehensive income/(loss) for the period	—	—	—	—	6,125	(785,416)	—	2,253,309	1,474,018	(4,094)	1,469,924
Issue of ordinary shares	10,795	4,799,129	—	—	—	—	—	—	4,809,924	—	4,809,924
Contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	9,337	9,337
Acquisition of subsidiaries under merger accounting	—	—	(3,908,554)	—	—	—	—	—	(3,908,554)	—	(3,908,554)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(3,370)	(3,370)
2015 final dividend declared	—	—	—	—	—	—	—	(730,137)	(730,137)	—	(730,137)
At 30 June 2016	112,203	14,247,113	(6,368,775)	337	52,322	(1,333,610)	263,484	17,856,731	24,829,805	102,135	24,931,940

## Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained Profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(note 17)		(note a)	(note b)			(note c)					
At 1 January 2017	112,203	14,247,148	(6,602,497)	337	50,358	(2,683,342)	283,813	20,039,938	25,447,958	222,360	25,670,318	
Profit for the period	-	-	-	-	-	-	-	2,493,401	2,493,401	41,134	2,534,535	
Gain on fair value changes of available-for-sale investments, net of tax	-	-	-	-	3,571	-	-	-	3,571	-	3,571	
Exchange differences on translation of the Company and its subsidiaries	-	-	-	-	-	883,203	-	-	883,203	8,125	891,328	
Exchange differences on translation of joint ventures	-	-	-	-	-	176,987	-	-	176,987	-	176,987	
Exchange differences on translation of associates	-	-	-	-	-	16,684	-	-	16,684	-	16,684	
Total comprehensive income for the period	-	-	-	-	3,571	1,076,874	-	2,493,401	3,573,846	49,259	3,623,105	
Capital contribution relating to share-based payment borne by an intermediate holding company	-	-	3,291	-	-	-	-	-	3,291	-	3,291	
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	14,899	14,899	
Acquisition of additional interest of subsidiaries	-	-	(39)	-	-	-	-	-	(39)	-	(39)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,473)	(4,473)	
2016 final dividend declared	-	-	-	-	-	-	-	(807,865)	(807,865)	-	(807,865)	
At 30 June 2017	112,203	14,247,148	(6,599,245)	337	53,929	(1,606,468)	283,813	21,725,474	28,217,191	282,045	28,499,236	

## Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

### Notes:

- (a) Special reserve arose from:
- (i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司, China Overseas Technology Holdings Limited and its subsidiaries and China Overseas Ports Investment Company Limited and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.
  - (ii) During 2012, the Group obtained control over Far East Global Group Limited ("FEG") which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of FEG at a price of HK\$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in FEG was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK\$34 million, representing the difference between the cash consideration received for the disposal of partial interest in FEG of approximately HK\$57 million and carrying amount of the attributable share of net assets of FEG of approximately HK\$23 million, was credited to the special reserve.
  - (iii) During 2016, the FEG Group further acquired 38.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK\$229,666,000 has been transferred from non-controlling interests to special reserve in equity.
- (b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of the ordinary shares repurchased.
- (c) Statutory reserve of the Group represents a general and development fund reserves applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.



## Unaudited Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/generated from operating activities	<b>(2,089,048)</b>	2,090,944
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(858,595)</b>	(60,533)
Acquisition of investment properties	<b>(17,321)</b>	—
Acquisition of subsidiaries	<b>(138,800)</b>	(2,405,263)
Capital investment in joint ventures	<b>(2,967,536)</b>	(525,620)
(Advances to)/repayment from joint ventures	<b>(157,934)</b>	80,524
Repayment of loans to joint ventures	<b>25,581</b>	645,493
Dividends received from joint ventures	<b>145,617</b>	68,299
Increase in interests in associates	<b>(251,749)</b>	(429,199)
Dividends received from associates	<b>9,450</b>	22,867
Interests received	<b>60,383</b>	22,688
Repayment from investee companies	—	91,814
Other investing cash flows	<b>(27,445)</b>	44,865
Net cash used in investing activities	<b>(4,178,349)</b>	(2,444,065)
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	<b>7,155,190</b>	2,548,372
Repayment of bank loans	<b>(858,598)</b>	(473,773)
Proceeds from the issue of ordinary share, net	—	4,809,924
Finance costs paid and other financing cash flows	<b>(425,448)</b>	(317,580)
Net cash from financing activities	<b>5,871,144</b>	6,566,943

## Unaudited Condensed Consolidated Statement of Cash Flows (continued)

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
(Decrease)/increase in cash and cash equivalents	<b>(396,253)</b>	6,213,822
Cash and cash equivalents at the beginning of the period	<b>11,484,194</b>	8,025,910
Effect of foreign exchange rate changes	<b>122,245</b>	(144,304)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>11,210,186</b>	14,095,428
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENT</b>		
Bank balances and cash	<b>11,210,638</b>	14,095,883
Less: Pledged bank deposits and deposits with financial institutions	<b>(452)</b>	(455)
	<b>11,210,186</b>	14,095,428

Note: As the Group has undertaken a number of large-scale PPP projects in current period, these projects are in a net investment period, the net expenditure (i.e. the difference between the cash generated from and used in the construction of infrastructure projects) of this sector reached HK\$3,200 million (2016: net inflow HK\$1,512 million), overall net cash outflow from operating activities was HK\$2,089 million (2016: Net cash inflow HK\$2,091 million).

# Notes to the Condensed Financial Statements

## 1. GENERAL INFORMATION

The principal activities of China State Construction International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contraction business.

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited (“COHL”) (incorporated in Hong Kong) and its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited (“CSCECL”), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation (“CSCEC”), respectively, both of which are established in the People’s Republic of China (“PRC”) and controlled by the PRC Government. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the interim report.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values.

## Notes to the Condensed Financial Statements (continued)

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS AND INTERPRETATION

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 2016 except for the adoption of amendments to HKAS effective for the financial year ending 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to HKAS issued by the HKICPA which are relevant to the Group:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income taxes

The application of the above amendments to new HKAS in the current period has had no material impact on the Group's results and financial position.

## Notes to the Condensed Financial Statements (continued)

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS AND INTERPRETATION (CONTINUED)

The Group has not early applied the following new standards, amendments and improvements to existing standards and interpretation that have been issued but are not yet effective.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Annual Improvements Project	Annual Improvements 2014–2016 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The mandatory effective date will be determined

## Notes to the Condensed Financial Statements (continued)

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS AND INTERPRETATION (CONTINUED)

The Group will adopt the above new standards, amendments and improvements to existing standards and interpretation as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

#### HKFRS 15, “Revenue from Contracts with Customers”

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group’s financial statements.

#### HKFRS 16, “Leases”

HKFRS 16 will affect primarily the accounting for Group’s operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

## Notes to the Condensed Financial Statements (continued)

### 4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

### 5. FINANCIAL RISK MANAGEMENT ESTIMATES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

There has been no change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December 2016 ("2016 Annual Report"), and should be read in conjunction with the relevant disclosures in the 2016 Annual Report.

During the period under review, the Group continued to step up its efforts in risk management and control. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

## Notes to the Condensed Financial Statements (continued)

### 6. REVENUE

Revenue represents the revenue arising from construction contracts, infrastructure investment projects, facade contracting business, infrastructure operation, project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

An analysis of the revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Revenue from construction contracts	<b>12,621,460</b>	11,352,252
Revenue from infrastructure investments projects (note (a))	<b>8,739,934</b>	5,896,534
Revenue from facade contracting business	<b>855,453</b>	887,073
Revenue from infrastructure operation (note (b))	<b>420,914</b>	433,655
Others (note (c))	<b>328,374</b>	275,539
	<b>22,966,135</b>	18,845,053

Notes:

- (a) Revenue from infrastructure investment projects comprise of revenue generated from the provision of construction services under PPP model, including previously known as "Build-transfer" and "Build-operation-transfer" model and the corresponding interest income.
- (b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.



## Notes to the Condensed Financial Statements (continued)

### 7. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates and India) for the period ended 30 June 2017 and 2016.

Far East Global Group Limited, a limited liability company, incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together, the "FEG Group"), is currently managed by a separate business team. The chief operating decision maker regards the FEG Group as a distinct reportable segment and assesses its performance based on its overall result.

## Notes to the Condensed Financial Statements (continued)

### 7. SEGMENTAL INFORMATION (CONTINUED)

Segment revenue and results for the six months ended 30 June 2017 and 2016 are as follows:

	Segment revenue		Gross profit/(loss)		Segment result	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment						
Mainland China	<b>9,455,686</b>	6,590,392	<b>2,136,689</b>	1,460,447	<b>1,902,715</b>	1,242,071
Hong Kong and Macau						
Macau	<b>12,654,996</b>	11,367,588	<b>899,035</b>	723,305	<b>871,636</b>	646,769
Hong Kong	<b>8,433,989</b>	7,206,277	<b>443,372</b>	421,923	<b>402,516</b>	384,460
Macau	<b>4,221,007</b>	4,161,311	<b>455,663</b>	301,382	<b>469,120</b>	262,309
Overseas	—	—	—	(9,979)	<b>(1,814)</b>	(19,267)
FEG Group	<b>855,453</b>	887,073	<b>217,680</b>	133,659	<b>128,215</b>	53,002
	<b>22,966,135</b>	18,845,053	<b>3,253,404</b>	2,307,432	<b>2,900,752</b>	1,922,575
Share of revenue/results of joint ventures	<b>2,461,251</b>	1,423,928			<b>416,360</b>	239,963
Total	<b>25,427,386</b>	20,268,981			<b>3,317,112</b>	2,162,538
Unallocated corporate expenses					<b>(185,320)</b>	(124,060)
Unallocated corporate income					<b>401,000</b>	952,800
Share of profits of associates					<b>85,309</b>	9,197
Finance costs					<b>(442,166)</b>	(323,952)
Profit before tax					<b>3,175,935</b>	2,676,523

## Notes to the Condensed Financial Statements (continued)

### 8. INVESTMENT INCOME, OTHER INCOME AND OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Bank deposits	<b>36,816</b>	19,920
Debt securities	<b>2,768</b>	2,768
Imputed interest on amounts due from investee companies	<b>3,622</b>	3,387
Loans to joint ventures	<b>9,718</b>	36,199
Loan to an associate	<b>17,348</b>	—
Dividend income from:		
Unlisted available-for-sale investments	<b>17,231</b>	25,194
Gain on disposal of:		
Listed available-for-sale investments	—	1,124
Property, plant and equipment, net	<b>2,405</b>	18,577
Properties held for sale	—	9,434
Gain on fair value changes of investment properties	<b>401,000</b>	1,182,800
Impairment loss on concession operating rights	—	(230,000)
Service income	<b>11,158</b>	9,766
Others	<b>25,370</b>	10,446
	<b>527,436</b>	1,089,615

## Notes to the Condensed Financial Statements (continued)

### 9. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>311,991</b>	171,506
Interest on bank loan not wholly repayable within five years	<b>46,064</b>	55,643
Interest on amounts due to fellow subsidiaries	—	11,799
Interest on guaranteed notes payables wholly repayable within five years	<b>64,796</b>	66,022
Finance lease charges	<b>95</b>	257
Others	<b>19,220</b>	21,224
<b>Total finance costs</b>	<b>442,166</b>	326,451
Less: Amounts capitalised in construction in progress	—	(2,499)
	<b>442,166</b>	323,952

## Notes to the Condensed Financial Statements (continued)

### 10. PROFIT BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>64,163</b>	68,278
Amortisation of prepaid lease payments	<b>3,454</b>	4,320
Amortisation of concession operating rights	<b>101,124</b>	111,755
Amortisation of trademark, project backlogs and licences	<b>8,765</b>	5,418

## Notes to the Condensed Financial Statements (continued)

### 11. INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current tax:		
Hong Kong	86,957	62,299
Other jurisdictions	555,230	430,530
	<b>642,187</b>	492,829
Under/(over)provision in prior years:		
Hong Kong	3,899	(556)
Other jurisdictions	(966)	(37)
	<b>2,933</b>	(593)
Deferred tax, net	<b>(3,720)</b>	(59,208)
Income tax expenses for the period, net	<b>641,400</b>	433,028

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

## Notes to the Condensed Financial Statements (continued)

### 12. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period	<b>807,865</b>	730,137

In July 2017, the Company distributed 2016 final dividends of HK18.00 cents per share (2016: HK18.00 cents per share) amounting to approximately HK\$807,865,000 (2016: HK\$730,137,000).

The Board declared the payment of an interim dividend of 2017 of HK15.00 cents per share (2016: interim dividend of HK15.00 cents per share).

## Notes to the Condensed Financial Statements (continued)

### 13. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000

#### **Earnings**

Earnings for the purposes of basic and diluted earnings per share	<b>2,493,401</b>	2,253,309
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	<b>2017</b>	2016
	<b>'000</b>	'000

#### **Number of shares**

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>4,488,139</b>	4,072,923
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### 14. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$858,595,000 (corresponding period in 2016: HK\$60,533,000) on the additions to property, plant and equipment.



## Notes to the Condensed Financial Statements (continued)

### 15. TRADE AND OTHER RECEIVABLES

The analysis of trade and other receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice date or the terms of the related contracts, is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	<b>5,907,560</b>	7,575,653
31-90 days	<b>2,945,269</b>	2,946,561
Over 90 days	<b>25,166,533</b>	24,173,990
	<b>34,019,362</b>	34,696,204
Retention receivables	<b>3,762,099</b>	3,372,108
Other receivables	<b>1,496,239</b>	1,395,852
Trade and other receivables	<b>39,277,700</b>	39,464,164
Current Portion	<b>(18,320,909)</b>	(17,643,865)
Non-current portion (Note)	<b>20,956,791</b>	21,820,299

Note: The balances of the non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Most of the balances are secured by certain assets from employers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from the second half of 2018 to 2022, with approximately HK\$5,403,370,000 in the second half of 2018, HK\$8,613,931,000 in 2019, HK\$5,084,979,000 in 2020, HK\$1,854,511,000 in 2021 to 2022. As a result, they are classified as non-current.

Included in the receivables aged over 90 days were receivables attributable to the infrastructure investment projects amounting to HK\$24,556,980,000 (31 December 2016: HK\$23,778,470,000).

## Notes to the Condensed Financial Statements (continued)

### 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 30 June 2017, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$1,980,193,000 (31 December 2016: HK\$1,779,561,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2016: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability periods of construction.

### 16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade payables, aged:		
0–30 days	<b>9,754,682</b>	10,822,619
31–90 days	<b>2,965,434</b>	5,113,422
Over 90 days	<b>4,743,884</b>	3,467,700
	<b>17,464,000</b>	19,403,741
Retention payables	<b>8,492,284</b>	7,181,098
Other payables and accruals	<b>2,861,310</b>	2,415,305
	<b>28,817,594</b>	29,000,144

## Notes to the Condensed Financial Statements (continued)

### 16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables included in the other payables and accruals amounted to approximately HK\$2,806,027,000 (31 December 2016: HK\$2,361,694,000), which comprise primarily staff cost, other tax and other operating expenses payables.

The average credit period on trade and construction cost payables is 60 days (2016: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame. At 30 June 2017, the amount of retention payables expected to be due after more than one year was approximately HK\$5,366,795,000 (31 December 2016: HK\$2,469,872,000).

### 17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.025 each as at 30 June 2016 and 30 June 2017	60,000,000,000	1,500,000
<b>Issued and paid up:</b>		
Balance at 1 January 2016	4,056,314,622	101,408
Issue of ordinary shares (Note)	431,824,639	10,795
Balance at 30 June 2016, 31 December 2016 and 30 June 2017	4,488,139,261	112,203

Note: In June 2016, the Company issued 431,824,639 shares of the Company to COHL at HK\$11.14 per share. The ordinary shares issued rank pari passu as the other shares in issue.

## Notes to the Condensed Financial Statements (continued)

### 18. COMMITMENTS

At 30 June 2017 and 31 December 2016, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Contracted but not provided for — construction in progress for property, plant and equipment	<b>180,042</b>	31,636

## Notes to the Condensed Financial Statements (continued)

### 19. RELATED PARTY TRANSACTIONS

- (a) The Group had the following significant transactions with its intermediate holding company, fellow subsidiaries, associate and joint ventures during the period under review as follows:

Transactions	Six months end 30 June	
	2017 HK\$'000	2016 HK\$'000
Intermediate holding company		
Revenue from construction contracts	<b>86,855</b>	14,731
Fellow subsidiaries		
Rental income	<b>1,850</b>	5,492
Security service payment	<b>5,580</b>	9,859
Revenue from construction contracts	<b>867,026</b>	513,529
Project consultancy service income	<b>32,431</b>	3,658
Insurance premium income	<b>607</b>	161
Construction costs	<b>3,307,621</b>	2,038,548
Management fee paid	—	10,897
Interest expenses	—	11,799

## Notes to the Condensed Financial Statements (continued)

### 19. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Transactions	Six months end 30 June	
	2017 HK\$'000	2016 HK\$'000
Associates		
Purchase of construction materials	133,018	236,194
Revenue from construction contracts	948,464	280,499
Interest income	17,348	—
Joint ventures		
Revenue from construction contracts	1,596,671	982,705
Rental income from lease of machinery	2,289	2,124
Purchase of materials	23,927	39,354
Sales of building materials	29,392	27,722
Insurance premium income	10,124	1,699
Construction costs	336,575	346,671
Management fee income	13,361	—
Interest income	9,718	—

## Notes to the Condensed Financial Statements (continued)

### 19. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with Other State-Controlled Entities in Mainland China

Certain of the Group's business are operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government.

Apart from transactions with its intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

Certain of the Company's subsidiaries had entered into various transactions with state-controlled entities, including general banking facilities transactions with certain banks and financial institutions which are state-controlled entities, in their ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

## Other Information

### INTERIM DIVIDEND

The Board declared an interim dividend of HK15.00 cents per share (2016: HK15.00 cents per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The interim dividend will be payable on Tuesday, 3 October 2017.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Tuesday, 19 September 2017, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 18 September 2017.

### SHARE CAPITAL

The Company's total issued share capital as at 30 June 2017 was 4,488,139,261 ordinary shares of HK\$0.025 each ("Shares").



## Other Information (continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows.

As at 30 June 2017, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,233,027; 4,000,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 813,569 and 913,569 shares of the Company respectively. All the shares held by the directors are in long positions and in the capacity of beneficial owners.

As at 30 June 2017, Mr. Hung Cheung Shew held 7,095 shares in China Overseas Land & Investment Limited (an associated corporation of the Company); 30,000 shares in Far East Global Group Limited ("FEG", a non-wholly owned subsidiary of the Company); and 2,365 shares in China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the director are in long positions and in the capacity of beneficial owner.

## Other Information (continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

As at 30 June 2017, Mr. Pan Shujie held 400,000 shares in FEG. All the shares held by the director are in long positions and in the capacity of beneficial owner.

As at 30 June 2017, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie and Mr. Wu Mingqing held 255,000; 210,000; 210,000; 210,000; and 210,000 shares in China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company). All the shares held by the directors are in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30 June 2017 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, at no time during the six months ended 30 June 2017, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Other Information (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions of substantial shareholders in the shares of the Company

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>% of shares in issue<sup>1</sup></b>
China Overseas Holdings Limited <sup>2</sup> ("COHL")	Beneficial owner	2,825,854,041	62.96
China State Construction Engineering Corporation Limited <sup>3</sup> ("CSCECL")	Interest of a controlled corporation/beneficial owner	2,825,854,041	62.96
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/beneficial owner	2,825,854,041	62.96

## Other Information (continued)

### SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2017 (i.e. 4,488,139,261 ordinary shares).
2. Amongst the total number of 2,825,854,041 Shares held by COHL, 2,723,091,690 Shares was held as beneficial owner while the balance of 102,762,351 Shares was interests of controlled corporations.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 2,825,854,041 Shares owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,825,854,041 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 30 June 2017, there was no other person (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Other Information (continued)

### CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the deviation as specified and explained below with considered reason for such deviation:

Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong has acted as Executive Director, Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group's business. If the positions occupied by unqualified persons, the Group's performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

### DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a model code for securities transactions by directors and relevant employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the six months ended 30 June 2017.

## Other Information (continued)

### REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

### DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2017, the Group's financial assistance to certain affiliated companies exceeded the assets rate to 8 per cent. A combined balance sheet of the affiliated companies as at 30 June 2017 is set out below:

	HK\$'000
Non-current assets	4,577,326
Current assets	16,000,371
Non-current liabilities	(3,931,662)
Current liabilities	(9,701,312)
Net assets	6,944,723
Reserves	(6,145,953)
Total equity	(6,944,723)

As at 30 June 2017, the Group shared the retained profits of these affiliated companies amounted to approximately HK\$145 million.

### CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2016 Annual report are set out below:

Mr. Adrian David Li Man Kiu JP

- Appointed as a board member of The Community Chest of Hong Kong.

Dr. Raymond Leung Hai Ming

- Retired as an Independent Non-executive Director of Elec & Eltek International Company Limited.



## 中國建築國際集團有限公司

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