

China State Construction International Holdings Limited

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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 2020, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	Unaudited		Change %
	Six months ended 30 June 2020	2019	
RESULTS (HK\$'000)			
Revenue	28,002,101	27,542,500	1.7
Gross profit	5,068,008	4,352,163	16.4
Gross profit margin	18.1%	15.8%	14.6
Profit attributable to owners of the Company	2,897,500	2,861,645	1.3
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	57.39	56.68	1.3
Net assets (HK\$)	10.36	9.01	15.0

INTERIM DIVIDEND

The Board declared an interim dividend of HK17.00 cents per share.

BANK BALANCES AND CASH

As at 30 June 2020, the Group had bank balances and cash of HK\$23,534 million.

China State Construction International Holdings Limited

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 2020 together with the unaudited comparative figures for the corresponding period ended 30 June 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	28,002,101	27,542,500
Costs of sales		(22,934,093)	(23,190,337)
Gross profit		5,068,008	4,352,163
Investment income, other income and other gains, net	5	371,986	315,908
Administrative, selling and other operating expenses		(789,088)	(770,652)
Share of profits of			
Joint ventures		112,162	320,195
Associates		529,875	608,291
Finance costs		(1,344,173)	(1,104,213)
Profit before tax	6	3,948,770	3,721,692
Income tax expenses, net	7	(801,344)	(706,924)
Profit for the period		3,147,426	3,014,768
Profit for the period attributable to:			
Owners of the Company		2,897,500	2,861,645
Holders of perpetual capital securities		202,400	124,095
Non-controlling interests		47,526	29,028
		3,147,426	3,014,768
Earnings per share (HK cents)	9		
Basic		57.39	56.68
Diluted		57.39	56.68

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2020 HK\$'000	2019 <u>HK\$'000</u>
Profit for the period	3,147,426	<u>3,014,768</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to consolidated income statement</i>		
(Loss)/gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(10,621)	16,955
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	-	5,506
Exchange differences on translation of subsidiaries	(547,837)	(12,608)
Exchange differences on translation of joint ventures	(281,938)	(4,971)
Exchange differences on translation of associates	(12,387)	(135)
<i>Items that may not be reclassified to consolidated income statement</i>		
Gain on fair value change of equity securities at fair value through other comprehensive income, net of tax	-	492
Other comprehensive (loss)/income for the period, net of tax	(852,783)	<u>5,239</u>
Total comprehensive income for the period, net of tax	2,294,643	<u>3,020,007</u>
Total comprehensive income attributable to:		
Owners of the Company	2,077,811	2,865,541
Holders of perpetual capital securities	202,400	124,095
Non-controlling interests	14,432	30,371
	2,294,643	<u>3,020,007</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		4,866,627	4,726,378
Investment properties		4,836,467	5,067,333
Interests in infrastructure project investments		4,833,397	4,747,131
Interests in joint ventures		15,357,472	14,012,737
Interests in associates		6,229,678	6,300,683
Concession operating rights		3,682,082	3,837,846
Deferred tax assets		183,391	157,833
Trademark, project backlogs and licenses		277,519	289,117
Goodwill		577,664	577,664
Financial assets at fair value through other comprehensive income		647,662	658,355
Amounts due from investee companies		211,806	211,806
Trade and other receivables	10	43,619,029	44,317,072
Loans to joint ventures		1,019,601	1,020,307
		86,342,395	85,924,262
Current Assets			
Interests in infrastructure project investments		54,549	52,053
Inventories		298,417	259,811
Properties under development		2,183,216	1,810,383
Properties held for sale		1,772,947	1,716,919
Contract assets		15,014,595	12,115,947
Trade and other receivables	10	31,658,414	30,601,279
Deposits and prepayments		1,006,677	500,604
Loans to joint ventures		319,517	327,883
Amounts due from joint ventures		6,259,353	5,105,117
Amounts due from associates		298,321	373,897
Tax recoverable		26,797	12,127
Bank balances and cash		23,533,659	22,623,621
		82,426,462	75,499,641

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Current Liabilities			
Contract liabilities		7,226,423	7,830,567
Trade payables, other payables and accruals	11	41,721,880	44,699,248
Deposits received		38,930	34,352
Amounts due to joint ventures		1,932,645	1,353,803
Amounts due to associates		86	86
Current tax payables		4,696,776	4,781,892
Dividend payables		807,865	-
Borrowings	12	8,579,557	10,040,968
Loans from fellow subsidiaries		3,045,669	2,340,000
Lease liabilities		30,146	24,854
		68,079,977	71,105,770
Net Current Assets		14,346,485	4,393,871
Total Assets less Current Liabilities		100,688,880	90,318,133
Capital and Reserves			
Share capital		126,229	126,229
Share premium and reserves		43,297,074	42,021,941
Equity attributable to owners of the Company		43,423,303	42,148,170
Perpetual capital securities		7,789,362	7,781,962
Non-controlling interests		1,099,697	977,433
		52,312,362	50,907,565
Non-current Liabilities			
Borrowings	12	38,426,799	29,347,618
Guaranteed notes payables		6,218,657	6,216,049
Contract liabilities		641,952	688,210
Deferred tax liabilities		400,085	403,675
Loan from a joint venture		2,657,807	2,711,864
Lease liabilities		31,218	43,152
		48,376,518	39,410,568
		100,688,880	90,318,133

NOTES:

(1) BASIS OF PREPARATION

The interim condensed consolidated financial information has 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 interim condensed financial information has been prepared on the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

(2) APPLICATION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported and disclosures set out in the interim condensed consolidated financial information.

(3) REVENUE

Revenue represents the revenue arising from construction contracts, infrastructure investment projects, façade 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from construction contracts	12,184,372	12,433,320
Revenue from infrastructure investment projects (note (a))	13,826,687	12,872,306
Revenue from façade contracting business	1,267,187	1,441,775
Revenue from infrastructure operation (note (b))	366,460	412,213
Others (note (c))	357,395	382,886
	28,002,101	27,542,500

(3) REVENUE (continued)

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue from contract with customers (note (d))		
Timing of revenue recognition		
- Over time	25,785,351	26,004,859
- At a point in time	159,482	237,792
	25,944,833	26,242,651
Revenue from other sources		
- Interest income generated from infrastructure investment projects	1,947,835	1,215,984
- Others (note (e))	109,433	83,865
	2,057,268	1,299,849
	28,002,101	27,542,500

Notes:

- (a) Revenue from infrastructure investment projects mainly comprises of revenue generated from the provision of construction services under Public-Private-Partnership (“PPP”) model, previously known as “Build-Transfer” model, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises of revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the period ended 30 June 2020 and 2019 are recognised over time, except for toll road operation and sales of building materials of approximately HK\$49,476,000 (2019: HK\$80,531,000) and HK\$110,006,000 (2019: HK\$157,261,000) respectively which were recognised at a point of time.
- (e) The amount mainly comprises of revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

(4) 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 2020 and 2019.

China State Construction Development Holdings 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 "CSC Development Group") is currently managed by a separate business team. The chief operating decision maker regards the CSC Development Group as a distinct reportable segment and assesses its performance based on its overall result.

Segment revenue and results for the six months ended 30 June 2020 and 2019 are as follows:

	<u>Segment revenue</u>		<u>Gross profit</u>		<u>Segment result</u>	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Reportable segments						
Mainland China	14,028,707	13,475,074	3,873,659	3,185,221	3,626,649	2,943,175
Hong Kong and Macau	12,237,809	12,496,158	904,062	910,431	959,438	938,402
Hong Kong	10,291,263	9,841,103	662,483	670,412	698,947	711,923
Macau	1,946,546	2,655,055	241,579	240,019	260,491	226,479
Overseas	-	-	-	-	(2,245)	(3,093)
CSC Development Group	1,735,585	1,571,268	290,287	256,511	216,530	168,189
	28,002,101	27,542,500	5,068,008	4,352,163	4,800,372	4,046,673
Share of revenue/results of joint ventures	542,714	968,904			112,162	320,195
Total	28,544,815	28,511,404			4,912,534	4,366,868
Unallocated corporate expenses					(149,466)	(149,254)
Share of profits of associates					529,875	608,291
Finance costs					(1,344,173)	(1,104,213)
Profit before tax					3,948,770	3,721,692

(5) INVESTMENT INCOME, OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest income on:		
Bank deposits	143,216	119,748
Debt securities	14,199	8,980
Loans to joint ventures	25,348	41,713
Loans to associates	52,302	61,210
Dividend income from:		
Equity securities	26,293	31,118
Gain on disposal of:		
Debt securities	-	5,506
Property, plant and equipment, net	164	6,326
Service income	3,253	21,623
Others	107,211	19,684
	371,986	315,908

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	100,629	116,667
Amortisation of concession operating rights	80,567	86,088
Amortisation of trademark and licences	8,701	8,863

(7) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong	95,037	75,720
Other jurisdictions	783,297	692,979
	878,334	768,699
Overprovision in prior years:		
Hong Kong	(32,733)	(89,674)
Other jurisdictions	(15,564)	(16,615)
	(48,297)	(106,289)
Deferred tax, net	(28,693)	44,514
Income tax expenses for the period, net	801,344	706,924

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.

(8) DIVIDENDS

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Dividends recognised as distributions during the period	807,865	605,899

In July 2020, the Company distributed 2019 final dividends of HK16.00 cents per share (2019: HK12.00 cents per share), amounting to approximately HK\$807,865,000 (2019: HK\$605,899,000).

The Board declared the payment of an interim dividend of 2020 of HK17.00 cents per share (2019: interim dividend of HK16.00 cents per share).

(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	
	2020	2019
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	2,897,500	2,861,645
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,049,157	5,049,157

No diluted earnings per share are presented as the Company did not have any diluted potential ordinary shares during the period ended 30 June 2020 and 30 June 2019.

(10) 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 the invoice date or the term of the related contracts, is as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	8,846,698	8,772,473
31-90 days	3,572,508	4,432,206
Over 90 days	52,924,414	52,903,487
	65,343,620	66,108,166
Retention receivables	3,853,860	4,175,107
Other receivables	6,079,963	4,635,078
Trade and other receivables	75,277,443	74,918,351
Current portion	(31,658,414)	(30,601,279)
Non-current portion (note (a))	43,619,029	44,317,072

Notes:

- (a) The balances of the non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by collateral from employers 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 2021 to 2030, with approximately HK\$7,838,796,000 in the second half of 2021, HK\$20,195,799,000 in 2022, HK\$8,269,707,000 in 2023 and HK\$7,314,727,000 in 2024 to 2030. As a result, they are classified as non-current.
- (b) Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to approximately HK\$48,386,373,000 (31 December 2019: HK\$46,833,730,000).
- (c) 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 2020, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$2,546,589,000 (31 December 2019: HK\$1,863,217,000).
- (d) 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 (2019: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability periods of construction.

(11) 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:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables, aged:		
0-30 days	13,640,028	16,145,643
31-90 days	5,086,916	5,076,280
Over 90 days	14,080,426	14,047,633
	32,807,370	35,269,556
Retention payables	4,982,153	6,013,667
Other payables and accruals	3,932,357	3,416,025
	41,721,880	44,699,248

The average credit period on trade and construction cost payables is 60 days (2019: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

(12) BORROWINGS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Bank loans, secured	14,592,709	10,239,022
Bank loans, unsecured	32,413,647	29,149,564
	47,006,356	39,388,586
Carrying amount repayable:		
Within one year	8,579,557	10,040,968
More than one year but not exceeding two years	7,950,612	5,071,472
More than two years but not more than five years	18,425,437	13,553,622
More than five years	12,050,750	10,722,524
	47,006,356	39,388,586
Less: Amount due within one year shown under current liabilities	(8,579,557)	(10,040,968)
Amount due after one year	38,426,799	29,347,618

The Group's bank loans are mainly denominated in Hong Kong dollar and Renminbi, all of which are functional currencies of the respective Group entities. The Group's secured bank loans are secured by property, plant and equipment, concession operating rights and trade receivables of the Group.

(13) SUBSEQUENT EVENTS

On 30 July 2020, the Company issued notes with an aggregate principal amount of Renminbi 2 billion (equivalent to approximately HK\$2,214,839,000) at the issue price of 100%. The notes bear fixed interest at the rate of 3.48% per annum payable annually and will mature on 29 July 2023.

On 6 August 2020, the Group entered into an agreement to dispose of its entire equity interest in 中海港務(萊州)有限公司, a joint venture of the Group, for a consideration of RMB1,182,035,000 (equivalent to approximately HK\$1,309,009,000) to 煙台港集團有限公司 (the "Purchaser"), with a gain on disposal is expected. To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, the Purchaser is ultimately and directly held as to 100% by 煙台市人民政府國有資產監督管理委員會, and the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INTERIM DIVIDEND

The Board declared payment of an interim dividend of HK17.00 cents per share (2019: HK16.00 cents per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 22 September 2020. The interim dividend will be payable on Tuesday, 6 October 2020.

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, 22 September 2020, 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 and Transfer Office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 21 September 2020.

REVIEW OF OPERATION

In 2020, the outbreak of the COVID-19 pandemic has brought upon huge impact on the global economy. This, together with the intensifying unilateralism and trade protectionism of large economies like the United States, have cast a shadow on the recovery of the global economy against the backdrop of the pandemic. Under the pressure of global economic downturn, developed countries, led by the United States, resumed their accommodative monetary policies, hoping to stimulate economic growth with huge supply of money. However, this increased the price volatility of the international capital market and bulk commodity trading market and the risk of resurgence of crisis, presenting even more challenges for global economic development.

Mainland China has achieved world leading results in battling the pandemic. With the pandemic gradually under control, economy of different regions began to recover one after another. The major economic indicators in the second quarter gradually rebounded, presenting a trend of stable growth with an economic growth rate of 3.2% in the second quarter, which is a result of effective anti-epidemic measures and resilient economy. Hong Kong's economy experienced a contraction of 9% in the second quarter, hinting an elevated risk of recession. The HKSAR government implemented expansionary fiscal policies to drive the economic development and promote employment, among which, attracting offshore-listed Chinese stocks back to Hong Kong's financial market is one of the focuses. The return of various leading technology, pharmaceutical and consumer goods stocks plays an important role in facilitating Hong Kong to attract capital and consolidate its position as a financial center. The tourism and gambling industries in Macau were also impacted by the pandemic, with its economy experiencing a downturn. However, Macau's new land reclamation zones and other projects are still proceeding at full steam. With the degree of the diversifying economy continues to deepen, Macau is gaining impetus for long-term development.

Facing the challenges of the pandemic and the complicated economic landscape, the Group continued to adhere to its strategy of balancing between scale of growth and leverage level, while proactively addressed the impact of the pandemic. While ensuring the safety of epidemic prevention, we accelerated the pace of operation, maintained appropriate growth and continued to optimize operating structure, focusing on the development of compliant investment projects with faster turnover and high yield rate in Mainland China. The Group also placed more emphasis on expanding the market in Hong Kong and Macau to maintain its market-leading position. Since the second quarter, all operating indicators experienced a period-on-period increase and the progress of projects were gradually brought back on track and in line with our annual target plan.

Mainland China Market

In the first quarter of 2020, the central and local governments mainly focused on pandemic prevention and control therefore the infrastructure market of Mainland China experienced a significant slowdown. Since the second quarter, the amount of special bonds for local governments repeatedly reached record high, while growth of orders for leading enterprises have turned positive. Even though the general growth of investment for infrastructure is still relatively sluggish, it represents a distinctive sign of rebound. Moderately loose monetary policies and relatively aggressive fiscal policies provided the construction industry with more market opportunities while also lowered the financial costs, adding more impetus to development. Based on the strategy of balance between scale of growth, leverage level and cash flow, the Group further optimized its order structure. The new contracts signed in Mainland China amounted to HK\$21.46 billion for the first half of the year, representing a year-on-year decrease of 12.7%, while the new contracts signed in the second half of the year amounted to HK\$17.54 billion, representing a significant year-on-year increase of 107.4% and quarter-on-quarter increase of 347.3%. The lifecycle of projects on hand continued to shorten and the turnover was gradually accelerated, thereby better fulfilling the Group's targets set in the beginning of the year.

Hong Kong and Macau Markets

In the first half of the year, the Group fully utilized its competitive edge in the professional field and brand value to capture market opportunities. The new contracts signed in Hong Kong amounted to HK\$13.43 billion, allowing us to maintain our leading position in the market.

The Macau economy has experienced a slowdown. To stabilize the economy and expand domestic demand, the construction market maintained a stable growth. The Group grasped the opportunity and won the tender of Studio City Macau Phase 2 and other large-scale projects, with newly signed contracts amounted to HK\$12.75 billion, which is higher than those previous record for the same period.

Curtain Wall Market

Several large-scale commercial and residential projects were launched in the market of curtain wall in Hong Kong and Macau over the year. China State Construction Development Holdings Limited, a subsidiary of the Group, further solidified its leading position in the markets of Hong Kong and Macau. At the same time, it continued to expand in the Mainland market, deepened efforts in the Greater Bay Area and steadily expanded into other regional markets. The newly signed contracts amounted to HK\$2.58 billion for the first half of the year.

Corporate Governance

Through a clear corporate governance structure, the Group kept enhancing Board functions and internal control, improving the competitiveness and risk-control capacities, supporting the business development. During the year, the Group revised its articles of association to better suit the latest regulations and regulatory requirements of the Cayman Islands and Hong Kong, while fully utilized information technology to improve governance efficiency.

To complement the long-term sustainable development plan of the Group, the Group raised the Sustainability Committee to Board level in early 2020, with an aim to allow more direct participation from the Board and full control over sustainable development related matters. We also worked closely with external professional advisers to further improve the disclosure standard of our sustainability report and maintain our industry leading position. In terms of operation management, the Group continued to refine our organization structure and enhance investment management and market expansion function, in order to better drive the business development.

The ongoing optimization of governance structure has significantly improved the Group's management and operational efficiency. Our business targets and decisions based on judgement on the impact of the pandemic and markets are being implemented as planned.

Risk Management

The Group continued to promote the development of risk management and internal control mechanics, while at the same time stipulated risk management structure and specified the responsibility of each department. The Board is responsible for determining the risk management and internal control strategies of the Group, evaluating the nature and level of risk and supervising the management in designing, implementing and monitoring the risk control system.

To constantly identify risks, strengthen risk management, and establish a comprehensive risk awareness and control culture, the Group set up a Risk Management Control Committee mainly responsible for strategic risks, financial risks, market risks and operational risks. Special and periodic reports from each department shall be submitted to the committee for review. During the year, based on the classification of project risks, the Group further improved risk prediction and prevention for projects on hand and new projects, comprehensively improving the capacity of risk prevention and control. Furthermore, following the establishment of information technology system and promotion of its use, the Group has continuously investigated the operational risks arose from information security and its countermeasures.

Financial Management

During the year, the Group has continued to maintain financial stability. We utilized our highest AAA rating obtained from CCXI and United Ratings in mainland China in 2019 to actively expand our Renminbi financial channels in mainland. On 30 July, we successfully issued our first 3 year RMB2 billion panda corporate bonds with a coupon rate of 3.48%, allowing us to enter into the domestic Renminbi capital market for the first time, which is a monumental breakthrough to us. China State Construction International Investments Limited, our subsidiary for mainland operation, has also obtained the AAA rating from United Ratings on 16 July and AAA rating from CCXI on 24 July, laying a groundwork for further exploration of the Renminbi capital market. The better alignment of our financing currency and operational currency could effectively hedge the Group's currency risk in an organic way.

Following the established operational objectives, the Group steadily controlled leverage, strengthened cash flow and doubled effort on capital recovery. As of 30 June 2020, the cash in hand amounted to HK\$23.53 billion, accounting for 13.9% of total assets. The net gearing ratio was controlled at 56.8%. The committed but unutilized credit facilities of the Group was HK\$56.6 billion, representing an increase of 47.6% as compared with that of the same period of the previous year, which can ensure adequate liquidity for the Group.

Human Resources

The Group operates its business in various regions and hires many employees, which is why we need to continuously enhance our human resources policies and system, with an aim to respect and uphold the right of each of our employees and provide them with ample room for development. As an employer that advocates for equal opportunities, the Group is committed to provide an inclusive, safe, diversified and non-discriminatory working environment. The Group attaches great importance to development of its employees, thus we actively commit resources to help our employees in achieving their personal accomplishments, such as arranging internal trainings, providing external training subsidies and educational grants. This could improve the expertise of our employees, stimulate enthusiasm for work, and in turn raise their work performance and create better corporate value.

The Group also provides its employees with healthcare welfare, including suitable life, accident and medical insurances, as well as body check subsidies for its employees and some of their family members. In 2020, facing the COVID-19 pandemic, the Group made a swift and coordinated effort in procuring masks, gloves, alcohol sprays and hand sanitizers and other anti-pandemic materials before the Lunar New Year Festival, and distributed those to our employees and construction workers. The Group also made timely purchase of materials and equipments for disinfection and body temperature checks to implement anti-pandemic measures in the workplaces. Furthermore, the Group provides active assistance for employees in compulsory quarantine.

Technological innovation

Based on the Technology Management System formulated in 2019, the Group further strengthens management of technological research and development. During the year, we established the Research Center for Construction Technology, under which there are seven research centers, including prefabricated construction technology research center, smart construction research center, etc. By exploring core technologies, we have made breakthroughs in prefabricated construction, complex large public buildings, complex municipal public construction and other aspects, which effectively enhanced our competitiveness.

The Group further regulated the management of construction methods, standardization of technology and organization, design and management of construction projects, striving to provide outstanding construction products and services to the owners. We also promoted the use of Building Information Modelling (BIM), which improves the quality management of planning, design, construction and operation. Meanwhile, with years of experience and technological advantage of China State Hailong Construction Technology Company Limited, our subsidiary, in research and development, design, production and supply of prefabricated buildings, the Group continued to promote the research and development of Modular Integrated Construction (MIC), and applied it in construction projects.

Since the beginning of 2020, a total of 29 national patents were approved, of which 9 were invention patents and 7 were software copyrights. We were also awarded two China Steel Construction Awards (Gold), the NEC Award 2020 from the Institution of Civil Engineers and other awards.

Social Responsibility

While the Group strives to create value, we also place emphasis on the sustainable development of the economy, society and environment. We explored and developed our own characteristic sustainable development management model. By listening and considering the opinions of different stakeholders, we integrated the sustainable development concepts of integrity, people-orientation, social care and environmental protection into daily operation. The Group was selected as a constituent of FTSE4Good Index for four consecutive years, which is a testament of the recognition we received for our comprehensive performance in sustainable development.

REVIEW OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2020, the Group's profit attributable to owners of the company was HK\$2,898 million, up by 1.3% compared to HK\$2,862 million for the last period. The Group recorded revenue of HK\$28,002 million, up by 1.7% compared to HK\$27,543 million for the last period. Basic earnings per share was HK57.39 cents, representing an increase of 1.3% as compared with the same period of last year.

Segment Result

Construction and related business — Hong Kong and Macau

Against the impact of COVID-19 pandemic, Hong Kong's economic continues to shrink. Hong Kong segment relies on its strong order book and fully utilized its competitive edge in the professional field and brand value, actively participated in the both public and private work. Hong Kong segment recorded a new high for two consecutive periods of its revenue to HK\$10,291 million, up by about 4.6% as compared to HK\$9,841 million for 2019, segment result amounted to HK\$699 million, slightly dropped 1.8% as compared to HK\$712 million for 2019.

Macau's economy was also impacted by the pandemic and experiencing a downturn. Macau segment reported revenue of HK\$1,947 million, dropped about 26.7% as compared to HK\$2,655 million in 2019, but with better segment result amounted to HK\$260 million, up by about 15.0% as compared to HK\$226 million for 2019.

Infrastructure Investment Projects and Construction Related Businesses — Mainland China

Mainland China's economy also suffered from the pandemic. With the pandemic gradually under control, the economy commences to recover in the second quarter and presented a trend of stable growth. Facing the challenges of the pandemic, the progress of construction project and operation of infrastructure project have been affected. Following various cities gradually to return to normal, the Group exerts its professionalism to rush to work in a safe and compliant manner to catch up the impact of the work stoppage in the first quarter.

Mainland China's segment recorded stable revenue of HK\$14,029 million, with a slightly increase of 4.1% as compared to HK\$13,475 in 2019 and better result of HK\$3,627 million, up 23.2% as compared to HK\$2,943 million in 2019, the increase mainly contributed by the Infrastructure Investment sector.

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 school. In 2020, the Group beside continues concentrate on Public-Private-Partnership ("PPP") project, it also focuses on investment projects with faster turnover and higher yields.

China State Construction International Holdings Limited

During the period under review, the Group received buy back payment of HK\$8,209 million from infrastructure investment projects, including the attributable share of such payment received by our joint venture investments.

Infrastructure Investment Projects remained the core business and the major contributor of Mainland China. This sector reported revenue of HK\$13,813 million, up 7.4% as compared to HK\$12,856 million in 2019, result of HK\$3,578 million, up 26.3% as compared to HK\$2,832 million in 2019. The Group's PPP project become mature, and some of the projects have been fall into buy back period, higher investment income is generated, hence higher margin is noted.

Operating Infrastructure Projects

Following the transferred of Shenyang Huanggu Thermoelectric Plant Limited (“Shenyang Huanggu”) to China State Construction Development Holdings Limited (“CSC Development Group”) in 2019, the contribution from operating infrastructure projects simply represents toll road operation. The result of Shenyang Huanggu for the period was recorded under CSC Development Group without restating the segment result for the last corresponding period. As the result for the two periods were determined by different grouping, certain information may not be directly comparable. The revenue from operating infrastructure projects excluding contribution from joint venture was HK\$49 million.

China State Construction Development Holdings Limited

China State Construction Development Holdings Limited focused on the facade contracting business, general contracting business and operating management business. China State Construction Development Holdings Limited further solidified its leading position in the market of Hong Kong and Macau and continues to expand its market in Mainland China and other regional markets. During the period under review, both revenue and result have steadily increased.

Cash Flows Analysis

Some infrastructure projects are operated in PPP model, the buy back period of PPP project is comparatively longer than that of traditional Build-transfer model. In addition, our new business Government Targeted Repurchase (“GTR”) project requires comparative large investment in the early stage (but with faster return), the net cash used in operating activities for the period reached HK\$5,030 million (2019: HK\$1,406 million), included the net expenditure for infrastructure project and GTR project amounting HK\$3,716 million (2019: HK\$933 million). The net cash outflow in investing activities was HK\$1,381 million (2019: HK\$955 million), and the net cash inflow from financing activities was HK\$7,510 million (2019: HK\$5,519 million).

UNAUDITED OPERATING INFORMATION

For the six months ended 30 June 2020, the Group recorded an accumulated new contract value of HK\$50.22 billion.

As of 30 June 2020, the on-hand contract value of the Group amounted to approximately HK\$428.39 billion, among which the backlog was approximately HK\$247.59 billion.

New Contracts Awarded & Project in Progress in the first half of 2020

Market	New Contract Awarded For the Six Months ended 30 June 2020 (HK\$ Billion)	Project in Progress as of 30 June 2020	
		Total Value (HK\$ Billion)	Backlog (HK\$ Billion)
Mainland China	21.46	276.25	161.67
Hong Kong	13.43	91.23	57.10
Macau	12.75	43.31	19.40
China State Construction Development Holdings Limited	2.58	17.60	9.42
Total	50.22	428.39	247.59

BUSINESS PROSPECTS

The year 2020 marks the end of the 13th five-year plan. Looking back to the past five years, the Group adhered to its “Dual Core Driving Strategy of Construction and Investment”. Keeping pace with the development of China in this new era, we constantly innovated our business model and refined our management. By leveraging on the close interaction between domestic and overseas branches, we not only solidified our construction business in Hong Kong and Macau, but also vigorously explored investment in relevant businesses in Mainland China, while effectively addressing risks and challenges and promoting high quality development for our operations. During the end of the 13th five-year plan, based on the strategy of balance between scale of growth and leverage level, the Group actively adjusted its operational structure to utilize its core competitive advantage of “technology, capital, and solidarity within COHL”. We focused on the development of compliant investment projects with faster turnover and high yield rate in Mainland China, while securing our leading position in the market of Hong Kong and Macau, driving further growth of our result with technology, management and investment. Internally, we promoted detailed management and established effective management mechanism for each type of projects, achieving transparent process and controllable results. We also strengthened the classification and management of risks to ensure steady progression of projects. We placed emphasis on both production and capital operation, where we actively explored asset acquisition opportunities and established asset disposal mechanism and channels, so as to enhance our operational efficiency and accelerate asset turnover, laying a solid foundation for the continuous high quality development of the Group during the 14th five-year plan.

Facing complex and fluid political and economic landscape as well as competition within the industry, determined strategies and steadfast executions are required to confront various uncertainties. Looking forward, the Group will continue to uphold its tradition of “Committed Team-building; Perseverance; Ambition for Success; Strict Self-discipline and Conscious Devotion”, pursuing with daily effort to the vision of becoming “the world’s top investment and construction service provider”. In the latter half of the year, the Group will strive to be the pioneer of the industry, while adhering to the core values of customer-orientation, guaranteed quality and value creation. We will work together to actively address the COVID-19 and other challenges, surpass our previous achievements and achieve further success.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group’s listed securities during the six months ended 30 June 2020 and up to the date of this announcement.

On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of Renminbi 2 billion to professional investors in the People’s Republic of China. The corporate bonds have a maturity of 3 years and the coupon rate is 3.48%. The corporate bonds were listed on the Shanghai Stock Exchange.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Directors and relevant employees of the Company are required to comply with the Securities Code. Reminders are sent to directors and relevant employees that they should not deal in the shares of the Company during the “black-out-period” specified in the Securities Code and before publishing any inside information announcement. Directors and relevant employees are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company’s securities. After making enquiries by the Company, all directors and relevant employees confirmed that they have complied with the Securities Code during the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group’s unaudited interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

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 assistance, and last but not least, to our staff for their dedicated efforts.

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

Hong Kong, 21 August 2020

As at the date of this announcement, the Board comprises Mr. Yan Jianguo as Chairman and Non-executive Director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Hung Cheung Shew as Executive Directors; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.