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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 2021,
INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

FINANCIAL HIGHLIGHTS

	Unaudited		Change %
	Six months ended 30 June 2021	2020	
RESULTS (HK\$'000)			
Revenue	36,370,988	28,002,101	29.9
Gross profit	6,012,970	5,068,008	18.6
Gross profit margin	16.5%	18.1%	-8.8
Profit attributable to owners of the Company	3,500,201	2,897,500	20.8
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	69.42	57.39	21.0
Net assets (HK\$)	12.99	10.36	25.4

INTERIM DIVIDEND

The Board declared an interim dividend of HK20 cents per share.

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 2021 together with the unaudited comparative figures for the corresponding period ended 30 June 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	3	36,370,988	28,002,101
Costs of sales		(30,358,018)	(22,934,093)
Gross profit		6,012,970	5,068,008
Investment income, other income and other gains, net	5	255,531	371,986
Administrative, selling and other operating expenses		(862,893)	(789,088)
Share of profits of			
Joint ventures		219,817	112,162
Associates		433,928	529,875
Finance costs		(1,256,554)	(1,344,173)
Profit before tax	6	4,802,799	3,948,770
Income tax expenses, net	7	(1,004,769)	(801,344)
Profit for the period		3,798,030	3,147,426
Profit for the period attributable to:			
Owners of the Company		3,500,201	2,897,500
Holders of perpetual capital securities		210,752	202,400
Non-controlling interests		87,077	47,526
		3,798,030	3,147,426
Earnings per share (HK cents)	9		
Basic		69.42	57.39
Diluted		69.42	57.39

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	3,798,030	<u>3,147,426</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to consolidated income statement</i>		
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(20,486)	(10,621)
Exchange differences on translation of subsidiaries	372,703	(547,837)
Exchange differences on translation of joint ventures	191,259	(281,938)
Exchange differences on translation of associates	13,190	(12,387)
Other comprehensive income/(loss) for the period, net of tax	556,666	<u>(852,783)</u>
Total comprehensive income for the period, net of tax	4,354,696	<u>2,294,643</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	3,995,752	2,077,811
Holder of perpetual capital securities	210,752	202,400
Non-controlling interests	148,192	14,432
	4,354,696	<u>2,294,643</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		5,617,778	5,390,547
Investment properties		4,608,515	4,643,331
Interests in infrastructure project investments		5,905,534	5,713,846
Interests in joint ventures		17,156,248	16,453,237
Interests in associates		8,237,704	6,829,830
Concession operating rights		3,785,202	3,812,526
Deferred tax assets		152,231	177,691
Trademark, project backlogs and licenses		271,747	278,416
Goodwill		577,664	577,664
Financial assets at fair value through other comprehensive income		667,828	689,958
Amounts due from investee companies		211,806	211,806
Trade and other receivables	10	55,214,561	53,729,653
Loans to joint ventures		309,912	295,761
		102,716,730	98,804,266
Current Assets			
Interests in infrastructure project investments		67,102	62,142
Inventories		383,685	410,072
Properties under development		5,278,066	4,311,691
Properties held for sale		1,155,267	1,431,447
Contract assets		11,635,962	11,981,742
Trade and other receivables	10	46,585,145	38,160,276
Deposits and prepayments		1,202,790	1,536,738
Loans to joint ventures		343,968	342,222
Amounts due from joint ventures		7,477,141	6,421,303
Amounts due from associates		71,592	846,103
Tax recoverable		84,145	47,943
Bank balances and cash		20,324,084	22,455,362
		94,608,947	88,007,041

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current Liabilities			
Contract liabilities		9,079,587	8,547,294
Trade payables, other payables and accruals	11	54,355,022	51,288,246
Deposits received		56,850	61,326
Amounts due to joint ventures		1,015,601	1,481,867
Amounts due to associates		102,989	311,097
Amount due to a related company		-	137,222
Current tax payables		5,792,398	5,326,550
Dividend payables		957,147	-
Borrowings	12	7,989,254	9,707,491
Loans from fellow subsidiaries		361,011	3,050,900
Lease liabilities		41,277	27,499
		79,751,136	79,939,492
Net Current Assets		14,857,811	8,067,549
Total Assets less Current Liabilities		117,574,541	106,871,815
Capital and Reserves			
Share capital		125,940	126,229
Share premium and reserves		51,979,225	48,967,545
Equity attributable to owners of the Company		52,105,165	49,093,774
Perpetual capital securities		11,700,850	7,799,208
Non-controlling interests		1,632,637	1,386,565
		65,438,652	58,279,547
Non-current Liabilities			
Borrowings	12	37,825,946	35,488,761
Guaranteed notes payables and corporate bonds		10,432,164	9,179,000
Contract liabilities		650,757	656,125
Deferred tax liabilities		302,183	399,898
Loan from a joint venture		2,888,087	2,843,602
Lease liabilities		36,752	24,882
		52,135,889	48,592,268
		117,574,541	106,871,815

NOTES:

(1) BASIS OF PREPARATION

The interim 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 interim condensed financial statements have been prepared under 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) CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective for the financial year ending 31 December 2021.

In the current period, the Group has adopted the following amendments to existing standards (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The application of the above revised HKFRSs in the current period has had no material impact on the Group's results and financial position.

(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	
	2021 HK\$'000	2020 HK\$'000
Revenue from construction contracts	13,313,160	12,184,372
Revenue from infrastructure investment projects (note (a))	20,311,617	13,826,687
Revenue from façade contracting business	1,619,370	1,267,187
Revenue from infrastructure operation (note (b))	478,785	366,460
Others (note (c))	648,056	357,395
	36,370,988	28,002,101
Revenue from contract with customers (note (d))		
Timing of revenue recognition		
- Over time	33,842,926	25,785,351
- At a point in time	340,866	159,482
	34,183,792	25,944,833
Revenue from other sources		
- Interest income generated from infrastructure investment projects	2,080,240	1,947,835
- Others (note (e))	106,956	109,433
	2,187,196	2,057,268
	36,370,988	28,002,101

(3) REVENUE (continued)

Notes:

- (a) Revenue from infrastructure investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership (“PPP”) model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises 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 six months ended 30 June 2021 and 2020 are recognised over time, except for toll road operation and sales of building materials of approximately HK\$92,088,000 (2020: HK\$49,476,000) and HK\$248,778,000 (2020: HK\$110,006,000), respectively, which were recognised at a point in time.
- (e) The amount mainly comprises 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).

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") are 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 2021 and 2020 are as follows:

	<u>Segment revenue</u>		<u>Gross profit</u>		<u>Segment result</u>	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Reportable segments						
Mainland China	20,802,687	14,028,707	4,613,664	3,873,659	4,316,827	3,626,649
Hong Kong and Macau	13,393,509	12,237,809	1,016,886	904,062	916,614	959,438
Hong Kong	10,468,113	10,291,263	537,179	662,483	439,659	698,947
Macau	2,925,396	1,946,546	479,707	241,579	476,955	260,491
Overseas	-	-	-	-	(2,588)	(2,245)
CSC Development Group	2,174,792	1,735,585	382,420	290,287	299,242	216,530
	36,370,988	28,002,101	6,012,970	5,068,008	5,530,095	4,800,372
Share of revenue/results of joint ventures	516,635	542,714			219,817	112,162
Total	36,887,623	28,544,815			5,749,912	4,912,534
Unallocated corporate expenses					(124,487)	(149,466)
Share of profits of associates					433,928	529,875
Finance costs					(1,256,554)	(1,344,173)
Profit before tax					4,802,799	3,948,770

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest income on:		
Bank deposits	95,974	143,216
Debt securities at FVOCI	14,267	14,199
Loans to joint ventures	13,234	25,348
Loans to associates	57,348	52,302
Dividend income from:		
Equity securities at FVOCI	20,402	26,293
Gain on disposal of:		
Property, plant and equipment, net	808	164
Service income	261	3,253
Others	53,237	107,211
	255,531	371,986

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment (including right-of-use assets)	83,525	100,629
Amortisation of concession operating rights (included in costs of sales)	86,757	80,567
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	8,953	8,701

(7) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	84,535	95,037
Other jurisdictions	1,013,689	783,297
	1,098,224	878,334
Overprovision in prior years:		
Hong Kong	-	(32,733)
Other jurisdictions	(21,335)	(15,564)
	(21,335)	(48,297)
Deferred tax, net	(72,120)	(28,693)
Income tax expenses for the period, net	1,004,769	801,344

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

(8) DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period	957,147	807,865

In July 2021, the Company distributed 2020 final dividend of HK19 cents (2020: HK16 cents) per share, amounting to approximately HK\$957,147,000 (2020: HK\$807,865,000).

The Board declared the payment of an interim dividend of 2021 of HK20 cents (2020: HK17 cents) per share.

(9) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>3,500,201</u>	<u>2,897,500</u>
	Six months ended 30 June	
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>5,041,995</u>	<u>5,049,157</u>

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2021 and 2020.

(10) TRADE AND OTHER RECEIVABLES

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	8,379,295	7,989,334
31-90 days	6,429,336	6,662,752
Over 90 days	70,765,072	64,554,824
	85,573,703	79,206,910
Retention receivables	4,376,922	4,023,954
Other receivables	11,849,081	8,659,065
Trade and other receivables	101,799,706	91,889,929
Less: Current portion	(46,585,145)	(38,160,276)
Non-current portion (Note)	55,214,561	53,729,653

Note: The balances of non-current portion were mainly attributable to certain infrastructure investment projects 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 2022 to 2031, with approximately HK\$9,378,766,000 in the second half of 2022, HK\$20,781,393,000 in 2023, HK\$9,042,617,000 in 2024 and HK\$16,011,785,000 in 2025 to 2031. As a result, they are classified as non-current.

Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to approximately HK\$61,930,863,000 (31 December 2020: HK\$57,081,750,000).

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 2021, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$2,266,243,000 (31 December 2020: HK\$2,102,585,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects 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 (2020: 90) days to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

(11) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade payables, aged:		
0-30 days	15,243,284	15,236,908
31-90 days	7,134,195	7,711,229
Over 90 days	20,004,320	16,652,246
	42,381,799	39,600,383
Retention payables	5,598,819	5,859,313
Other payables and accruals	6,374,404	5,828,550
	54,355,022	51,288,246

The average credit period on trade and construction cost payables is 60 (2020: 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 2021 HK\$'000	31 December 2020 HK\$'000
Bank loans, secured	16,499,492	16,042,864
Bank loans, unsecured	29,315,708	29,153,388
	45,815,200	45,196,252
Less: Current portion	(7,989,254)	(9,707,491)
Non-current portion	37,825,946	35,488,761
Carrying amount repayable:		
Within one year or on demand	7,989,254	9,707,491
More than one year but not exceeding two years	15,606,078	10,712,508
More than two years but not more than five years	14,899,833	18,331,144
More than five years	7,320,035	6,445,109
	45,815,200	45,196,252

The secured bank loans are secured by property, plant and equipment, interests in infrastructure project investments and trade receivables.

Borrowings are mainly denominated in Hong Kong dollar and Renminbi.

INTERIM DIVIDEND

The Board declared payment of an interim dividend of 2021 of HK20.00 cents per share (2020: interim dividend of HK17.00 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 17 September 2021. The interim dividend will be payable on Tuesday, 5 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Friday, 17 September 2021, 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 Thursday, 16 September 2021.

REVIEW OF OPERATION

In 2021, the global economy has gradually improved, but the recovery trends of various countries are obviously different. The risk of economic downturn affected by the COVID-19 pandemic is still prominent. The widened supply and demand gap brought by the unbalanced recovery coupled with the loose monetary policies of developed countries such as the United States has led to significant fluctuation in the prices of global commodities. At the same time, the excess liquidity has also intensified the price volatility in the international capital market, which has led to the rising inflation expectations, and as the risk of crisis repeat still exists, the road to global economic recovery is full of challenges.

China's economic operation remained active, continuing the trend of steady recovery. Various economic indicators registered a stable performance with good momentum for growth. . In the first half of the year, the economic growth rate was 12.7%, showing strong economic resilience and laying a solid foundation for the healthy development of the economy throughout the year. After experiencing a deep recession, Hong Kong's economy rebounded significantly in the first half of the year, reversing the trend of contraction in six consecutive quarters. Meanwhile, Hong Kong's economic development prospect is more optimistic due to the gradual control of the pandemic and the continuous improvement of the labor market performance. The tourism and gambling industry in Macau have gradually recovered, and the external demand has driven economic improvement, while the trend of continuous integration into the development and construction of the Guangdong-Hong Kong-Macau Greater Bay Area has brought new long-term development momentum to Macau.

In the past three years, facing the complex and ever-changing external environment, the Group actively promoted business transformation and upgrading, reduced the numbers of long-term investment projects, digested the inventory, and increased proportion of investment models such as government targeted repurchase of resettlement housing (GTR) with relatively faster turnover and higher dynamic return rate, which gradually formed a national and sustainable development layout. The Group continued to increase its investment in construction technology and its efforts in the commercialization of results. It achieved breakthroughs in key technological fields such as the rapid establishment of Modular Integrated Construction (MiC) and the construction of international standard hospitals, which further strengthened our differentiated competitive advantages. The Group seized the opportunities arising from the integration and development of the Guangdong-Hong Kong-Macau Greater Bay Area, took the lead in completing the “transfer of Hong Kong standards to Mainland(港標內移)” and “transfer of Macau standards to Mainland (澳標內移)”, and developed the featured general contracting business in the Greater Bay Area by leveraging the advantages of technologies and standards, with a new growth pole under cultivation. Since the beginning of this year, in the face of the challenges of pandemic prevention and control and the complicated economic landscape, the Group has always prudently managed to normalize pandemic prevention and control, continued to adhere to its strategy of balancing between the scale of growth and leverage level, and fully displayed the differentiated competitive advantages led by technologies to accelerate the growth of various operating indicators and further strengthen its growth driver.

For the six months ended 30 June 2021, the newly signed contracts of the Group amounted to HK\$70.53 billion, representing a year-on-year increase of 40.4%. The unaudited revenue amounted to HK\$36.37 billion, representing a year-on-year increase of 29.9%. The operating profit amounted to HK\$5.53 billion, representing a year-on-year increase of 15.2%. The profit attributable to the shareholders increased by 20.8% to HK\$3.50 billion, with basic earnings per share of HK\$0.69 and net asset value per share of HK\$12.99. The Board declared the distribution of an interim dividend of HK20.0 cents per share for the year of 2021, translating to a payout ratio of about 28.8%, which is in line with the Group’s dividend policy.

Mainland China Market

Since 2021, the central government and various local governments have continued to consolidate the results of the pandemic prevention and control and the achievements in economic and social development, playing a key role in effective investments. The overall growth rate of infrastructure investment has steadily recovered, the growth rate of orders from leading enterprises has accelerated, and the prudent monetary policy and proactive fiscal policy have brought more market opportunities to construction enterprises. Meanwhile, the liquidity brought by the reserve requirement ratio reduction measures will inject stronger development momentum into the industry. The Group continued to consolidate the results of transformation and upgrading of investment business, maintained the expansion of infrastructure investment projects with relatively faster turnover and higher dynamic return rate, and vigorously developed the featured general contracting business such as prefabricated construction in the Greater Bay Area. In the first half of the year, the new contracts signed in Mainland China amounted to HK\$36.2 billion, representing a year-on-year increase of 68.7%.

Hong Kong and Macau Markets

In order to boost the economy, the HKSAR Government will continue to invest in infrastructure with capital expenditure exceeding HK\$100 billion per annum and the total value of works in the construction industry increasing to approximately HK\$300 billion per annum in the coming years. In the first half of the year, the Group made full use of its competitive advantages and brand value in the professional field, seized market opportunities and continued to obtain large-scale projects. The new contracts signed in the Hong Kong market amounted to HK\$17.18 billion, representing a year-on-year increase of 27.9%.

Macau's economy is gradually recovering, and in order to stabilize the economy and expand domestic demand, the construction market continued to show a trend of steady progress. The Group seized the opportunity and the new contracts signed reached HK\$12.60 billion, and the Group continued to maintain its leading position in the market.

Curtain Wall Market

China State Construction Development Holdings Limited, a subsidiary of the Group, adhered to the strategic guidelines of “shrinking overseas business, consolidating Hong Kong and Macau business, and accelerating the expansion of the Mainland market (收縮海外、鞏固港澳、加速拓展內地市場)”, maintained its leading position in the high-end curtain wall market by leveraging its extensive project experience and outstanding brand advantages, and secured several large-scale curtain wall projects. New contracts signed in the first half of the year amounted to HK\$4.55 billion, representing a significant growth of 76.6% year-on-year.

CORPORATE GOVERNANCE

Through its governance structure with clear authorities and responsibilities, the Group has continuously improved the functions of the Board and refined internal controls, striving to enhance its competitiveness and its capabilities in risk management and control, and securing business development. In accordance with the Corporate Governance Code of the Listing Rules, the Group has established a sound business management and internal control system, adhered to compliance management and maintained a good governance level with reference to the assessment of relevant indices of sustainable development and excellent experience of industry peers. The Group also attaches great importance to sustainable development governance. In 2020, the Sustainability Committee was upgraded to the Board level. In the first half of the year, all Directors participated in the environmental, social and governance (“ESG”) specialized training to strengthen their awareness of ESG. The Group also actively responded to the national goals of carbon peak emission and carbon neutrality to improve the quality of the carbon reduction effort.

Risk Management and Control

The Group emphasizes on the establishment of risk management and internal control systems and has established a risk management framework to clearly define relevant roles and responsibilities. The Group has set up a Risk Management Control Committee to identify the major risks of each operating segment, assess the impact of strategic risks, financial risks, market risks and operational risks, and set up control measures to identify risks and strengthen management on an ongoing basis.

China State Construction International Holdings Limited

The public's awareness of sustainability risks has been increasing in recent years, and widespread attention was attracted to environmental and social-related risks due to the COVID-19 pandemic in 2020. In response to environmental and social issues, the Sustainability Committee regularly reviews ESG reports, identifies sustainability risks and its control strategies, makes recommendations to the Board regarding the Group's sustainability risk tolerance, and ensures that potential disaster risks are fully considered. The Group will take into account the relevant ESG risks when planning the sustainable development action plan, and practically strengthen the Group's overall sustainability governance and performance.

Financial Management

During the year, the Group continued to maintain a stable financial structure, made scientific arrangements for refinancing, seized the market window of interest rate downturn therefore further reduced the cost of interest-bearing liabilities on hand, and maintained the matching degree of the financing currency and the business currency to achieve natural hedge for currency risk.

In accordance with the established operational objectives, the Group steadily controlled leverage, strengthened cash flow and increased effort on capital recovery. As of 30 June 2021, the cash in hand amounted to HK\$20.32 billion, accounting for 10.3% of total assets. The net gearing ratio was controlled at 54.9%. The committed but unutilized credit facilities of the Group was HK\$82.77 billion, representing an increase of 46.4% as compared with that of the same period of the previous year, effectively ensuring adequate liquidity for the Group.

Human Resources

The Group attaches great importance to attracting and nurturing talents, and is committed to safeguarding the well-being of staff, sharing achievements with staff, fostering a diverse and inclusive working environment and promoting talent mobility in the Greater Bay Area. Also, the Group allows staff to develop their strengths and grows with them. Adhering to its talent concept of "gathering strivers and inspiring the promising people", the Group has continuously improved human resources management policies and systems. The Group provides competitive remuneration packages and employee benefits, regularly reviews the remuneration system, carries out appraisal incentives and establishes a talent echelon.

The Group also provides its staff with healthcare welfare, including appropriate life, accident and medical insurances, as well as body check subsidies for its staff and some of their family members. In 2021, the Group continued to cautiously respond to the COVID-19 pandemic. According to the development of the pandemic in different regions, the Group properly arranged supplies and equipment for disinfection and body temperature checking in the workplace, implemented anti-pandemic measures in the workplace, and actively provided assistance to staff who are subject to compulsory quarantine.

Technological Innovation

The construction industry has accelerated the application of innovative technologies in recent years, which not only improves efficiency but also strengthens management. The Modular Integrated Construction (MiC) method is becoming increasingly popular in Hong Kong, Macau and Mainland China, bringing significant innovations to the construction industry. In the face of the volatile market environment ahead, the Group keeps abreast of the times and actively explores and develops new technological ideas in order to lead the trend amid industry competition.

Since the beginning of the year, the Group has further improved its internal policies and systems on technological research and development, commercialization of results and intellectual property protection, and increased its investment in and incentives for technological development to further consolidate the differentiated competitive advantages and create a technological moat.

Since the beginning of 2021, the Group has been granted 40 national patents, including 3 invention patents and 7 software copyrights. The Group's safety, environmental protection and technology application performances in various construction sites have also been recognized by the industry and property owners. The Group has been awarded the BIM Award by the Construction Industry Council (建造業議會) and other awards. In the future, the Group will continue to enhance the levels of technological research and development and application, and strive to achieve and maintain a world-class leading position in the industry.

SOCIAL RESPONSIBILITY

The Group interacts closely with various stakeholder groups in the society, maintains and strengthens long-term mutually beneficial relationships with its staff, customers, business partners and the general public. The Group builds a happy life for the stakeholder groups and achieves a harmonious and all-win situation with all of them.

The Group fully understands the importance of carbon reduction in the construction industry to achieve the overall carbon neutrality target, and actively promotes the application of new technologies and new processes such as Modular Integrated Construction (MiC), Design for Manufacturing and Assembly (DfMA) and Building Information Modeling (BIM), so as to transform construction methods to be more intensive, efficient and energy-saving, and promote green construction methods. To further cope with the challenge of carbon neutrality in the construction industry, the Group selected high-standard green building projects to explore the path toward carbon neutrality during the construction phases. For qualified operating projects, the Group also actively explored the possibility of carbon asset development.

The Group was selected as a constituent of FTSE4Good Index for the fifth consecutive year, and was awarded the “Outstanding Performance Award for Promoting the Transformation of Zero Deforestation (推動零毀林轉型行動優秀表現獎)” by CDP (Carbon Disclosure Project) (碳披露項目) for the first time. The Group ranked first in terms of ESG for industrial small and medium cap enterprises by Institutional Investor (《機構投資者》) for the first time and was awarded the “ESG Benchmark Award – The ESG Leader (Gold) (ESG 基準大獎 – ESG 領袖金獎)” under Category A in the first ESG Achievement Awards 2020 (ESG 成就大獎 2020) organized by the Hong Kong Institute of ESG Benchmark (香港環境社會及企業管治基準學會). The Group's comprehensive sustainability performance was once again recognized by international authorities.

REVIEW OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2021, the Group's profit attributable to owners of the company was HK\$3,500 million, up by 20.8% compared to HK\$2,898 million for the last period. The Group recorded revenue of HK\$36,371 million, up by 29.9% compared to HK\$28,002 million for the last period. Basic earnings per share was HK69.42 cents, representing an increase of 21.0% as compared with the same period of last year.

Segment Result

Construction and related business — Hong Kong and Macau

In order to boost the economy, the HKSAR Government continued to invest in infrastructure. The Group made full use of its competitive advantages and brand value in the professional field, seized market opportunities and obtained large-scale projects continuously. Hong Kong segment maintained stable revenue amounted to HK\$10,468 million, up by about 1.7% as compared to HK\$10,291 million for corresponding period of 2020, segment result amounted to HK\$440 million, dropped 37% as compared to HK\$699 million for the same period of last year. As several large-scale projects are still in preliminary stage and no profit accrued, overall segment result declined.

Macau's economy is gradually recovering. In order to stabilize the economy and expand domestic demand, the construction market is expected to show a trend of steady progress. The kick-off of large-scale hospital and licensed gambling projects drove the performance of the Macau segment, reported revenue and segment result of HK\$2,925 million and HK\$477 million, respectively, up by about 50.3% and 83.1% as compared to HK\$1,947 million and HK\$260 million, respectively, for corresponding period of last year.

Infrastructure Investment Projects and Construction Related Businesses — Mainland China

The central government and various local governments have implemented regular epidemic prevention and control policy, which has promoted economic and social development. The overall growth rate of infrastructure investment has steadily recovered, the growth rate of orders from leading enterprises has accelerated, and the solid monetary policy and proactive fiscal policy have brought more market opportunities to construction enterprises.

Following the recovery of infrastructure investment and construction related industry from pandemic and the success of our business transformation, Mainland China's business expanded rapidly. Mainland China's segment recorded a new high of its revenue to HK\$20,803 million, up by about 48.3% as compared to HK\$14,029 million for the corresponding period of 2020. Segment result amounted to HK\$4,317 million, up by 19.0% as compared to HK\$3,627 million for the same period of last year.

Infrastructure Investment Projects

Our investments in infrastructure projects spanned over different kinds of business, including investment and construction of a variety of civil and building projects, such as affordable housing, hospital and school. The Group continued to optimize the structure of orders on hand, further decreased the proportion of projects with long cycle, and accelerated the turnover gradually.

China State Construction International Holdings Limited

During the period under review, the Group received buy-back payment of HK\$11,676 million (2020: HK\$8,209 million) from infrastructure investment projects, including the attributable share of such payment received by our joint venture investments, with an increase of about 42.2%.

Infrastructure investment projects remained the core business and the major contributor of Mainland China. This sector reported revenue of HK\$20,299 million, up by 47.0% as compared to HK\$13,813 million for corresponding period of 2020, segment result reached HK\$4,113 million, up by 14.9% as compared to HK\$3,578 million for the same period of last year.

Operating Infrastructure Projects

The contribution from operating infrastructure projects represents toll road operation. Following the recovery of pandemic, the revenue from operating infrastructure projects excluding contribution from joint venture was HK\$92 million, up by 86.1% as compared to HK\$49 million of the same period of last year.

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 continued to expand its market in Mainland China. During the period under review, both revenue and result have steadily increased.

Cash Flows Analysis

With the successful of our business transformation in Mainland China to focus on project with shorter turnover period, the operating cash flow improved. The net cash used in operating activities for the period was HK\$971 million (2020: HK\$5,030 million). The net cash outflow in investing activities was HK\$2,224 million (2020: HK\$1,381 million), and the net cash inflow from financing activities was HK\$982 million (2020: HK\$7,510 million).

UNAUDITED OPERATING INFORMATION

For the six months ended 30 June 2021, the Group recorded an accumulated new contract value of HK\$70.53 billion.

As of 30 June 2021, the on-hand contract value of the Group amounted to approximately HK\$509.82 billion, among which the backlog was approximately HK\$285.94 billion.

New Contracts Awarded & Project in Progress in the first half of 2021

Market	New Contract Awarded For the Six Months ended 30 June 2021 (HK\$ Billion)	Project in Progress as of 30 June 2021	
		Total Value (HK\$ Billion)	Backlog (HK\$ Billion)
Mainland China	36.20	336.02	192.34
Hong Kong	17.18	96.48	55.70
Macau	12.60	56.25	27.32
China State Construction Development Holdings Limited	4.55	21.07	10.58
Total	70.53	509.82	285.94

BUSINESS OUTLOOK

2021 marks the start of the “14th Five-Year Plan”. Looking forward to the “14th Five-Year Plan”, the Group will adhere to the business philosophy of customer-oriented, quality assurance and value creation, and provide high-quality and high value-added products and services through the improvement of technology, investment, construction and operation capabilities. Under the guidance of the “trendsetting culture (領潮文化)”, we will create value for stakeholders including shareholders, customers, staff, partners and the general public, with a view to building and expanding a happy space.

The Group will give full play to the advantages of cross-regional layout and strengthen differentiated competitive abilities through continuous technological innovation and refined management and operation to respond to the complex and ever-changing political and economic landscape and industry competition pattern. By working hard every day, the Group is marching to the vision of “becoming a world-class investment, construction and operation service provider (成為世界一流的投資建設運營服務商)”.

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

Shares Repurchases

During the six months ended 30 June 2021, the Company repurchased a total of 11,540,000 ordinary shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (before expenses) of HK\$54,724,620. All the Shares repurchased were subsequently cancelled. As at 30 June 2021, the total number of the Shares in issue was 5,037,616,668 Shares.

Details of the Shares repurchased during the period are as follows:

Month	Number of Shares repurchased	Price paid per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2021	4,322,000	4.60	4.46	19,537,760
February 2021	5,230,000	4.77	4.52	24,211,640
May 2021	1,988,000	5.68	5.41	10,975,220

Issue of Listed Securities

On 9 June 2021, China State Construction Finance (Cayman) I Limited, a wholly-owned subsidiary of the Company, issued US\$500,000,000 subordinated guaranteed perpetual capital securities at an initial distribution rate of 3.40% per annum. The subordinated guaranteed perpetual capital securities were listed on the Stock Exchange.

Save as disclosed above, 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 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, 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 2021.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group’s unaudited interim results for the six months ended 30 June 2021 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, 17 August 2021

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; Mr. Chen Xiaofeng as Non-executive Director; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.