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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 2023 AND
INTERIM DIVIDEND**

FINANCIAL HIGHLIGHTS

	Unaudited		Change %
	Six months ended 30 June 2023	2022	
RESULTS (HK\$'000)			
Revenue	55,110,712	53,810,559	2.4
Gross profit margin	15.7%	13.4%	2.3
Profit attributable to owners of the Company	4,848,622	4,213,994	15.1
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	96.25	83.65	15.1
Net assets (HK\$)	13.72	13.18	4.1

INTERIM DIVIDEND

The Board declared an interim dividend of HK27.5 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 (collectively referred to as the “Group”) for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period ended 30 June 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	55,110,712	53,810,559
Costs of sales		(46,484,974)	(46,593,286)
Gross profit		8,625,738	7,217,273
Investment income, other income and other gains/(losses), net	5	29,970	617,020
Administrative, selling and other operating expenses		(1,257,774)	(1,108,648)
Share of profits of			
Joint ventures		345,238	89,601
Associates		173,307	224,733
Finance costs		(1,554,068)	(1,474,582)
Profit before tax	6	6,362,411	5,565,397
Income tax expenses, net	7	(1,227,557)	(1,047,280)
Profit for the period		5,134,854	4,518,117
Profit for the period attributable to:			
Owners of the Company		4,848,622	4,213,994
Holders of perpetual capital securities		147,094	146,954
Non-controlling interests		139,138	157,169
		5,134,854	4,518,117
Earnings per share (HK cents)	9		
Basic		96.25	83.65
Diluted		96.25	83.65

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit for the period	5,134,854	<u>4,518,117</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(38,031)	(103,853)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	-	7,312
Exchange differences on translation of subsidiaries	(1,884,875)	(2,518,951)
Exchange differences on translation of joint ventures	(512,282)	(702,508)
Exchange differences on translation of associates	(71,404)	(117,904)
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Gain on fair value changes of investment properties transferred from property, plant and equipment	-	10,943
Other comprehensive loss for the period, net of tax	(2,506,592)	<u>(3,424,961)</u>
Total comprehensive income for the period	2,628,262	<u>1,093,156</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	2,384,433	858,036
Holders of perpetual capital securities	147,094	146,954
Non-controlling interests	96,735	88,166
	2,628,262	<u>1,093,156</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		5,380,988	4,869,816
Right-of-use assets		634,613	570,025
Investment properties		6,290,092	7,080,272
Interests in infrastructure project investments		4,662,308	4,742,261
Interests in joint ventures		16,491,358	16,771,131
Interests in associates		6,702,573	7,482,593
Concession operating rights		3,138,933	3,328,066
Deferred tax assets		198,909	119,698
Trademark, project backlogs and licences		224,514	237,361
Goodwill		577,664	577,664
Financial assets at fair value through other comprehensive income		507,734	545,886
Amounts due from investee companies		231,481	231,481
Trade and other receivables	10	54,161,334	53,285,839
Loans to joint ventures		822,639	827,673
		100,025,140	100,669,766
Current Assets			
Interests in infrastructure project investments		417,967	471,693
Inventories		842,154	590,246
Properties under development		6,511,191	6,827,851
Properties held for sale		2,380,754	1,567,758
Contract assets		19,564,231	18,777,148
Trade and other receivables	10	69,127,561	65,830,023
Deposits and prepayments		920,024	877,898
Loan to a joint venture		332,662	340,727
Amounts due from joint ventures		7,417,692	8,307,400
Amounts due from associates		290,140	318,675
Amounts due from related companies		177,074	200,620
Tax recoverable		277,508	188,825
Bank balances and cash		28,998,528	23,881,499
		137,257,486	128,180,363

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Current Liabilities			
Contract liabilities		8,700,549	8,503,090
Trade payables, other payables and accruals	11	72,326,292	69,736,719
Deposits received		60,376	53,164
Amounts due to joint ventures		696,301	840,486
Amounts due to associates		56,513	58,438
Amounts due to related companies		351,790	455,618
Tax payables		5,713,643	5,481,524
Bank borrowings	12	13,910,216	13,719,657
Guaranteed notes payable and corporate bonds		3,846,028	2,980,184
Loan from a fellow subsidiary		659,341	909,091
Loan from a joint venture		2,637,363	-
Lease liabilities		79,201	86,671
		109,037,613	102,824,642
Net Current Assets		28,219,873	25,355,721
Total Assets less Current Liabilities		128,245,013	126,025,487
Capital and Reserves			
Share capital		125,940	125,940
Share premium and reserves		58,845,129	57,664,221
Equity attributable to owners of the Company		58,971,069	57,790,161
Perpetual capital securities		7,803,948	7,801,154
Non-controlling interests		2,350,095	2,205,139
		69,125,112	67,796,454
Non-current Liabilities			
Bank borrowings	12	50,478,524	45,457,207
Guaranteed notes payable and corporate bonds		7,437,312	8,760,252
Contract liabilities		593,813	663,898
Deferred tax liabilities		513,509	508,208
Loan from a joint venture		-	2,727,273
Lease liabilities		96,743	112,195
		59,119,901	58,229,033
		128,245,013	126,025,487

NOTES:

(1) BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group 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 adopted 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 2022, except for the adoption of the following new standard and amendments to existing standards (hereinafter collectively referred as to the “revised Hong Kong Financial Reporting Standards (“HKFRSs”)”) effective for the financial year ending 31 December 2023.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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, construction related investment projects, facade contracting business, infrastructure operation, industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, insurance contracts and rental income from investment properties.

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue from construction contracts	18,673,338	29,024,172
Revenue from construction related investment projects (Note (a))	32,287,323	20,383,539
Revenue from facade contracting business	2,578,578	2,570,752
Revenue from infrastructure operation (Note (b))	463,939	484,591
Others (Note (c))	1,107,534	1,347,505
	55,110,712	53,810,559
Revenue from contracts with customers (Note (d))		
Timing of revenue recognition		
- Over time	52,208,108	50,224,346
- At a point in time	819,128	1,059,712
	53,027,236	51,284,058
Revenue from other sources		
- Interest income generated from construction related investment projects	1,862,355	2,159,726
- Others (Note (e))	221,121	366,775
	2,083,476	2,526,501
	55,110,712	53,810,559

(3) REVENUE *(continued)*

Notes:

- (a) Revenue from construction related investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership 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 industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the six months ended 30 June 2023 and 2022 are recognised over time, except for toll road operation, sales of building materials and industrial plant reconstruction of approximately HK\$87,076,000 (Six months ended 30 June 2022: HK\$78,982,000), HK\$659,075,000 (Six months ended 30 June 2022: HK\$570,120,000) and HK\$72,977,000 (Six months ended 30 June 2022: HK\$410,610,000), respectively, which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, insurance contracts and rental income from investment properties.

(4) SEGMENT 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 and Macau.

China State Construction Development Holdings Limited (“CSC Development”), 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 (collectively referred to as 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 2023 and 2022 are as follows:

	<u>Segment revenue</u>		<u>Gross profit</u>		<u>Segment results</u>	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Reportable segments						
Mainland China	32,040,124	21,838,860	6,493,643	5,323,810	5,720,756	4,971,762
Hong Kong and Macau	19,937,594	28,801,549	1,454,560	1,354,428	1,515,985	1,260,140
Hong Kong	14,074,829	22,989,036	786,445	937,367	820,433	845,217
Macau	5,862,765	5,812,513	668,115	417,061	695,552	414,923
CSC Development Group	3,132,994	3,170,150	677,535	539,035	531,651	374,438
	55,110,712	53,810,559	8,625,738	7,217,273	7,768,392	6,606,340
Share of revenue/results of joint ventures	1,770,897	2,014,292			345,238	89,601
Total	56,881,609	55,824,851			8,113,630	6,695,941
Unallocated corporate expenses					(370,458)	(148,823)
Gain on disposal of a subsidiary					-	38,351
Gain on disposal of a joint venture					-	192,614
Gain on disposal of an associate					-	37,163
Share of profits of associates					173,307	224,733
Finance costs					(1,554,068)	(1,474,582)
Profit before tax					6,362,411	5,565,397

China State Construction International Holdings Limited

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest income on:		
Bank deposits	115,688	94,511
Debt securities at FVOCI	12,016	15,397
Loans to joint ventures	9,524	12,804
Loans to associates	173	59,961
Deposits with a fellow subsidiary	845	1,395
Dividend income from:		
Equity securities at FVOCI	11,650	7,223
Gain on disposal of:		
Property, plant and equipment, net	1,160	1,514
A subsidiary	-	38,351
A joint venture	-	192,614
An associate	-	37,163
Gain on fair value changes of investment properties, net	-	4,446
Service income	23,192	-
Others	(144,278)	151,641
	29,970	617,020

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	278,166	222,309
Depreciation of right-of-use assets	55,072	42,910
Amortisation of concession operating rights (included in costs of sales)	82,498	87,492
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	8,780	8,983

(7) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong profits tax	128,647	136,018
Other jurisdictions income tax	1,259,251	1,008,809
Mainland China land appreciation tax	13,891	10,444
	<u>1,401,789</u>	<u>1,155,271</u>
(Over)/underprovision in prior years:		
Hong Kong profits tax	(9,434)	2,824
Other jurisdictions income tax	(87,582)	(29,059)
	<u>(97,016)</u>	<u>(26,235)</u>
Deferred tax, net	<u>(77,216)</u>	<u>(81,756)</u>
Income tax expenses for the period, net	<u>1,227,557</u>	<u>1,047,280</u>

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	
	2023 HK\$'000	2022 HK\$'000
Dividends recognised as distributions during the period:		
2022 Final, declared – HK24 cents per share		
(2022: 2021 Final, declared – HK20.5 cents per share)	<u>1,209,028</u>	<u>1,032,711</u>

The Board declared the payment of an interim dividend of 2023 of HK27.5 cents (2022: HK24 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	
	2023	2022
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>4,848,622</u>	<u>4,213,994</u>
	Six months ended 30 June	
	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>5,037,617</u>	<u>5,037,617</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 2023 and 2022.

(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 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	6,138,750	20,671,014
31-90 days	7,810,391	3,281,673
Over 90 days	85,688,808	69,308,598
	99,637,949	93,261,285
Retention receivables	6,161,575	5,597,664
Other receivables	17,489,371	20,256,913
Trade and other receivables	123,288,895	119,115,862
Less: Current portion	(69,127,561)	(65,830,023)
Non-current portion (Note)	54,161,334	53,285,839

Note: The balances of non-current portion are mainly attributable to certain construction related investment projects in Mainland China. Certain balances are secured by the 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 2024 to 2033, with approximately HK\$13,728,834,000 in the second half of 2024, HK\$13,343,425,000 in 2025, HK\$8,518,720,000 in 2026 and HK\$18,570,355,000 in 2027 to 2033. As a result, they are classified as non-current.

Included in the receivables aged over 90 days are receivables attributable to the construction related investment projects amounting to approximately HK\$49,308,244,000 (31 December 2022: HK\$50,960,828,000).

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 2023, the amount of retention receivables expected to be recovered after more than one year is approximately HK\$3,729,932,000 (31 December 2022: HK\$2,933,641,000).

(10) TRADE AND OTHER RECEIVABLES (continued)

Except for the receivables arising from construction contracts, including construction related 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 days to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

Other receivables

The analysis of the receivables is as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Payments for government targeted repurchase project (Note (a))	15,814,085	13,840,000
Bid and other deposits (Note (b))	583,443	1,780,788
Advances receivables (Note (c))	374,640	964,368
Input value-added tax	-	3,010,414
Others	717,203	661,343
	<u>17,489,371</u>	<u>20,256,913</u>

Notes:

- (a) The balance represents amounts paid to local governments for acquisitions of land for construction of government targeted repurchase projects. It will be charged to profit and loss over the period of the contract by reference to the progress towards completion satisfaction of that performance obligation.
- (b) The balance represents bid deposits, performance bonds, wage guarantee deposits and other deposits for construction related projects. These balances will be refunded upon completion of tender process or projects.
- (c) The balance represents construction and material purchase costs paid on behalf of sub-contractors and employers of construction related projects. It includes balances with fellow subsidiaries amounting to approximately HK\$98,281,000 (31 December 2022: HK\$168,159,000), which are unsecured, interest free and repayable on demand.

(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 2023 HK\$'000	31 December 2022 HK\$'000
Trade payables, aged:		
0-30 days	42,879,235	42,992,914
31-90 days	1,775,900	1,562,303
Over 90 days	11,249,140	9,106,748
	55,904,275	53,661,965
Retention payables	7,118,039	6,820,303
Other payables and accruals	9,303,978	9,254,451
	72,326,292	69,736,719

The average credit period on trade and construction cost payables is 60 days.

(12) BANK BORROWINGS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Bank borrowings, secured	14,887,512	16,272,083
Bank borrowings, unsecured	49,501,228	42,904,781
	64,388,740	59,176,864
Less: Current portion	(13,910,216)	(13,719,657)
Non-current portion	50,478,524	45,457,207
Carrying amount repayable:		
Within one year or on demand	13,910,216	13,719,657
More than one year but not exceeding two years	16,438,423	16,551,708
More than two years but not more than five years	26,086,903	19,068,083
More than five years	7,953,198	9,837,416
	64,388,740	59,176,864

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

Bank borrowings are mainly denominated in Hong Kong dollar and Renminbi.

INTERIM DIVIDEND

The Board declared an interim dividend of 2023 of HK27.5 cents per share (2022: interim dividend of HK24 cents per share) payable on or about Tuesday, 10 October 2023 to shareholders whose names appear on the register of members of the Company at the record date and time on Friday, 15 September 2023 at 4:30 p.m..

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 September 2023.

REVIEW OF OPERATION

In the first half of 2023, the global economy continued to move forward amid difficulties. The core inflations in Europe and US remained high, while the US Federal Reserve and European Central Bank continued to deliver an interest rate hike, and the emerging markets persistently faced pressure from capital outflows. Global supply chains continued to be impacted by the continuing geo-political risk and the ongoing Russia-Ukraine conflict. China's economy was generally on a positive upward trend, and the consumption recovered in a progressive manner, which contributed to the economic growth significantly. The infrastructure and manufacturing investment continued to be the important supporting forces for the economic growth, while the quality of foreign trade import and export has been enhanced and maintained stronger resilience. The economy has been recovered significantly when compared to the corresponding period of last year, progressing to the full year growth target steadily. The rising tourist arrivals, coupled with the recovery in local domestic demand, the unemployment rate of Hong Kong has dropped to the lowest level in recent years, while numerous stimulation measures, such as the consumption voucher scheme and investments in infrastructure, continued to come into play, resulting in a growth momentum. The number of tourists for Macau continued to improve with a year-on-year increase of 2.4 times. The gaming revenue rebounded more than expected, and the economy continued to pick up.

While facing an ever-changing external environment, the Group has been consistently pursuing high quality development. During the first half of the year, grasping opportunities arising from the central government's efficiency-enhancing policies and the major projects in Hong Kong and Macau, the Group made every effort to develop the markets, leveraging the Group's market-leading position in the construction market in Hong Kong and Macau and consolidating the results in the management and control of cashflow in the Mainland China. The facade business maintained high-speed growth while the technological research and development continued to make breakthroughs, achieving outstanding results as a whole.

China State Construction International Holdings Limited

For the six months ended 30 June 2023, the Group's results registered steady growth with newly signed contracts amounted to HK\$96,820 million, representing a year-on-year increase of 7.0%. The unaudited revenue amounted to HK\$55,111 million, representing a year-on-year increase of 2.4%. The operating profit amounted to HK\$7,768 million, representing a year-on-year increase of 17.6%. The profit attributable to the shareholders increased by 15.1% to HK\$4,849 million, with basic earnings per share of HK96.25 cents and net asset value per share of HK\$13.72. The Board declared the distribution of an interim dividend of HK27.5 cents per share for the year of 2023, translating to a payout ratio of about 28.6%, which is in line with the Group's dividend policy.

Mainland China Market

In the first half of 2023, the Group adhered to the investment-map-oriented strategy and deepened the development of high-quality regions. Among the newly signed contracts in the first half of the year, approximately 80% were from regions such as the Yangtze River Delta and the Greater Bay Area. Affordable housing investment business entered into quality regions like Baiyun District, Guangzhou, and further achieved breakthroughs. The Group continued to enhance the business management and control level by formulating modules for numerous professional work processes and issuing various standard work guidelines. The Group comprehensively promoted real-time tracking of on-site progress of projects and resources allocation through information system to ensure that all project segments could be completed on time or ahead of schedule.

The MiC business of the Group has been developed successfully and expanded to 11 provinces across China. MiC products for schools have been launched in Shenzhen, Guangdong Province, Jinan, Shandong Province and Guangde, Anhui Province. This business also entered Beijing Market through the MiC elevator products, which have been utilized for the modular construction in the Beijing Huazun's (北京華尊) elevators installation project.

In the first half of the year, newly signed contracts in the Mainland China market amounted to HK\$48.59 billion, representing a year-on-year increase of 8.0%. The cash flow management and control results have been further consolidated, which made significant contribution in maintaining positive overall operating cashflow of the Group.

Hong Kong and Macau Markets

The Hong Kong construction market was remarkably prosperous in the first half of the year. As the market leader, the Group had successively secured large hospital projects. Among the projects launched in Hong Kong's "First 10-Year Hospital Development Plan", the contract value of the projects won by the Group is leading the industry, which highlighted our absolute strength in the medical construction field in Hong Kong. The Group also grasped the major strategical opportunity presented by "Lantau Tomorrow" and "Northern Metropolis" and actively reserved project resources for various infrastructure and public facilities. The Group continuously contributed to the livelihood projects in Hong Kong and constructed a number of public and private residential properties. In the first half of the year, newly signed contracts in the Hong Kong market amounted to HK\$37.36 billion, representing a year-on-year increase of 36.4%.

The Group had an outstanding performance in the Macau market with a record-breaking revenue as compared to the corresponding period. The Group won the bid for the project of the South segment of Macau Light Rapid Transit East Line, which was a shield tunnel project with the largest diameter in the history of Macau and the largest contract amount in the construction market in Macau during the year. In the first half of the year, newly signed contracts in the Macau market amounted to HK\$4.25 billion, the leading position in the Macau market was maintained.

The Group continued to make progress on the "Greater Bay Area Standard Integration". An on-site report on the progress of the reform was presented to Mr. Lee Ka-chiu, the Chief Executive of Hong Kong, at Qianhai, Shenzhen, which received high recognition. In addition, the Group won the bid for a 10-unit infrastructure project in Qianwan District, Qianhai Free Trade Zone, the first pilot project for the integrated development between Shenzhen and Hong Kong. The Group immediately completed the filing process for the safe production in Mainland China which made the Group to become the first Hong Kong construction company that can practise and operate the whole end-to-end process of engineering projects in Mainland China. Macau's "Greater Bay Area Standard Integration" had also made new progress, obtaining the first Qualification Certificate for Macau Engineering Enterprises in Huangpu, Guangzhou, and becoming one of the first batch of Hong Kong - Macau enterprises to make qualification filing in the non-free trade zone.

Facade Market

CSC Development, a subsidiary of the Group, enjoys a solid leading position in the façade market in Hong Kong. It had successfully won the bids for large-scale residential projects and large-scale hospital projects, and focused on the mid-to-high-end markets in Mainland China. It won three consecutive bids for Huawei projects in the Greater Bay Area of the South China region, further consolidating its influence in the regional market. In the first half of the year, newly signed contracts of CSC Development amounted to HK\$6.62 billion, representing a year-on-year increase of 10.2%.

Sustainable Development Management

While actively creating commercial values, the Group also attaches great importance to the sustainable development management and to the improvement of its own relevant systems. During the first half of the year, Mr. Chan Tze Ching Ignatius was appointed as the independent non-executive director of the Company, while the Company revised its memorandum and articles of association and adopted the “Sustainable Procurement Policy” and “Water Resources Management Policy”. The Group was included in the “FTSE4Good Index” for the seventh consecutive year. Moreover, the Group was included in the first Sustainability Yearbook (China edition) 2023 by the S&P Global and was honored the “Industry Mover” and awarded the Environmental Leap Forward Award by CDP. The Group’s sustainable development performance was once again recognised by authoritative institutions.

Risk Management

The Group continued to strengthen its risk management and internal control system, improve the function of the Risk and Compliance Management Committee, provide guidance and assistance to each department and employee to effectively identify, report and address risks from strategic planning down to operation level. The Group consistently tracked the market movement, assessed risks in relation to strategy, finance, market and operation, and carried out risk prevention, management, and control in a proactive manner.

Financial Management

By consistently adhering to the principle of prudent financial management and strengthening cash flow management and control, the Group achieved a net operating cash inflow of HK\$168 million in the first half of the year. It also reasonably optimised the debt currency types and structure and continued to take advantage of the relatively favourable RMB rate. The Group expanded its financial resources proactively, measures of which included the entering into of the Developmental Financial Cooperation Agreement with the China Development Bank Hong Kong Branch, pursuant to which both parties will cooperate with each other in the fields of public housing and public infrastructure building in Hong Kong and Macau in the future.

The Group is currently in a healthy financial condition. As of 30 June 2023, the cash on hand amounted to HK\$28,999 million, accounting for 12.2% of total assets. The unutilised bank credit facilities were HK\$78,770 million.

Human Resources

The Group is committed to the establishment of human resources management and control system, in order to form a highly capable, highly efficient and professional management team, thus providing solid protection on talents, system and services for the materialization of strategic goal and the commencement of operating business of the Group. The Group deepened its organisational optimization, expanded the cooperation between academies and enterprises as well as the talent acquisition channels, and promoted the establishment of protecting human resources. The Group organised a serial training called “Leading Culture Academy (領潮學堂)” to promote the corporate culture. Adhering to its talent concept of “gathering strivers and motivating the promising people”, the Group had unremittingly optimized its appraisal system and incentive mechanism to strengthen the human resources for matching the strategic goal.

Technological Innovation

The Group is unswerving on the promotion of the transformation and upgrade of the construction industrialization, and continuously strengthening its core competitiveness through technological innovation. On 17 March 2023, the Chinese Academy of Engineering (CAE) Member’s Technovation Center was established in Hong Kong, which was the first academician and expert workstation established by academicians of the CAE in Hong Kong. The Acting Chief Executive of the Hong Kong Special Administrative Region Government, and leaders from the Liaison Office of the Central People’s Government in the HKSAR, the Ministry of Housing and Urban-Rural Development of the People’s Republic of China and CSCEC participated the establishment ceremony in person. The CAE Member’s Technovation Center had already provided technological support to major projects, and will act as the technological innovation hub in the future.

During the second BEYOND International Innovation Expo, of which the Group is one of the hosts, China State Hailong released the concrete MiC product. Such product series was also presented on Macau International Infrastructure Investment and Construction Forum, the 25th TEKTÓNICA International Construction Fair, the 48th International Exhibition of Inventions Geneva, the 20th China International Exposition of Housing Industry & Products and Equipment of Building Industrialization, 2023 Conference on International Industrial Cooperation (Singapore) & China’s Machinery and Electronics Show in Singapore, which had been the focus for all the parties presented. Shenzhen Longhua Talent Housing, the tallest concrete MiC housing in Mainland China, was completed successfully. Over 5,200 people from more than 380 observation, investigation and research teams from different government departments, associations and enterprises in the PRC have been received during the one-year construction period, laying a good foundation for promoting MiC technology and establishing industry standards. The research and development of BIPV from CSC Development was running smoothly. The performance of the Light-A series products launched this year was significantly enhanced as compared to the Light-S products from the last generation. The test line for BIPV was basically completed as well as the first phase of

photovoltaic transformation for Zhuhai Plant, which can satisfy 40% of electricity demand of the plant. The C-SMART intelligent construction site digitalization solution developed by the Group had been applied to more than a hundred works projects in Hong Kong, Macau and Mainland China. The solution will be upgraded and iterated to the fourth generation version and will satisfy all functions of “SSSS” Smart Site Safety System launched by the Development Bureau of Hong Kong.

In the first half of the year, the Group had obtained a series of technological achievements, including 102 patents, of which 14 were invention patents. The Group also obtained a number of major awards, which include the First Prize of Chongqing Science and Technology Progress Award, the Second Prize of Guizhou Science and Technology Progress Award, six awards from the Quality Building Award 2022 of Hong Kong, including the inaugural “Innovative Project Award”, the Gold Prize and Certificate of Merit of “Hong Kong Awards for Environmental Excellence”, and the Bronze Prize at the International Exhibition of Inventions Geneva.

REVIEW OF FINANCIAL PERFORMANCE

Overall performance

For the six months ended 30 June 2023, the Group’s profit attributable to owners of the Company was HK\$4,849 million, up by 15.1% compared to HK\$4,214 million for the last period. The Group recorded revenue of HK\$55,111 million, up by 2.4% compared to HK\$53,811 million for the last period. Basic earnings per share was HK96.25 cents, representing an increase of 15.1% as compared with the same period of last year.

During the period under review, the Group’s cashflow continues to improve, generated HK\$168 million and HK\$1,097 million net cash inflow from operating and investing activities, respectively.

The Board declared payment of an interim dividend of HK27.5 cents per share, the dividend payout ratio will be 28.6%.

As at 30 June 2023, the equity attributable to the owners of the Company was HK\$58,971 million (31 December 2022: HK\$57,790 million).

Segment Result

Construction and related business — Hong Kong and Macau

In order to cooperate with the pandemic prevention work, the Group has undertaken a large number of construction projects related to pandemic prevention in last period, but none in the period under review. During the period under review, the Group successively secured large hospital projects,

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won bids for large infrastructure projects and the housing projects located in core regions. Hong Kong's revenue dropped 38.8% to HK\$14,075 million as compared to HK\$22,989 million for corresponding period of 2022. Segment result amounted to HK\$820 million, dropped by 3.0% as compared to HK\$845 million for the same period of last year.

Macau's revenue remains high as several large-scale hospital and comprehensive entertainment project continues, amounting HK\$5,863 million, up by 0.9% as compared to HK\$5,813 million for the same period of last year. Segment result increased 67.7% to HK\$696 million as compared to HK\$415 million for last period. This is because profit of several large-scale projects commenced to realise profit in current period.

Construction Related Investment Projects and Other Businesses — Mainland China

The Group continues to increase investment in high-quality markets such as the Yangtze River Delta and the Greater Bay Area. At the same time, the Group increases the expansion of Modular Integrated Construction (MiC) business and apply it to different provinces and fields.

Mainland China segment recorded a restorative growth in revenue to HK\$32,040 million, up by 46.7% as compared to HK\$21,839 million in last period. Segment result amounted to HK\$5,721 million, up by 15.1% as compared to HK\$4,972 million for the same period of last year, which was mainly contributed by the growth of construction related investment projects.

Construction Related Investment Projects

Our construction related investment projects spanned 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. The Group continued to optimise the project mix on hand, increased participation in government targeted repurchase (GTR) projects and other shorter cash payback cycle projects in order to accelerate capital turnover.

During the period under review, the Group received buy-back payment of HK\$19,262 million (2022: HK\$14,127 million) from construction related investment projects, including the attributable share of such payment received by our joint venture investments, with an increase of 36.3%.

Construction related investment projects remained the core business and the major contributor of Mainland China. Revenue and result of this sector rose by 54.5% and 21.1% to HK\$31,867 million (2022: HK\$20,623 million) and HK\$5,286 million (2022: HK\$4,364 million), respectively.

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Operation Infrastructure Projects

Operation Infrastructure Projects represents toll road operation, recorded revenue of HK\$87 million, increased by 10.2% as compared to HK\$79 million of the same period of last year.

Other business

Other business mainly represents contribution from industrial plant reconstruction, prefabricated construction industrialisation factories, MiC and other business. This sector recorded segment result amounted HK\$438 million (2022: HK\$559 million).

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CSC Development Group focused on the facade contracting business, general contracting business and operating management business. CSC Development Group 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 continued to do well.

Cash Flows Analysis

The Group's operating cashflow continues to improve, generated HK\$168 million (2022: HK\$102 million). The net cash inflow from investing and financing activities were HK\$1,097 million (2022: HK\$1,899 million) and HK\$5,211 million (2022: HK\$2,691 million) respectively.

UNAUDITED OPERATING INFORMATION

For the six months ended 30 June 2023, the Group recorded an accumulated new contract value of HK\$96.82 billion.

As of 30 June 2023, the on-hand contract value of the Group amounted to approximately HK\$584.76 billion, among which the backlog was approximately HK\$331.33 billion.

New Contracts Awarded & Project in Progress in the first half of 2023

Market	New Contract Awarded for the Six Months ended 30 June 2023 (HK\$ Billion)	Project in Progress as of 30 June 2023	
		Total Value (HK\$ Billion)	Backlog (HK\$ Billion)
Mainland China	48.59	358.96	206.07
Hong Kong	37.36	134.15	86.47
Macau	4.25	61.67	23.48
CSC Development	6.62	29.98	15.31
Total	96.82	584.76	331.33

BUSINESS OUTLOOK

In the first half of the year, owing to the favourable environment created by the economic recovery, the Group acted proactively by availing the momentum, which obtained significant achievement in aspects such as market expansion, comprehensive management and control and technology research and development. Looking forward to the second half of the year, with the enhanced efforts on the policies for steady growth by the PRC government, and the steady progression of large infrastructure and livelihood works in Hong Kong and Macau, the Group will continue to dedicate itself in quality regions and grasp business opportunities. The Group will also make full play of the driving force of the technology, accelerate the enhancement of technology leadership as well as the cost competitiveness, and join hands with stakeholders on the road of quality development to deliver greater success.

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

Redemption of Listed Securities

On 29 July 2023, the Company redeemed all of the outstanding corporate bonds issued and listed on Shanghai Stock Exchange with a principal amount of Renminbi 2,000 million at coupon rate 3.48% due 2023 upon their maturity at their principal amount. The Company had made an application to the Shanghai Stock Exchange for the withdrawal of the listing of the corporate bonds accordingly.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the six months ended 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, 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 (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 the directors and relevant employees that they should not deal in the securities 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 securities of the Company. After making enquiries by the Company, all directors and relevant employees of the Company confirmed that they have complied with the Securities Code during the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group’s unaudited interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee of the Company.

ACKNOWLEDGEMENT

With this opportunity, I would like to express my sincere gratitude to the Board for its brilliant leadership, to the shareholders for their trust and strong support, to other members of the society for their generous assistance, and to all our staff for their hard works.

By order of the Board
**China State Construction
International Holdings Limited**
Zhang Haipeng
Chairman and Executive Director

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises Mr. Zhang Haipeng as Chairman and Executive Director; Mr. Yan Jianguo and Mr. Chen Xiaofeng as Non-executive Directors; Mr. Wang Xiaoguang (Chief Executive Officer) and Mr. Hung Cheung Shew as Executive Directors; and Dr. Raymond Leung Hai Ming, Ms. Wong Wai Ching and Mr. Chan Tze Ching Ignatius as Independent Non-executive Directors.