



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(於開曼群島註冊成立之有限公司)

(Incorporated in the Cayman Islands with limited liability)

Stock Code 股份代號 : 03311

INTERIM REPORT
中期報告 **2020**



慎微篤行

精築致遠

Exercise Caution in
Details and Implementation

Build a Strong Foundation to Seek

Greater Success

CONTENTS

目錄

2	公司業務架構
3	董事局及委員會
4	公司資料
5	主席報告書
14	管理層討論及分析
20	未經審核之簡明綜合收益表
21	未經審核之簡明綜合全面收益表
22	簡明綜合財務狀況表
25	未經審核之簡明綜合權益變動報表
29	未經審核之簡明綜合現金流量表
31	簡明財務報表附註
50	其他資料

57	Corporate Structure
58	Board of Directors and Committees
59	Corporate Information
60	Chairman's Statement
70	Management Discussion and Analysis
76	Unaudited Condensed Consolidated Income Statement
77	Unaudited Condensed Consolidated Statement of Comprehensive Income
78	Condensed Consolidated Statement of Financial Position
81	Unaudited Condensed Consolidated Statement of Changes in Equity
85	Unaudited Condensed Consolidated Statement of Cash Flows
87	Notes to the Condensed Financial Statements
106	Other Information

Corporate Structure



中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED



* "PPP" means "Public-Private-Partnership"

** Operate through a listed subsidiary, China State Construction Development Holdings Limited (Stock Code: 00830)

Board of Directors and Committees

BOARD OF DIRECTORS

Chairman and Non-executive Director

Yan Jianguo

Executive Directors

Zhang Haipeng *(Chief Executive Officer)*

Tian Shuchen

Zhou Hancheng

Hung Cheung Shew

Independent Non-executive Directors

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

COMMITTEES

Audit Committee

Lee Shing See

(Chairman)

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Remuneration Committee

Adrian David Li Man Kiu

(Chairman)

Raymond Leung Hai Ming

Lee Shing See

Nomination Committee

Lee Shing See

(Chairman)

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Sustainability Committee

Zhou Hancheng

(Chairman)

Zhang Haipeng

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Corporate Information

AUTHORISED REPRESENTATIVES

Yan Jianguo
Zhang Haipeng
Zhou Hancheng (Alternate to Yan Jianguo)

COMPANY SECRETARY

Ko Hiu Fung

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

INVESTOR RELATIONS

Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2671 9477
E-mail : csci.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2823 7888
Facsimile : (852) 2671 9477
E-mail : csci.pr@cohl.com

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISOR

Mayer Brown

PRINCIPAL BANKERS

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

LISTING

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain debt securities issued by the Company and/or its subsidiaries are listed on the Stock Exchange and/or other stock exchange.

STOCK CODE

Shares
Stock Exchange : 03311
Bloomberg : 3311:HK
Reuters : 3311.HK

WEBSITE

www.csci.com.hk

FINANCIAL CALENDAR

Interim Results Announcement
21 August 2020

Ex-dividend date
18 September 2020

**Closure of Register of Members —
Interim Dividend**
22 September 2020

2020 Interim Dividend Payable
6 October 2020

Chairman's Statement

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 was gradually brought back on track and in line with our annual target plan.

For the six months ended 30 June 2020, the unaudited revenue of the Group amounted to HK\$28.0 billion, with an operational profit of HK\$4.8 billion. The profit attributable to the shareholders slightly increased by 1.3% to HK\$2.9 billion, representing net profit ratio of 11.2%, basic earnings per share of HK\$0.57 and net asset value per share of HK\$10.36. Particularly, benefited from the gradual stabilization of the epidemic situation in Mainland China, Hong Kong and Macau in the second quarter, for the second quarter period ended 30 June 2020, the unaudited revenue and operational profit of the Group amounted to HK\$18.05 billion and HK\$3.07 billion, representing a quarter-on-quarter growth of 81.5% and 78.0%, respectively. The Board recommended the distribution of interim dividend of HK17.00 cents per share for the year of 2020, translating to a dividend payout ratio of about 30%.

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 quarter 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 previously recorded 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 had continuously investigated the operational risks arose from information security and its counter-measures.

Financial Management

During the year, the Group had 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 the 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 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 issuing 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 provided 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 experiences and technological advantages of Hailong Construction Technology, 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.

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.

ACKNOWLEDGEMENT

I would like to express my profound gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, to other members of the community for their generous assistance, and to our staff for their hard work and dedication.

By Order of the Board

China State Construction International Holdings Limited

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 21 August 2020

Management Discussion and Analysis

OVERALL 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.

The Board declared payment of an interim dividend of HK17.00 cents per share, the dividend payout ratio will be 29.6%.

As at 30 June 2020, the equity attributable to the owners of the Company reached HK\$43,423 million, representing an increase of 3.0% as compared to 31 December 2019.

SEGMENT RESULT

Construction and related business — Hong Kong and Macau

Against the impact of COVID-19 pandemic, Hong Kong's economy 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 of its revenue to HK\$10,291 million, up by about 4.6% as compared to HK\$9,841 million for corresponding period of 2019, segment result amounted to HK\$699 million, slightly dropped 1.8% as compared to HK\$712 million for the same period of last year.

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 for corresponding period of 2019, but with better segment result amounted to HK\$260 million, up by about 15.0% as compared to HK\$226 million for corresponding period of last year.

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 projects 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 million for the corresponding period of 2019 and better result of HK\$3,627 million, up by 23.2% as compared to HK\$2,943 million for the same period of last year, the increase mainly contributed by the Infrastructure Investment business.

Infrastructure Investment Projects

Our investments in infrastructure 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. In first half of 2020, the Group beside continued concentration on Public-Private-Partnership ("PPP") project, it also focused on investment projects with faster capital turnover.

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 by 7.4% as compared to HK\$12,856 million for corresponding period of 2019, result of HK\$3,578 million, up by 26.3% as compared to HK\$2,832 million for the same period of last year. The Group's PPP projects are gradually mature, and some of the projects had fallen into buy back period, higher investment income was generated, hence higher margin was noted.

Operating Infrastructure Projects

Following the transfer of Shenyang Huanggu Thermolectric 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 results 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 continued to expand its market in Mainland China and other regional markets. During the period under review, both revenue and result have steadily increased.

Investment Income, Other Income and Other Gains, Net

Investment Income, other Income and other gains, net increased by 17.8% to HK\$372 million, mainly attributable to the increase in interest income during the period under review.

Share of profits of Joint Ventures

The Group mainly operated toll bridge and infrastructure investment projects in form of joint ventures. The share of profits of joint ventures was stable, amounting HK\$112 million, as compared to HK\$320 million for the same period of last year.

CORPORATE FINANCE

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK\$52,312 million as at 30 June 2020 (31 December 2019: HK\$50,908 million). The increase was mainly attributable to the profit for the period of HK\$3,147 million, partly offset by the HK\$809 million increase in translation reserve (loss) due to the depreciation of RMB and distribution of HK\$808 million during the period under review.

Financial position of the Group

(a) Bank Balances and Cash

As at 30 June 2020, the Group had bank balances and cash of HK\$23,534 million (31 December 2019: HK\$22,624 million), representing 13.9% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	30 June 2020 %	31 December 2019 %
Hong Kong Dollars	23	23
Renminbi	42	43
Macao Patacas	12	12
United State Dollars	22	21
Others	1	1

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

(b) Borrowings

The Group's financing and treasury activities were centrally managed and controlled at the corporate level. We were committed to seek for stable and low-cost financing, and increase the flexible use of funds between Mainland China and Hong Kong in order to enhance the effectiveness of capital usage.

Management Discussion and Analysis (continued)

During the period under review, the Group had net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of HK\$8,279 million.

As at 30 June 2020, the total borrowings of the Group (including the unsecured guaranteed notes denominated in US dollars issued by the Group in November 2017) were HK\$53,225 million of which, 17%, 12% and 70% of the borrowing were denominated in Hong Kong dollars, US dollars and Renminbi respectively. As Renminbi is fluctuated in recent years, the Group intended to increase the proportion of Renminbi finance in order to naturally hedge with the exposure from the receipts of Mainland China business. Bank borrowings mainly bore interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate (“HIBOR”) or People’s Bank of China (“PBOC”) reference rate (overall the condition was favorable) while the notes bore fixed interest rate.

The following table sets out the maturities of the Group’s total borrowings as at 30 June 2020 and 31 December 2019:

	30 June 2020 HK\$' million	31 December 2019 HK\$' million
Bank and other borrowings		
On demand or within one year	8,580	10,041
More than one year but not exceeding two years	7,951	5,071
More than two years but not more than five years	18,425	13,554
More than five years	12,050	10,723
Total bank borrowings	47,006	39,389
Guaranteed notes payable	6,219	6,216
Total borrowings	53,225	45,605

As at 30 June 2020, the Group had net borrowings of HK\$29,691 million (31 December 2019: HK\$22,981 million) and the Group's net gearing ratio was 56.8% (31 December 2019: 45.1%). This ratio was calculated as net debt divided by total equity. Net debt was calculated as total borrowings (including current and non-current bank borrowings and unsecured guaranteed notes payable as shown in the consolidated statement of financial position) less cash and cash equivalents. As at 30 June 2020, committed but unutilised credit facilities and other facilities like construction performance bond facilities amounted to HK\$56,555 million.

(c) Cash flows analysis

As some infrastructure projects were operated in PPP model, the buy back period of PPP projects were comparatively longer than that of traditional Build-transfer model, the net cash used in operating activities for the period was HK\$5,030 million (2019: HK\$1,406 million), included the net expenditure for infrastructure 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).

Financial Risk Factors and Financial Risk Management

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

There had neither been any change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December 2019 ("2019 annual report"), and should be read in conjunction with the relevant disclosures in the 2019 annual report.

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

Unaudited Condensed Consolidated Income Statement

		Six months ended 30 June	
		2020	2019
Notes		HK\$'000	HK\$'000
Revenue	6	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	8	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	9	(1,344,173)	(1,104,213)
Profit before tax	10	3,948,770	3,721,692
Income tax expenses, net	11	(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)	13		
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 HK\$'000
Profit for the period	3,147,426	3,014,768
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>Item 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)	5,239
Total comprehensive income for the period, net of tax	2,294,643	3,020,007
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	3,020,007

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	14	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	15	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	15	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	16	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	17	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

Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Capital and Reserves			
Share capital	18	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	17	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

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Perpetual capital securities HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (note 18)	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Capital redemption reserve HK\$'000 (note b)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (note c)	Retained profits HK\$'000	Total HK\$'000				
At 1 January 2019	126,229	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,454,368	3,878,468	745,414	43,078,250	
Profit for the period	—	—	—	—	—	—	—	2,861,645	2,861,645	124,095	29,028	3,014,768	
Gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	—	—	—	16,955	—	—	—	16,955	—	—	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	—	—	—	5,506	—	—	5,506	
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	—	—	—	—	492	—	—	—	492	—	—	492	
Exchange differences on translation of subsidiaries	—	—	—	—	—	(13,951)	—	—	(13,951)	—	1,343	(12,608)	
Exchange differences on translation of joint ventures	—	—	—	—	—	(4,971)	—	—	(4,971)	—	—	(4,971)	
Exchange differences on translation of associates	—	—	—	—	—	(135)	—	—	(135)	—	—	(135)	
Total comprehensive income/ (loss) for the period	—	—	—	—	22,953	(19,057)	—	2,861,645	2,865,541	124,095	30,371	3,020,007	
Capital contribution relating to share-based payment borne by an intermediate holding company	—	—	5,750	—	—	—	—	—	5,750	—	—	5,750	
Contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	89,358	89,358	
Distribution paid on perpetual capital securities	—	—	—	—	—	—	—	—	—	(117,000)	—	(117,000)	
Transfer to statutory reserve	—	—	—	—	—	—	1,328	(1,328)	—	—	—	—	
2018 final dividend declared	—	—	—	—	—	—	—	(605,899)	(605,899)	—	—	(605,899)	
At 30 June 2019	126,229	20,540,459	(6,596,323)	337	78,922	(2,751,309)	546,157	28,775,288	40,719,760	3,885,563	865,143	45,470,466	

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Total	Perpetual capital securities	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 18)		(note a)	(note b)			(note c)					
At 1 January 2020	126,229	20,540,469	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,148,170	7,781,962	977,433	50,907,565
Profit for the period	-	-	-	-	-	-	-	2,897,500	2,897,500	202,400	47,526	3,147,426
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	-	-	-	-	(10,621)	-	-	-	(10,621)	-	-	(10,621)
Exchange differences on translation of subsidiaries	-	-	-	-	-	(514,743)	-	-	(514,743)	-	(33,094)	(547,837)
Exchange differences on translation of joint ventures	-	-	-	-	-	(281,938)	-	-	(281,938)	-	-	(281,938)
Exchange differences on translation of associates	-	-	-	-	-	(12,387)	-	-	(12,387)	-	-	(12,387)
Total comprehensive (loss)/ income for the period	-	-	-	-	(10,621)	(809,068)	-	2,897,500	2,077,811	202,400	14,432	2,294,643
Capital contribution relating to share-based payment borne by an intermediate holding company	-	-	7,330	-	-	-	-	-	7,330	-	-	7,330
Lapse of share options	-	-	(2,143)	-	-	-	-	-	(2,143)	-	-	(2,143)
Exercise of share options	-	-	(7,844)	-	-	-	-	7,844	-	-	-	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	107,832	107,832
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(195,000)	-	(195,000)
Transfer to statutory reserve	-	-	-	-	-	-	8,700	(8,700)	-	-	-	-
2019 final dividend declared	-	-	-	-	-	-	-	(807,865)	(807,865)	-	-	(807,865)
At 30 June 2020	126,229	20,540,469	(6,587,832)	337	80,206	(3,898,718)	596,813	32,565,809	43,423,303	7,789,362	1,099,697	52,312,362

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

Notes:

- (a) Special reserve arose from:
- (i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司, China Overseas Technology Holdings Limited and its subsidiaries and China Overseas Ports Investment Company Limited and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.
 - (ii) During 2012, the Group obtained control over China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited) (“CSC Development Group”) which then became the Group’s subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of CSC Development Group at a price of HK\$1.26 per share through private placing to certain independent investors. As a result, the Group’s shareholding in CSC Development Group was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of HK\$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development Group of HK\$57 million and carrying amount of the attributable share of net assets of CSC Development Group of HK\$23 million, was credited to the special reserve.
 - (iii) During 2016, the CSC Development Group further acquired 38.63% of equity interests in Gamma North America, Inc. through conversion of shareholder’s loans. The net liability value of Gamma North America, Inc. of HK\$229,666,000 has been transferred from non-controlling interests to special reserve in equity.
 - (iv) During 2018, the Group disposed its wholly owned subsidiary, 中海監理有限公司 and its subsidiary to CSC Development Group resulted in an addition of 25.94% non-controlling interest. The net assets value of 中海監理有限公司 and its subsidiary of HK\$25,975,000 has been transferred from special reserve in equity to non-controlling interests.

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

Notes: (continued)

- (b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of the ordinary shares repurchased.
- (c) Statutory reserve of the Group represents a general and development fund reserves applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	(5,029,525)	(1,405,552)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(181,941)	(403,836)
Capital investment in joint ventures	(1,514,512)	(420,361)
Net movement of joint ventures current accounts	(604,093)	(1,022,780)
Net movement of loans to joint ventures	8,946	682,771
Dividends received from joint ventures	—	274,713
Decrease/(increase) in interests in associates	359,020	(1,438,275)
Dividends received from associates	293,907	1,109,072
Advance from associates	73,581	2,280
Interests received	157,415	128,728
Other investing cash flows	26,434	132,792
Net cash used in investing activities	(1,381,243)	(954,896)
FINANCING ACTIVITIES		
New bank loans raised	20,026,224	13,752,398
Repayment of bank loans	(11,747,122)	(10,972,605)
Loan from a joint venture	—	2,781,600
Loan from fellow subsidiaries	668,896	—
Advance from immediate holding company	—	1,000,000
Finance costs paid and other financing cash flows	(1,438,456)	(1,042,030)
Net cash from financing activities	7,509,542	5,519,363
Increase in cash and cash equivalents	1,098,774	3,158,915
Cash and cash equivalents at the beginning of the period	22,600,362	17,924,196
Effect of foreign exchange rate changes	(191,970)	(52,711)
CASH AND CASH EQUIVALENTS AT 30 JUNE	23,507,166	21,030,400

Unaudited Condensed Consolidated Statement of Cash Flows (continued)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	23,533,659	21,035,490
Less: Pledged bank deposits and deposits with financial institutions	(26,493)	(5,090)
	23,507,166	21,030,400

Note: 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 expenditure for infrastructure project and GTR project were HK\$3.72 billion (2019: HK\$0.93 billion).

Notes to the Condensed Financial Statements

1. GENERAL INFORMATION

The principal activities of China State Construction International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are the construction business, infrastructure investments, prefabricated constructions, engineering consultancy and facade contraction business, etc.

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

2. BASIS OF PREPARATION

The 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 statements have 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.

3. APPLICATION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATION

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

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

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.

4. ESTIMATES

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

In the preparation of these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT ESTIMATES

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

There has been no change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year end. This interim report does not include all financial risk management information and disclosures required in the annual report of the Company for the year ended 31 December 2019 ("2019 Annual Report"), and should be read in conjunction with the relevant disclosures in the 2019 Annual Report.

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

6. REVENUE

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

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue from construction contracts	12,184,372	12,433,320
Revenue from infrastructure investments projects (note (a))	13,826,687	12,872,306
Revenue from facade 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

6. 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

6. REVENUE (CONTINUED)

Notes:

- (a) Revenue from infrastructure investment projects mainly comprise 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 comprise of revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (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 in time.
- (e) The amount mainly comprises of revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

7. SEGMENTAL INFORMATION

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

7. SEGMENTAL INFORMATION (CONTINUED)

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

	Segment revenue		Gross profit		Segment result	
	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

8. 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 at FVOCI	14,199	8,980
Loans to joint ventures	25,348	41,713
Loans to associates	52,302	61,210
Dividend income from:		
Equity securities at FVOCI	26,293	31,118
Gain on disposal of:		
Debt securities at FVOCI, net of tax	—	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

9. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	1,048,410	893,408
Interest on guaranteed notes payables	112,573	112,371
Interest on amount due to immediate holding company	—	325
Interest on loan from a joint venture	104,710	70,505
Interest on loan from fellow subsidiaries	39,715	—
Interest on lease liabilities	898	1,920
Others	37,867	25,684
	1,344,173	1,104,213

10. 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

11. 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.

12. DIVIDENDS

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

12. DIVIDENDS (CONTINUED)

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).

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	2,897,500	2,861,645
	2020 '000	2019 '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.

14. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$401,841,000 (corresponding period in 2019: HK\$403,836,000) on the additions to property, plant and equipment.

15. TRADE AND OTHER RECEIVABLES

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

	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
	75,277,443	74,918,351
Trade and other receivables Current Portion	(31,658,414)	(30,601,279)
	43,619,029	44,317,072
Non-current portion (Note)		

Note: 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 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 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.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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).

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).

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.

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	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

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

Other payables and accruals comprise primarily staff cost, other tax and other operating expenses payables.

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. At 30 June 2020, the amount of retention payables expected to be due after more than one year was approximately HK\$1,878,272,000 (31 December 2019: HK\$2,012,869,000).

17. 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
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
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

17. BORROWINGS (CONTINUED)

The fair values of borrowings approximate their carrying amounts as the impact of discounting is not significant.

The secured bank loans are secured by property, plant and equipment, concession operating rights and trade receivables. The unsecured bank loans including the bank loans with financial undertaking is required to fulfill by the Group to the banks.

Borrowings are dominated in the following currencies:

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
HK\$	9,127,449	8,025,257
RMB	37,699,484	30,875,793
Canadian Dollar ("CAD")	176,878	175,536
US\$	2,545	312,000
	47,006,356	39,388,586

The effective interest rates of borrowings are as follows:

	30 June 2020				31 December 2019			
	HK\$ %	RMB %	CAD %	US\$ %	HK\$ %	RMB %	CAD %	US\$ %
Bank loans, secured	—	4.81	4.24	—	—	5.07	4.24	—
Bank loans, unsecured	3.24	4.53	2.92	2.75	3.47	4.88	4.28	5.03

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
Balance at 31 December 2019 and 30 June 2020	5,049,156,668	126,229

19. COMMITMENTS

At 30 June 2020 and 31 December 2019, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contracted but not provided for — construction in progress for property, plant and equipment	194,266	43,685

20. RELATED PARTY TRANSACTIONS

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

Transactions	Six months end 30 June	
	2020 HK\$'000	2019 HK\$'000
Intermediate holding company		
Revenue from construction contracts	29,326	647,517
Immediate holding company		
Interest expense	—	325
Fellow subsidiaries		
Rental income	2,337	4,030
Rental expenses	647	748
Security service payment	4,056	5,867
Revenue from construction contracts	626,150	257,872
Project consultancy service income	25,799	18,592
Insurance premium income	984	958
Construction costs	3,890,869	5,267,467
Interest expense	39,715	—
Associates		
Purchase of construction materials	72,246	72,980
Revenue from construction contracts	1,869,927	1,105,262
Interest income	52,302	61,210
Management fee income	—	18,003

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Transactions	Six months end 30 June	
	2020 HK\$'000	2019 HK\$'000
Joint ventures		
Revenue from construction contracts	3,153,927	4,012,095
Rental income from lease of machinery	193	837
Purchase of materials	—	52,179
Sales of building materials	842	—
Insurance premium income	2,481	1,187
Construction costs	—	15,101
Management fee income	—	401
Interest income	25,348	41,713

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

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

21. 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.

Other Information

INTERIM DIVIDEND

The board of directors of the Company 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.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2020 was 5,049,156,668 ordinary shares of HK\$0.025 each.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

- (a) As at 30 June 2020, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 shares of the Company, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of shares in issue of the Company. All the shares held by the directors are being personal interest, in long positions and in the capacity of beneficial owners.
- (b) As at 30 June 2020, Mr. Yan Jianguo held 700,000 share options (representing 0.006% of shares in issue) of China Overseas Land & Investment Limited ("COLI"; an associated corporation of the Company). All the share options held by the director are being personal interest, in long positions and in the capacity of beneficial owner.
- (c) As at 30 June 2020, Mr. Zhang Haipeng held 3,078,000 shares (representing 0.143% of shares in issue) of China State Construction Development Holdings Limited ("CSC Development"; a non-wholly owned subsidiary of the Company). All the shares held by the director are being personal interest, in long positions and in the capacity of beneficial owner.

Other Information (continued)

- (d) As at 30 June 2020, Mr. Hung Cheung Shew held 7,095 shares (representing 0.000% of shares in issue) of COLI; 30,000 shares (representing 0.001% of shares in issue) of CSC Development; and 2,365 shares (representing 0.000% of shares in issue) of China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the director are being personal interest, in long positions and in the capacity of beneficial owner.
- (e) As at 30 June 2020, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 774,000; 284,000; and 684,000 shares of China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company), representing 0.002%; 0.001%; and 0.002% of shares in issue of CSCECL. All the shares held by the directors are being personal interest, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

Save as disclosed above, as at 30 June 2020, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30 June 2020 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, at no time during the six months ended 30 June 2020, none of the directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS

As at 30 June 2020, substantial shareholders (as defined in the Listing Rule) of the Company and other persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as follows:

Long/Short positions of substantial shareholders in the shares of the Company

Name of shareholder	Long/Short position	Capacity	Number of shares held	% of shares in issue ¹
China Overseas Holdings Limited ("COHL")	Long position	Beneficial owner/ Interest of a controlled corporation ²	3,264,976,136	64.66
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of controlled corporation ³	3,264,976,136	64.66
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of controlled corporation ⁴	3,264,976,136	64.66

* The English name is a translation from its Chinese name and is for identification purposes only

Other Information (continued)

Long/Short positions of other persons in the shares of the Company

Name of shareholder	Long/Short position	Capacity	Number of shares held	% of shares in issue ¹
Citigroup Inc.	Long position	Note 5	305,585,051	6.05
	Short position	Note 5	1,915,185	0.03
	Lending pool	Note 5	302,135,663	5.98
GIC Private Limited	Long position	Investment Manager	253,305,313	5.02

Notes:

1. The percentage has been adjusted based on the total number of shares ("Shares") of the Company in issue as at 30 June 2020 (i.e. 5,049,156,668 Shares).
2. Amongst the total number of 3,264,976,136 Shares held by COHL, 3,146,188,492 Shares was held as beneficial owner while the balance of 118,787,644 Shares were interests of its controlled corporation.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 3,264,976,136 Shares directly and indirectly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,264,976,136 Shares indirectly owned by CSCECL.
5. Citigroup Inc. held the following interests in the following capacities:
 - (i) Interest of corporation controlled in long position is 3,449,388 Shares.
 - (ii) Interest of corporation controlled in short position is 1,915,185 Shares.
 - (iii) Approved lending agent in long position is 302,135,663 Shares.

Save as disclosed above, as at 30 June 2020, there was no other person who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE 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 report.

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 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 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. Directors and relevant employees of the Company were required to comply with the Securities Code. Reminders were 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 were required to notify the Company and obtain 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 REPORT 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.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2019 Annual Report are set out below:

- Mr. Zhang Haipeng was appointed as a director of China Overseas Holdings Limited.
- Mr. Zhou Hancheng was appointed as chairman of the Sustainability Committee of the Company and Mr. Zhang Haipeng, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See were appointed as members of the Sustainability Committee of the Company.



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(於開曼群島註冊成立之有限公司)

(Incorporated in the Cayman Islands with limited liability)

香港灣仔軒尼詩道139號中國海外大廈28樓

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

電話 Tel : 2823 7888

傳真 Fax : 2527 6782

網頁 Website: www.csci.com.hk

