



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

Exercise Caution in
Details and Implementation

Build a Strong Foundation to Seek
Greater Success

精築致遠 慎微篤行

INTERIM REPORT 2021 中期報告



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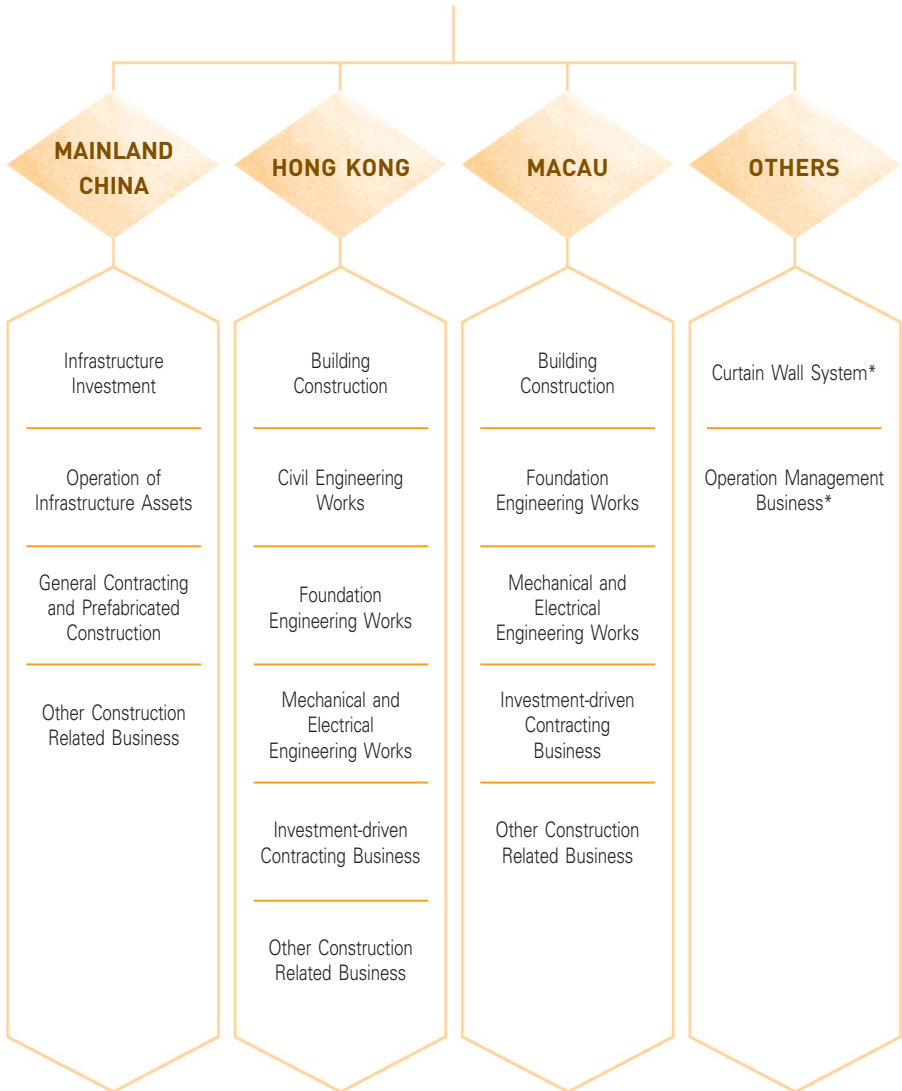
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CORPORATE STRUCTURE



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



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

BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

Non-executive Directors

Yan Jianguo *(Chairman)*

Chen Xiaofeng

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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P. O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
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
17 August 2021

Ex-dividend date
15 September 2021

Closure of Register of Members – Interim Dividend
17 September 2021

2021 Interim Dividend Payable
5 October 2021

CHAIRMAN'S STATEMENT

REVIEW OF OPERATION

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

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



Chairman's Statement (continued)

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

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

Chairman's Statement (continued)**Mainland China Market**

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

Hong Kong and Macau Markets

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

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



Curtain Wall Market

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

CORPORATE GOVERNANCE

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

Risk Management and Control

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

Chairman's Statement (continued)

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

Financial Management

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

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

Human Resources

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

Chairman's Statement (continued)

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

Technological Innovation

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

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

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



Chairman's Statement (continued)**SOCIAL RESPONSIBILITY**

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

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

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



BUSINESS OUTLOOK

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

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

ACKNOWLEDGEMENT

With this opportunity, 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 society for their generous assistance, and to all our staff for their hard work.

By Order of the Board

China State Construction International Holdings Limited

Yan Jianguo

Chairman and Non-executive Director

17 August 2021



MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

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

The Board declared payment of an interim dividend of HK20 cents per share, the dividend payout ratio will be 28.8%.

As at 30 June 2021, the equity attributable to the owners of the Company reached HK\$52,105 million, representing an increase of 6.1% as compared to 31 December 2020.

SEGMENT RESULT

Construction and related business — Hong Kong and Macau

In order to boost the economy, the HKSAR Government continued to invest in infrastructure. The Group made full use of its competitive advantages and brand value in the professional field, seized market opportunities and obtained large-scale projects continuously. Hong Kong segment maintained stable revenue amounted to HK\$10,468 million, up by about 1.7% as compared to HK\$10,291 million for corresponding period of 2020, segment result amounted to HK\$440 million, dropped 37.0% as compared to HK\$699 million for the same period of last year. As several large-scale projects are still in preliminary stage and no profit accrued, overall segment result declined.

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



Infrastructure Investment Projects and Construction Related Businesses — Mainland China

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

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

Infrastructure Investment Projects

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

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

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



Management Discussion and Analysis (continued)***Operating Infrastructure Projects***

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

China State Construction Development Holdings Limited

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

Investment Income, Other Income and Other Gains, Net

Investment income, other income and other gains, net decreasing by 31.3% to HK\$256 million, was mainly attributable to the decrease in interest income during the period under review.

Share of profits of Joint Ventures

The Group mainly operated infrastructure investment projects in form of joint ventures. The share of profits of joint ventures amounting to HK\$220 million, increased by 96.0% as compared to HK\$112 million for the same period of last year.

Share of profits of associates

The Group continued to drive the contracting business by its investment in associates. The share of profits of associates was stable, amounting to HK\$434 million, as compared to HK\$530 million for the same period of last year.

CORPORATE FINANCE

During the period under review, the Group issued US\$500 million subordinated perpetual capital securities and raised approximately HK\$3,886 million, net of expenses.



Management Discussion and Analysis (continued)

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK\$65,439 million as at 30 June 2021 (31 December 2020: HK\$58,280 million). The increase was mainly attributable to the profit for the period of HK\$3,798 million, the issuance of US\$500 million subordinated perpetual capital securities issued during the period under review, and the decrease in translation reserve (loss) of HK\$516 million due to the appreciation of Renminbi and partly offset by the distribution of HK\$957 million during the period under review.

Financial position of the Group

(a) Bank Balances and Cash

As at 30 June 2021, the Group had bank balances and cash of HK\$20,324 million (31 December 2020: HK\$22,455 million), accounted for 10.3% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	30 June 2021 %	31 December 2020 %
Hong Kong Dollars	25	16
Renminbi	58	60
Macao Patacas	9	8
United State Dollars	7	15
Others	1	1

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

(b) Borrowings

The Group centrally managed and controlled the financing and treasury activities. 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 issued RMB1,000 million corporate bonds in Mainland China, raised an approximately HK\$1,200 million, net of expenses.

As at 30 June 2021, the total borrowings of the Group were HK\$56,247 million of which, 4%, 11% and 84% of the borrowing were denominated in Hong Kong dollars, US dollars and Renminbi respectively. In view of exchange rate fluctuation 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") Loan Prime Rate (the overall condition was favorable) while the notes and bonds bore fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 30 June 2021 and 31 December 2020:

	30 June 2021 HK\$' million	31 December 2020 HK\$' million
Bank borrowings		
On demand or within one year	7,989	9,707
More than one year but not exceeding two years	15,606	10,713
More than two years but not more than five years	14,900	18,331
More than five years	7,320	6,445
Total bank borrowings	45,815	45,196
Unsecured guaranteed notes payables and corporate bonds	10,432	9,179
Total borrowings	56,247	54,375

Management Discussion and Analysis (continued)

As at 30 June 2021, the Group had net borrowings of HK\$35,923 million (31 December 2020: HK\$31,920 million) and the Group's net gearing ratio was 54.9% (31 December 2020: 54.8%). 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 and corporate bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. As at 30 June 2021, committed but unutilised credit facilities and other facilities like construction performance bond facilities amounted to HK\$82,774 million.

(c) *Cash flows analysis*

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

Financial Risk Factors and Financial Risk Management

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

There had been neither any change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year. 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 2020 ("2020 Annual Report"), and should be read in conjunction with the relevant disclosures in the 2020 Annual Report.

During the period under review, the Group continued to enhance 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

	Notes	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	6	36,370,988	28,002,101
Costs of sales		(30,358,018)	(22,934,093)
Gross profit		6,012,970	5,068,008
Investment income, other income and other gains, net	8	255,531	371,986
Administrative, selling and other operating expenses		(862,893)	(789,088)
Share of profits of			
Joint ventures		219,817	112,162
Associates		433,928	529,875
Finance costs	9	(1,256,554)	(1,344,173)
Profit before tax	10	4,802,799	3,948,770
Income tax expenses, net	11	(1,004,769)	(801,344)
Profit for the period		3,798,030	3,147,426
Profit for the period attributable to:			
Owners of the Company		3,500,201	2,897,500
Holders of perpetual capital securities		210,752	202,400
Non-controlling interests		87,077	47,526
		3,798,030	3,147,426
Earnings per share (HK cents)	13		
Basic		69.42	57.39
Diluted		69.42	57.39

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	14	5,617,778	5,390,547
Investment properties		4,608,515	4,643,331
Interests in infrastructure project investments		5,905,534	5,713,846
Interests in joint ventures		17,156,248	16,453,237
Interests in associates		8,237,704	6,829,830
Concession operating rights		3,785,202	3,812,526
Deferred tax assets		152,231	177,691
Trademark, project backlogs and licenses		271,747	278,416
Goodwill		577,664	577,664
Financial assets at fair value through other comprehensive income		667,828	689,958
Amounts due from investee companies		211,806	211,806
Trade and other receivables	15	55,214,561	53,729,653
Loans to joint ventures		309,912	295,761
		102,716,730	98,804,266
Current Assets			
Interests in infrastructure project investments		67,102	62,142
Inventories		383,685	410,072
Properties under development		5,278,066	4,311,691
Properties held for sale		1,155,267	1,431,447
Contract assets		11,635,962	11,981,742
Trade and other receivables	15	46,585,145	38,160,276
Deposits and prepayments		1,202,790	1,536,738
Loans to joint ventures		343,968	342,222
Amounts due from joint ventures		7,477,141	6,421,303
Amounts due from associates		71,592	846,103
Tax recoverable		84,145	47,943
Bank balances and cash		20,324,084	22,455,362
		94,608,947	88,007,041

Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current Liabilities			
Contract liabilities		9,079,587	8,547,294
Trade payables, other payables and accruals	16	54,355,022	51,288,246
Deposits received		56,850	61,326
Amounts due to joint ventures		1,015,601	1,481,867
Amounts due to associates		102,989	311,097
Amount due to a related company		—	137,222
Current tax payables		5,792,398	5,326,550
Dividend payables		957,147	—
Borrowings	17	7,989,254	9,707,491
Loans from fellow subsidiaries		361,011	3,050,900
Lease liabilities		41,277	27,499
		79,751,136	79,939,492
Net Current Assets		14,857,811	8,067,549
Total Assets less Current Liabilities		117,574,541	106,871,815

Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Capital and Reserves			
Share capital	18	125,940	126,229
Share premium and reserves		51,979,225	48,967,545
Equity attributable to owners of the Company		52,105,165	49,093,774
Perpetual capital securities		11,700,850	7,799,208
Non-controlling interests		1,632,637	1,386,565
		65,438,652	58,279,547
Non-current Liabilities			
Borrowings	17	37,825,946	35,488,761
Guaranteed notes payables and corporate bonds		10,432,164	9,179,000
Contract liabilities		650,757	656,125
Deferred tax liabilities		302,183	399,898
Loan from a joint venture		2,888,087	2,843,602
Lease liabilities		36,752	24,882
		52,135,889	48,592,268
		117,574,541	106,871,815

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 2020	126,229	20,540,459	(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	
Contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	107,832	107,832	
Lapse of incentive shares	—	—	(2,143)	—	—	—	—	—	(2,143)	—	—	(2,143)	
Exercise of incentive shares	—	—	(7,844)	—	—	—	—	7,844	—	—	—	—	
Distribution paid on perpetual capital securities	—	—	—	—	—	—	—	—	—	(195,000)	—	(195,000)	
2019 final dividend declared	—	—	—	—	—	—	—	(807,865)	(807,865)	—	—	(807,865)	
Transfer to statutory reserve	—	—	—	—	—	—	8,700	(8,700)	—	—	—	—	
Total transactions with owners, recognised directly in equity	—	—	(2,657)	—	—	—	8,700	(808,721)	(802,678)	(195,000)	107,832	(889,846)	
At 30 June 2020	126,229	20,540,459	(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)

	Attributable to owners of the Company											
	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	Perpetual capital securities HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021	126,229	20,540,459	(6,578,796)	337	122,254	(538,842)	593,150	34,828,983	49,083,774	7,799,208	1,386,565	58,279,547
Profit for the period	-	-	-	-	-	-	-	3,500,201	3,500,201	210,752	87,077	3,798,030
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	-	-	-	-	(20,486)	-	-	-	(20,486)	-	-	(20,486)
Exchange differences on translation of subsidiaries	-	-	-	-	-	311,588	-	-	311,588	-	61,115	372,703
Exchange differences on translation of joint ventures	-	-	-	-	-	191,259	-	-	191,259	-	-	191,259
Exchange differences on translation of associates	-	-	-	-	-	13,190	-	-	13,190	-	-	13,190
Total comprehensive (loss)/income for the period	-	-	-	-	(20,486)	516,037	-	3,500,201	3,995,752	210,752	148,192	4,354,696
Issuance of perpetual capital securities	-	-	-	-	-	-	-	-	-	3,885,890	-	3,885,890
Capital contribution relating to share-based payment borne by an immediate holding company	-	-	27,511	-	-	-	-	-	27,511	-	-	27,511
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	97,880	97,880
Lapse of incentive shares	-	-	(818)	-	-	-	-	818	-	-	-	-
Exercise of incentive shares	-	-	(7,747)	-	-	-	-	7,747	-	-	-	-
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(195,000)	-	(195,000)
2020 final dividend declared	-	-	-	-	-	-	-	(957,147)	(957,147)	-	-	(957,147)
Transfer to statutory reserve	-	-	-	-	-	-	64,338	(64,338)	-	-	-	-
Repurchase and cancellation of shares	(289)	(54,436)	-	-	-	-	-	-	(54,725)	-	-	(54,725)
Total transactions with owners, recognised directly in equity	(289)	(54,436)	18,946	-	-	-	64,338	(1,012,920)	(984,361)	3,690,890	97,880	2,804,409
At 30 June 2021	125,940	20,486,023	(6,559,850)	337	101,768	(22,805)	657,488	37,316,264	52,105,165	11,700,850	1,632,637	65,438,652

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 Global Limited 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 (“CSC Development”) 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 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 was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK\$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK\$57 million and the carrying amount of the attributable share of net assets of CSC Development of approximately HK\$23 million, was credited to the special reserve.
 - (iii) During 2016, the CSC Development and its subsidiaries (together 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.
- (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 reserve 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	
	2021 HK\$'000	2020 HK\$'000
Net cash used in operating activities	(971,274)	(5,029,525)
Investing activities		
Interest received	123,260	157,415
Purchases of property, plant and equipment	(277,294)	(181,941)
Net movement of current accounts with joint ventures	(1,507,196)	(604,093)
Net movement of loans to joint ventures	—	8,946
Investments in joint ventures	(288,593)	(1,514,512)
Net movement of current accounts with associates	566,328	73,581
(Increase)/decrease in interests in associates	(1,449,465)	359,020
Dividends received from associates	467,586	293,907
Other investing cash flows	141,329	26,434
Net cash used in investing activities	(2,224,045)	(1,381,243)
Financing activities		
Proceeds from issuance of perpetual capital securities, net	3,885,890	—
Proceeds from issuance of corporate bonds, net	1,200,480	—
New bank loans raised	12,573,280	20,026,224
Repayment of bank loans	(12,617,873)	(11,747,122)
Net movement of loans from fellow subsidiaries	(2,700,144)	668,896
Finance costs paid and other financing cash flows	(1,359,182)	(1,438,456)
Net cash from financing activities	982,451	7,509,542

Unaudited Condensed Consolidated Statement of Cash Flows (continued)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
(Decrease)/increase in cash and cash equivalents	(2,212,868)	1,098,774
Cash and cash equivalents at the beginning of the period	22,411,689	22,600,362
Effect of foreign exchange rate changes	95,753	(191,970)
Cash and cash equivalents at 30 June	20,294,574	23,507,166
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	20,324,084	23,533,659
Less: Pledged bank deposits and deposits with financial institutions	(29,510)	(26,493)
	20,294,574	23,507,166

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China State Construction International Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of 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”), a company incorporated in Hong Kong. Its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited (“CSCECL”), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation (“CSCEC”), respectively, both of which are established in the People’s Republic of China (“China”) and controlled by the government of Mainland China (“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.

The principal activities of the Company and its subsidiaries (the “Group”) are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and façade contracting business.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim condensed financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

Notes to the Condensed Financial Statements (continued)

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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 2020.

Notes to the Condensed Financial Statements (continued)**5. FINANCIAL RISK MANAGEMENT ESTIMATES**

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

There had been neither any change in major risk factors that may significantly affect the Group's business nor any change in risk management policies since the last year. 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 2020 ("2020 Annual Report"), and should be read in conjunction with the relevant disclosures in the 2020 Annual Report.

During the period under review, the Group continued to enhance 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.

6. REVENUE

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



Notes to the Condensed Financial Statements (continued)

6. REVENUE (CONTINUED)

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from construction contracts	13,313,160	12,184,372
Revenue from infrastructure investment projects (note (a))	20,311,617	13,826,687
Revenue from façade contracting business	1,619,370	1,267,187
Revenue from infrastructure operation (note (b))	478,785	366,460
Others (note (c))	648,056	357,395
	36,370,988	28,002,101
Revenue from contract with customers (note (d))		
Timing of revenue recognition		
— Over time	33,842,926	25,785,351
— At a point in time	340,866	159,482
	34,183,792	25,944,833
Revenue from other sources		
— Interest income generated from infrastructure investment projects	2,080,240	1,947,835
— Others (note (e))	106,956	109,433
	2,187,196	2,057,268
	36,370,988	28,002,101

Notes to the Condensed Financial Statements (continued)**6. REVENUE (CONTINUED)**

Notes:

- (a) Revenue from infrastructure 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 project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the six months ended 30 June 2021 and 2020 are recognised over time, except for toll road operation and sales of building materials of approximately HK\$92,088,000 (2020: HK\$49,476,000) and HK\$248,778,000 (2020: HK\$110,006,000), respectively, which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

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).

CSC Development, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of the SEHK, and its subsidiaries 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.

Notes to the Condensed Financial Statements (continued)

7. SEGMENTAL INFORMATION (CONTINUED)

Segment revenue and results for the six months ended 30 June 2021 and 2020 are as follows:

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

Notes to the Condensed Financial Statements (continued)

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

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

Notes to the Condensed Financial Statements (continued)

9. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	910,765	1,048,410
Interest on guaranteed notes payables and corporate bonds	168,559	112,573
Interest on loan from a joint venture	103,890	104,710
Interest on loans from fellow subsidiaries	41,304	39,715
Interest on lease liabilities	1,054	898
Others	53,978	37,867
	1,279,550	1,344,173
Less: Capitalised in the cost of qualifying assets	(22,996)	—
	1,256,554	1,344,173

10. PROFIT BEFORE TAX

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

Notes to the Condensed Financial Statements (continued)

11. INCOME TAX EXPENSES, NET

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

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

Notes to the Condensed Financial Statements (continued)**12. DIVIDENDS**

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

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

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

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	3,500,201	2,897,500

Notes to the Condensed Financial Statements (continued)

13. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,041,995	5,049,157

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

14. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$277,294,000 (corresponding period in 2020: HK\$401,841,000) on the additions to property, plant and equipment.

Notes to the Condensed Financial Statements (continued)**15. TRADE AND OTHER RECEIVABLES**

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

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

Notes to the Condensed Financial Statements (continued)**15. TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

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

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 30 June 2021, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$2,266,243,000 (31 December 2020: HK\$2,102,585,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 (2020: 90) days to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

Notes to the Condensed Financial Statements (continued)

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

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 (2020: 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 2021, the amount of retention payables expected to be settled after more than one year was approximately HK\$3,033,403,000 (31 December 2020: HK\$3,071,208,000).

Notes to the Condensed Financial Statements (continued)

17. BORROWINGS

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

The 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, interests in infrastructure project investments and trade receivables. The unsecured bank loans including the bank loans with financial covenant is required to fulfill by the Group to the banks.

Notes to the Condensed Financial Statements (continued)

17. BORROWINGS (CONTINUED)

Borrowings are dominated in the following currencies:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
HK\$	2,227,413	5,714,783
RMB	43,189,714	39,199,303
Canadian Dollar ("CAD")	398,073	281,340
US\$	—	826
	45,815,200	45,196,252

The effective interest rates of borrowings are as follows:

	30 June 2021				31 December 2020			
	HK\$ %	RMB %	CAD %	US\$ %	HK\$ %	RMB %	CAD %	US\$ %
Bank loans, secured	—	4.71	4.24	—	—	4.76	4.24	—
Bank loans, unsecured	2.14	4.19	2.61	—	2.12	4.38	2.83	4.00

Notes to the Condensed Financial Statements (continued)

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 1 January 2020, 31 December 2020 and 1 January 2021	5,049,156,668	126,229
Shares repurchased and cancelled	(11,540,000)	(289)
Balance at 30 June 2021	5,037,616,668	125,940

19. COMMITMENTS

At 30 June 2021 and 31 December 2020, the Group has the following commitments contracted but not provided for in the condensed consolidated financial statements.

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Contracted but not provided for — construction in progress for property, plant and equipment	65,441	163,256

As at 30 June 2021, there are approximately HK\$2,627,852,000 (31 December 2020: HK\$2,786,428,000) unpaid committed investments relating to the Group's interests in joint ventures.

Notes to the Condensed Financial Statements (continued)

20. RELATED PARTY TRANSACTIONS

The Group had the following transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the period:

(a) Transactions

	Six months end 30 June	
	2021	2020
	HK\$'000	HK\$'000
Fellow subsidiaries		
Rental income	2,291	2,337
Rental expenses	404	647
Security service payment	7,552	4,056
Revenue from construction contracts	5,283,328	626,150
Project consultancy service income	43,426	25,799
Construction costs	9,622,725	3,890,869
Revenue from connection service	9,399	6,126
Insurance premium income	1,075	984
Interest income	1,439	1,431
Interest expenses	41,304	39,715
Associates		
Purchase of construction materials	157,128	72,246
Revenue from construction contracts	596,965	1,869,927
Interest income	57,348	52,302

Notes to the Condensed Financial Statements (continued)

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (Continued)

	Six months end 30 June	
	2021	2020
	HK\$'000	HK\$'000
Joint ventures		
Revenue from construction contracts	3,748,572	3,153,927
Rental income from lease of machinery	3,631	193
Sales of building materials	—	842
Insurance premium income	12,623	2,481
Interest income	13,324	25,348
Interest expenses	103,890	104,710
Immediate holding company		
Revenue from construction contracts	11,393	—
Insurance premium income	37	25
Intermediate holding company		
Revenue from construction contracts	—	29,326

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its 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.

OTHER INFORMATION

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Friday, 17 September 2021, for the purpose of determining shareholders' entitlement to the interim dividend.

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 16 September 2021.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2021 was 5,037,616,668 ordinary shares of HK\$0.025 each.



Other Information (continued)**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2021, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows.

(a) Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of shares held	Approximate % of shares in issue ^{Note}
Zhou Hancheng	Personal interest/beneficial owner	2,930,780	0.058
Hung Cheung Shew	Personal interest/beneficial owner	591,584	0.012
Adrian David Li Man Kiu	Personal interest/beneficial owner	1,027,765	0.020
Raymond Leung Hai Ming	Personal interest/beneficial owner	813,569	0.016
Lee Shing See	Personal interest/beneficial owner	1,027,765	0.020

Note:

The percentage was calculated based on the total number of shares of the Company ("Shares") in issue as at 30 June 2021 (i.e. 5,037,616,668 Shares).

Other Information (continued)

(b) Long positions in shares and underlying shares of associated corporations of the Company

(i) China Overseas Land & Investment Limited ("COLI")

Name of director	Capacity	Number of shares held	Number of share options held	Approximate % of shares in issue of COLI ¹
Yan Jianguo	Personal interest/ beneficial owner	—	2,500,000*	0.023
Hung Cheung Shew	Personal interest/ beneficial owner	7,095	—	0.0001

* The share options granted pursuant to the share option scheme adopted by COLI on 11 June 2018. Details of the share options held by Mr. Yan Jianguo are as follows:

Date of grant (DD/MM/YYYY)	Exercise period of the share options (both days inclusive) (DD/MM/YYYY)	Subscription price of the share options HK\$ (per share)	Number of the share options
29/06/2018	29/06/2020 to 28/06/2024	25.850	700,000
24/11/2020	24/11/2022 to 23/11/2026	18.724	1,800,000

Other Information (continued)*(ii) China State Construction Development Holdings Limited (“CSCDH”)*

Name of director	Capacity	Number of shares held	Approximate % of shares in issue of CSCDH²
Zhang Haipeng	Personal interest/beneficial owner	3,750,000	0.174
Tian Shuchen	Personal interest/beneficial owner	10,000,000	0.464
Hung Cheung Shew	Personal interest/beneficial owner	30,000	0.001

(iii) China Overseas Property Holdings Limited (“COPL”)

Name of director	Capacity	Number of shares held	Approximate % of shares in issue of COPL³
Hung Cheung Shew	Personal interest/beneficial owner	2,365	0.0001

Other Information (continued)

(iv) China State Construction Engineering Corporation Limited ("CSCECL")

Name of director	Capacity	Number of shares held*	Approximate % of shares in issue of CSCECL ⁴
Zhang Haipeng	Personal interest/beneficial owner	1,169,000	0.003
Tian Shuchen	Personal interest/beneficial owner	570,000	0.001
Zhou Hancheng	Personal interest/beneficial owner	1,254,000	0.003

* The Company was informed that shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phases II and IV).

Notes:

1. The percentage was calculated based on the total number of shares of COLI in issue as at 30 June 2021 (i.e. 10,944,815,035 shares).
2. The percentage was calculated based on the total number of shares of CSCDH in issue as at 30 June 2021 (i.e. 2,155,545,000 shares).
3. The percentage was calculated based on the total number of shares of COPL in issue as at 30 June 2021 (i.e. 3,286,860,460 shares).
4. The percentage was calculated based on the total number of shares of CSCECL in issue as at 30 June 2021 (i.e. 41,948,167,844 shares).

Other Information (continued)

Save as disclosed above, as at 30 June 2021, 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 2021 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 2021, 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 2021, 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	Approximate % of shares in issue ¹
China Overseas Holdings Limited ("COHL")	Long position	Beneficial owner/ Interest of a controlled corporation ²	3,264,976,136	64.81
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of a controlled corporation ³	3,264,976,136	64.81
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of a controlled corporation ⁴	3,264,976,136	64.81

* The English name is a translation from its Chinese name and is for identification purpose 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 ordinary shares held	Approximate % of shares in issue¹
GIC Private Limited	Long position	Investment manager	253,131,313	5.02

Notes:

1. The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2021 (i.e. 5,037,616,668 Shares).
2. Amongst the total number of 3,264,976,136 Shares held by COHL, 3,146,188,492 Shares were 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 to be interested in 3,264,976,136 Shares directly and indirectly owned by COHL under the SFO.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed to be interested in 3,264,976,136 Shares indirectly owned by CSCECL under the SFO.

Save as disclosed above, as at 30 June 2021, 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

Shares Repurchases

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

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

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

Issue of Listed Securities

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2021 and up to the date of this report.

Other Information (continued)

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a model code for securities transactions by directors and relevant employees (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Directors and relevant employees of the Company are required to comply with the Securities Code. Reminders are sent to directors and relevant employees that they should not deal in the shares of the Company during the “black-out-period” specified in the Securities Code and before publishing any inside information announcement. Directors and relevant employees are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company’s securities. After making enquiries by the Company, all directors and relevant employees confirmed that they have complied with the Securities Code during the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group’s unaudited interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee of the Company.

CHANGES IN DIRECTORS’ INFORMATION

Changes in Directors’ information since the date of the 2020 Annual Report are set out below:

Mr. Adrian David LI Man Kiu JP

- resigned as a member of the Judging Panel of the BAI Global Innovation Awards.





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)

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