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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3311)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2014	2013 (restated)	Change %
RESULTS (HK$'000)			
Revenue	**14,258,816**	11,508,961	23.9
Gross profit	**2,001,701**	1,621,184	23.5
Gross profit margin	**14.0%**	14.1%	-0.7
Profit attributable to owners of the Company	**1,465,158**	1,172,796	24.9
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	**37.66**	30.17	24.8
Net assets (HK$)	**4.37**	3.81	14.7

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK11.00 cents per share.

BANK BALANCES AND CASH

As at 30 June 2014, the Group had bank balances and cash of approximately HK$9,284 million.

The board of directors (the "Board") of China State Construction International Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with the unaudited comparative figures for the corresponding period ended 30 June 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 June**	
		2014	2013
		HK$'000	HK$'000
			(restated)
Revenue	2	**14,258,816**	11,508,961
Costs of sales		**(12,257,115)**	(9,887,777)
Gross profit		**2,001,701**	1,621,184
Investment income	4	**108,962**	124,517
Other income and other gains, net		**157,887**	77,526
Administrative expenses		**(380,445)**	(420,599)
Distribution, selling and other operating expenses		**(41,856)**	(53,234)
Share of profits of			
Joint ventures		**171,639**	226,290
Associates		**13,757**	7,607
Finance costs		**(264,715)**	(184,578)
Profit before tax	5	**1,766,930**	1,398,713
Income tax expense, net	6	**(312,982)**	(238,822)
Profit for the period		**1,453,948**	1,159,891
Profit/(loss) for the period attributable to:			
Owners of the Company		**1,465,158**	1,172,796
Non-controlling interests		**(11,210)**	(12,905)
		1,453,948	1,159,891
Earnings per share (HK cents)	8		
Basic		**37.66**	30.17
Diluted		**37.13**	29.72

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit for the period	**1,453,948**	1,159,891
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss		
Gain/(loss) on fair value changes of available-for-sale investments, net of tax	**408**	(11,744)
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	**(7,162)**	-
Exchange differences on translation of foreign operations	**(166,698)**	151,919
Other comprehensive (loss)/income for the period, net of tax	**(173,452)**	140,175
Total comprehensive income for the period, net of tax	**1,280,496**	1,300,066
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**1,296,145**	1,315,399
Non-controlling interests	**(15,649)**	(15,333)
	1,280,496	1,300,066

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2014 HK$'000**	31 December 2013 HK$'000
		(unaudited)	(restated)
Non-current Assets			
Property, plant and equipment		**2,400,702**	2,342,163
Investment properties		**38,567**	39,085
Interests in infrastructure project investments		**1,301,827**	1,186,012
Prepaid lease payments		**180,432**	183,987
Interests in joint ventures		**2,765,753**	2,277,443
Interests in associates		**2,121,688**	48,757
Concession operating rights		**6,252,789**	6,353,833
Deferred tax assets		**189,568**	151,027
Trademark, project backlogs and licenses		**213,618**	226,596
Goodwill		**577,664**	577,664
Available-for-sale investments		**488,426**	543,642
Amounts due from investee companies		**406,784**	399,645
Trade and other receivables	9	**11,347,671**	8,141,167
Deposit paid for an investment		**-**	500,000
		28,285,489	22,971,021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	**30 June 2014 HK$'000**	31 December 2013 HK$'000
		(unaudited)	(restated)
Current Assets			
Interests in infrastructure project investments		**21,217**	10,566
Inventories		**177,309**	163,427
Properties held for sale		**114,805**	152,905
Amounts due from customers for contract work		**1,235,346**	1,075,267
Trade and other receivables	9	**10,588,924**	9,757,495
Deposits and prepayments		**302,967**	300,014
Amounts due from joint ventures		**6,858**	7,154
Amount due from an associate		**-**	388
Tax recoverable		**4,952**	18,697
Bank balances and cash		**9,283,695**	8,116,273
		21,736,073	19,602,186
Assets held for sale		**10,847,520**	9,169,319
		32,583,593	28,771,505

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	**30 June 2014 HK$'000 (unaudited)**	31 December 2013 HK$'000 (restated)
Current Liabilities			
Amounts due to customers for contract work		**3,488,861**	1,903,378
Trade payables, other payables and accruals	10	**14,406,455**	12,617,176
Deposits received and advances from customers		**1,645,519**	1,755,670
Amount due to an associate		**20,694**	27,505
Current tax payables		**694,297**	606,061
Borrowings		**3,289,547**	236,449
Obligations under finance leases		**1,017**	1,087
Dividend payables		**467,088**	-
		24,013,478	17,147,326
Liabilities directly associated with assets classified as held for sales		**6,720,713**	4,723,121
		30,734,191	21,870,447
Net Current Assets		**1,849,402**	6,901,058
Total Assets less Current Liabilities		**30,134,891**	29,872,079
Capital and Reserves			
Share capital		**97,310**	97,219
Share premium and reserves		**16,913,395**	16,083,606
Equity attributable to owners of the Company		**17,010,705**	16,180,825
Non-controlling interests		**237,588**	253,237
		17,248,293	16,434,062
Non-current Liabilities			
Borrowings		**7,964,738**	8,539,842
Guaranteed notes payable		**3,865,058**	3,860,286
Deferred income		**671,674**	638,802
Deferred tax liabilities		**381,228**	394,807
Obligations under finance leases		**3,900**	4,280
		12,886,598	13,438,017
		30,134,891	29,872,079

NOTES:

(1) BASIS OF PREPARATION

The 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 condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except for the following:

(i) In the current interim period, the Group has applied, for the first time, the following new or revised HKAS, Hong Kong Financial Reporting Standards ("HKFRS"), amendments or interpretation (hereinafter collectively reference to as the "new or revised HKFRSs") issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

(ii) Impact on the adoption of HKFRS 11 and reclassification of investment income to revenue

Following the adoption of the HKFRS 11 "Joint Arrangements" by the Group for the year ended 31 December 2013, the results for the six months ended 30 June 2013 have been restated.

(1) BASIS OF PREPARATION *(continued)*

(ii) Impact on the adoption of HKFRS 11 and reclassification of investment income to revenue *(continued)*

In addition, following the reclassification by the Group for the year ended 31 December 2013, the Group has classified interest income generated from "Build-Transfer" ("BT") projects from investment income to revenue for the six months ended 30 June 2013, as the income is generated from the Group's investment in BT projects, which is an ordinary course of business of the Group.

The effect of the adoption of HKFRS 11 and the change of classification of interest income generated from BT projects on the results for the six months ended 30 June 2013 by line items presented in the condensed consolidated income statement is as follows:

	For the period ended 30 June 2013 HK$'000	Effect on adoption of HKFRS 11 HK$'000	Effect of reclassification of investment income to revenue HK$'000	For the period ended 30 June 2013 HK$'000
	(As previously presented)			(As restated)
Revenue	10,896,216	371,256	241,489	11,508,961
Cost of sales	(9,522,700)	(365,077)	-	(9,887,777)
Investment income	366,006	-	(241,489)	124,517
Share of profits of joint ventures	231,236	(4,946)	-	226,290
Income tax expense, net	(237,589)	(1,233)	-	(238,822)

(1) BASIS OF PREPARATION *(continued)*

(iii) Reclassification of the trade balances of amounts due from/to immediate holding company, intermediate holding companies and fellow subsidiaries

Certain amounts due from/to immediate holding company, intermediate holding companies and fellow subsidiaries in trade nature have been reclassified in current period. The effect of the change of classification on the financial position as at 30 June 2014 and 31 December 2013 by line items presented in the condensed consolidated statement of financial position is as follows:

	30 June 2014 HK$'000	31 December 2013 HK$'000
Current assets		
Increase in trade and other receivables	**1,230,430**	1,103,028
Increase in deposits and prepayments	**42,412**	71,719
Decrease in amount due from immediate holding company	**(9,635)**	(4,833)
Decrease in amounts due from fellow subsidiaries	**(238,617)**	(264,025)

	30 June 2014 HK$'000	31 December 2013 HK$'000
Current liabilities		
Increase in trade payables, other payables and accruals	**3,603,722**	4,052,461
Decrease in amount due to an intermediate holding company	**(448,790)**	(548,536)
Decrease in amounts due to fellow subsidiaries	**(2,130,342)**	(2,598,036)

(1) BASIS OF PREPARATION *(continued)*

The Group has not early adopted the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans - Employee Contributions[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Annual Improvements Project	Annual Improvements to HKFRS 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements to HKFRS 2011-2013 Cycle[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The Group is in progress of assessing the impact of these new or revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the condensed consolidated financial statements.

(2) REVENUE

Revenue represents the revenue arising from construction contracts, interest income generated from BT projects, project consultancy services, thermoelectricity business, infrastructure project investments and toll road operation, facade contracting, sales of precast structures and building materials, machinery leasing and insurance contracts.

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
		(restated)
Revenue from construction contracts	**12,470,529**	9,326,273
Revenue from construction contracts under service concession arrangements	**-**	269,546
Interest income generated from BT projects	**474,385**	241,489
Revenue from project consultancy services	**104,544**	119,023
Revenue from thermoelectricity business	**364,696**	330,389
Revenue from infrastructure project investments and toll road operation	**142,291**	167,590
Revenue from facade contracting business	**614,370**	786,441
Others (Note)	**88,001**	268,210
	14,258,816	11,508,961

Note: Revenue from others mainly comprise of revenue from sales of precast structures and building materials, machinery leasing and insurance contracts.

(3) 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 geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ("UAE") and India).

Far East Global Group Limited ("FEG"), 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 "FEG Group") is currently managed by a separate business team. The chief operating decision maker regards FEG Group as a distinct reportable segment and assesses its performance based on its overall result.

Segment revenue and results for the six months ended 30 June 2014 and 2013 are as follows:

	Segment revenue		Gross profit/(loss)		Segment results	
	2014 HK$'000	2013 HK$'000 (restated)	**2014 HK$'000**	2013 HK$'000 (restated)	**2014 HK$'000**	2013 HK$'000 (restated)
Reportable segments						
Hong Kong	**6,247,706**	5,061,858	**392,731**	340,309	**348,262**	308,184
Mainland China	**6,428,187**	5,217,022	**1,489,433**	1,128,207	**1,405,030**	971,835
Macau	**968,553**	427,166	**62,405**	94,507	**203,698**	145,073
Overseas	**-**	16,474	**(1,235)**	(1,912)	**(11,808)**	5,077
FEG Group	**614,370**	786,441	**58,367**	60,073	**(43,491)**	(14,375)
	14,258,816	11,508,961	**2,001,701**	1,621,184	**1,901,691**	1,415,794
Unallocated corporate expenses					**(75,837)**	(80,338)
Non-recurring investment income, other income and other gains, net					**20,395**	13,938
Share of profits of joint ventures					**171,639**	226,290
Share of profits of associates					**13,757**	7,607
Finance costs					**(264,715)**	(184,578)
Profit before tax					**1,766,930**	1,398,713

(4) INVESTMENT INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
		(restated)
Interest income on:		
Bank deposits	**67,353**	33,106
Debt securities	**4,243**	3,672
Imputed interest on amounts due from investee companies	**7,159**	12,039
Loan receivables	**-**	2,163
Loan to a joint venture	**11,742**	-
	90,497	50,980
Gain on disposal of convertible bonds	**-**	7,525
Gain on disposal of available-for-sale investments	**11,096**	-
Dividend income from:		
Listed available-for-sale investments	**-**	179
Unlisted available-for-sale investments	**7,369**	65,833
	108,962	124,517

(5) PROFIT BEFORE TAX

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit before tax has been arrived at after charging/(crediting):		
Depreciation	**59,712**	57,347
Amortisation of concession operating rights	**71,128**	70,239
Amortisation of trademark and projects backlogs	**12,978**	12,978
Gain on disposal of properties held for sale	**(139,134)**	-

(6) INCOME TAX EXPENSE, NET

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
		(restated)
Current tax:		
Hong Kong	**33,552**	36,620
Other jurisdictions	**312,336**	180,222
	345,888	216,842
(Over)/under provision in prior years:		
Hong Kong	**(166)**	(555)
Other jurisdictions	**(6,043)**	11,393
	(6,209)	10,838
Deferred tax, net	**(26,697)**	11,142
Income tax expenses for the period, net	**312,982**	238,822

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.

(7) DIVIDENDS

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Dividends recognised as distributions during the period	**467,088**	-

In July 2014, the Company distributed 2013 final dividends of HK12.00 cents per share, amounting to approximately HK$467,088,000.

The Board declared the payment of an interim dividend of 2014 of HK11.00 cents per share (2013: HK9.00 cents).

(8) 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	
	2014	2013
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**1,465,158**	1,172,796
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,890,299**	3,887,837
Effect of dilutive potential ordinary shares in respect of share options	**56,057**	58,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,946,356**	3,945,939

(9) TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on invoice date or progress certification date at the end of the reporting period:

	30 June 2014 HK$'000	31 December 2013 HK$'000 (restated)
Trade receivables, net of allowance for doubtful debt, aged		
0-30 days	**3,337,499**	4,343,123
31-90 days	**2,368,948**	3,205,488
Over 90 days	**12,912,846**	7,352,497
	18,619,293	14,901,108
Retention receivables	**1,921,758**	1,819,575
Other receivables	**1,395,544**	1,177,979
Trade and other receivables	**21,936,595**	17,898,662
Current Portion	**(10,588,924)**	(9,757,495)
Non-current portion (note)	**11,347,671**	8,141,167

Note: The balances were mainly attributable to certain affordable housing projects in Mainland China. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The total amount of the receivable for affordable housing is expected to be fully received from 2015 to 2017, with approximately HK$4,155,724,000 to be received in 2015, HK$5,627,780,000 in 2016 and HK$1,564,167,000 in 2017. As a result, they are classified as non-current.

Amounts of HK$11,232,513,000 (31 December 2013: HK$6,443,102,000) were included in the receivables aged over 90 days, which were attributable to the affordable housing projects and were not due in accordance with the contracts.

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 2014, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,288,302,000 (31 December 2013: HK$1,354,603,000).

Except for the receivables arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2013: 90 days) to its customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

(10) 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 2014 HK$'000	31 December 2013 HK$'000 (restated)
Trade payables, aged		
0-30 days	**6,620,444**	4,936,303
31-90 days	**1,142,364**	1,657,754
Over 90 days	**1,886,290**	1,461,882
	9,649,098	8,055,939
Retention payables	**3,378,495**	3,124,465
Other payables and accruals	**1,378,862**	1,436,772
	14,406,455	12,617,176

Other payables included in the other payables and accruals amounted to approximately HK$1,347,331,000 (31 December 2013: HK$1,404,936,000), which comprise primarily staff cost, other tax and other operating expenses payables.

The average credit period on trade and construction cost payables is 60 days (2013: 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 2014, the amount of retention payables expected to be due after more than one year was approximately HK$1,319,538,000 (31 December 2013: HK$1,462,830,000).

REVIEW OF OPERATION

In the first half of 2014, the US economy has been on a slow path of improvement, leading to successive reductions of the size of quantitative easing by the Federal Reserve. Meanwhile, Europe has yet to witness a relief from deflation but its economy has shown marginal growth. However, the emerging economies which have been the momentum of global economy since the financial crisis began to manifest signs of deceleration. This year, the Group has established the operation principle of **"Accelerating Investment, Interacting Constructions and Fortifying Comprehensive Resources Allocation"**, which refers to the gradual realisation of regional operation and the continuous optimisation of the current investment model; the strengthening of project management to ensure the smooth progress of projects in progress; the establishment of a highly efficient and comprehensive resource allocation system in respect of financial, human resources and other integrated resources.

Market Conditions

Although the Hong Kong and Macau market continued to prosper, the shortage of resources was exacerbated. The economic growth in Mainland China remained at a decelerated rate, while the State adopted macro-economic control policy under the banner of "Stabilising Growth Rate, Adjusting Structure and Benefiting People's Livelihood", to put emphasis on the quality of economic growth, with new urbanisation investment still being the driving force for economic growth. In the overseas market, the curtain wall business of the Group in North America showed signs of recovery.

1. *Hong Kong and Macau*

   Hong Kong maintained a moderate economic growth, whereas in Macau, thanks to the gambling industry, its economy continued to trend upwards. Taking the advantages of the booming market, the Group's construction business has become prosperous with several business expansions achieved. The value of contracts newly signed in the first half of the year amounted to HK$19,200 million. Housing projects awarded include Construction of Public Rental Housing at Shatin Area 52 Phases 3 and 4; civil engineering projects awarded include Widening of Fanling Highway – Tai Hang to Wo Hop Shek Interchange and Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities Design and Build of New Stream II. The contract value of Macau MGM Cotai Project amounted to approximately HK$10,500 million, marking a new record for the Group's highest single contract value.

While the Group continued to follow the Ten Mega Infrastructure Projects in Hong Kong, it also opted for high-end premium projects as main focus. For the sizeable and complicated projects, the Group fully exerted its internal synergistic effect with an emphasis on a profit-oriented approach as well as appropriate resource allocation, so as to maintain a positive and sustainable development.

2. *Mainland China*

For the first half of the year, the Group has secured a contract value of HK$14,500 million from newly signed projects, including Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province, Affordable Housing Phase IV, Shushan District Industrial Park, Hefei City, Anhui Province, Phase II of the Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province and BT Project for rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou City, Fujian Province.

In respect of the repurchase of projects in progress, Affordable Housing BT Project in Jingkou District, Zhenjiang, Jiangsu Province realised an early repurchase of HK$113 million, while project returns in Chongqing, Wuhan and Tangshan have all been received in a timely manner. Operating projects such as the Nanjing No. 2 Yangtze River Bridge and the Shenyang Huanggu Thermal Power Plant maintained good performance and continued to generate stable profitability.

3. *Overseas Market*

Far East Global Group Limited (FEG) was awarded projects including MGM Cotai Project in Macau, Wynn Palace Project in Macau, Louis XIII Project in Macau and Vancouver Stock Exchange in Vancouver, Canada, etc.

While maintaining a sizeable presence in the curtain wall market in Hong Kong, Macau and Asian-Pacific, FEG has also acquired Treasure Construction Engineering Limited from the Group in order to make use of its certificates for selective participation in medium-small private housing construction projects in Hong Kong. Meanwhile, FEG also actively explored overseas contracting business in line with its strategy of strengthening the overseas development.

Corporate Governance

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with the investors, the relevant information was released in a timely manner to enhance investors' knowledge and understanding of the Company for further enhancement of its corporate governance standards. Leveraging on an all-round organisational system, optimised corporate governance and a well-regulated business operations, the Group were able to promptly adjust its strategies in line with market changes to better capitalise on the role of each professional decision-making team of the Group, improved the regional and specialised management capabilities of each business unit.

During the first half of 2014, 16 regional companies in Mainland China have expanded their investment businesses to 22 medium-large cities. The Group has also made necessary optimising adjustments to the management team of China State Construction International Investment Corporation Limited (CSCIICL) in a timely manner, and implemented regional management across the five major segments in order to be better adapted for the full-speed expansion of investment business, further develop the current market and enhance the competitiveness of the Company.

Risk Management

The Group adhered to the "Three Centralisations" management of human resources, financial resources and material resources by the headquarters to ensure efficient project operation, optimal internal communication and effective risk control. As such, the project management of the Group continued to be strengthened. A risk management team consisted of executive directors of the Company, heads of functional departments and project managers conducted comprehensive monitoring on the project risks. Procurement and allocation of bulk materials and equipment were under centralised management of the Group for cost reduction, effective transfer of pricing risk and minimised inventory and turnover.

As for its investment business, the Group actively sought solutions in respect of the regional discrepancies caused by the current BT model through acquisitions of premium infrastructure projects in Mainland China step by step so as to expand its operation scale continuously. Meanwhile, the Group is committed to accelerate the construction progress of each project and further strengthen the risk awareness regarding project repurchase.

Financial Management

During the first half of the year, the Group has intensified the level of cooperation with banks in Mainland China, and achieved the transformation of loan acquiring model at headquarter level as a form to secure funds. The Group has successively entered into strategic alliance agreement with several banks, acquiring an aggregate liquidity of RMB11,000 million. As at 30 June 2014, the Group had bank and deposits balances of HK$9,284 million, total borrowings of HK$15,119 million, and a net gearing ratio of 33.8%, with total drawdown of bank loans of HK$2,680 million and committed but unutilised credit facilities of HK$24,977 million.

Human Resources Management

The Group's human resources have been gradually diluted as a result of the rapid development of its various segments. Despite the increasing recruitment effort and improvement to employee benefit through a variety of channels by the Company, human resources are still lacking in the traditional construction segment and the new investment segment. This year, the Group's focus of human resources revolved around the active improvement of the Group's "self-sufficiency", which was achieved through a higher degree of promotion and training, introducing specific welfare policies, increasing work satisfaction of the employees and ensuring the stability of project management personnel.

Capital Operation

In the first half of the year, the Group's rating was further improved, with Fitch's rating upgraded from "BBB-" to "BBB" and Moody's rating upgraded from "Baa3" to "Baa2", both were with outlook of "stable". With the interaction of funds from Hong Kong and Mainland China, the Group has met the funding requirements of the investment projects in Mainland China by means of injecting foreign exchange capital and foreign debts, with an accumulated amount of approximately HK$8,200 million foreign currency injected.

In April 2014, the Group hosted a reverse roadshow titled "The Commercialisation of Residential Housing and its Applications in Affordable Housing Establishment". Analysts and fund managers from 28 investment banks and institutions visited Shenzhen Hailong Construction Products Company Limited and the public housing project in Shatin Area 52, Hong Kong. They were affirmative with regard to the development and applications of the Group's pre-cast structure technology as well as the Group's consistent goodwill in the capital market and its business outlook.

Social Responsibility

The Group performed its social responsibilities by actively participating in charitable activities. In response to "World Environmental Day" and to increase employees' awareness of environmental protection, the Group organised the "2014 Environmental Protection Day" activities on 6 June. In the afternoon of that day, our staff joined the "Hoi Ha Wan Marine Park and Sheung Yiu Village" eco-cultural guided tour in Hong Kong. The Group is committed to developing into a social enterprise and contributing to ecological and cultural preservation.

Key Awards

In March 2014, at the award presentation ceremony of Hong Kong Construction Industry Safety Award Scheme 2013/2014 jointly organised by the Labor Department, Occupational Safety & Health Council, various government authorities and institutions within the industry, the Group, with its consistency in good construction site safety, once again was glad to receive a number of awards, including a gold award and a silver award for Building Construction Site (Public Sector), three outstanding awards for Safety Team, one group award for Safety Q & A Competition, and Safe Worker Award given to three site workers.

In the same month, two of the Group's projects received respectively the "2013 Green Contractor Silver Award" and "ArchSD Annual Award 2013" from the Architectural Services Department of HKSAR.

In April 2014, in the "FinanceAsia" magazine annual poll of "Best Asian Companies", the Group was proudly awarded Best Managed Company (4th Place), Best Corporate Governance (3rd Place), Best Investor Relations (3rd Place) and Best Corporate Social Responsibility (8th Place).

In May 2014, the Development Bureau of the HKSAR and Construction Industry Council jointly organised "The 20th Considerate Contractors Site Award Scheme Award Presentation Ceremony". The Group distinguished itself from other major construction companies in Hong Kong and was awarded One Non - Public Works Sites - New Works - Gold Award, two Public Works Sites - New Works - Bronze Awards, and another two of Merit Awards of Considerate Contractors Site Awards. The Group was also awarded one gold and three merits of the Outstanding Environmental Management & Performance Awards in the Public Works - New Works category. Some employees of the Company were also rewarded Model Frontline Supervisor and the Best Model Worker Award.

In July 2014, in the annual poll of The Best Listed Companies in Asia organised by "Institutional Investor", the Group was awarded Best Chief Executive Officers in Industrial Companies (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), Best Chief Financial Officers (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), Best Investor Relations Professional (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side) and Best Listed Company in Investor Relations (1st Place Nominated by Buy Side, 2nd Place Nominated by Sell Side), which is indicative of the international capital market's continual affirmation in respect of the Group's corporate governance, investor relations and other aspects.

REVIEW OF FINANCIAL PERFORMANCE

The Group's unaudited profit attributable to the owners of the Company for the six months ended 30 June 2014 was HK$1,465 million, representing an increase of 24.9% as compared with the same period of last year. The revenue was HK$14,259 million, representing an increase of 23.9% as compared with the same period of last year. Earnings per share was HK37.66 cents, representing an increase of 24.8% as compared with the same period of last year.

Segment Results

1. *Construction and related business - Hong Kong*

   During the period under review, the Group's construction business remained robust and continued to experience a steady growth in revenue (including attributable share of revenue of the Group's joint operation) of approximately 23.4% to HK$6,248 million (corresponding period in 2013: HK$5,062 million). Despite the Group has not yet recognised profits of certain large project as they are still in their initial stages, the Group has managed to maintain its gross profit ratio at approximately 6.3% (corresponding period in 2013: 6.7%). As a result, both gross profit and the segment profit for the current period recorded a moderate increment of 15.4% and 13.0% respectively.

2. *Construction and related business - Macau*

   With the commencement of major housing and casino projects, revenue contribution from this segment increased by approximately 126.7% during the period under review, amounting to approximately HK$969 million (the corresponding period in 2013: HK$427 million). However, the Group has not yet recognised profit of these new projects as they were still at preliminary stages, while additional profit had been recognised for successful completion of a project during the corresponding period in 2013. Therefore, this segment recorded a temporary drop in gross profits by 34.0% to HK$62 million during the six months ended 30 June 2014 (the corresponding period in 2013: HK$94 million). In spite of this, segment profit from this segment increased by approximately 40.4% to HK$204 million (the corresponding period in 2013: HK$145 million).

3. *Construction - Overseas*

The overseas segment represented mainly the construction projects in United Arab Emirates. During the period under review, negotiation with employers for settlement of those completed projects continued with positive progress.

4. *Construction and Infrastructure Investment - Mainland China*

The Group continued to focus on the businesses in affordable housing and infrastructure projects during the period under review. Both sectors had experienced significant horizontal expansion to new strategic growth, with existing projects progressed successfully as planned. As a result, this segment continued delivering relatively steady growth in revenue and gross profit contribution of approximately 23.2% and 32.0% respectively. Following the successful completion of some of our BT projects, the Group has received buy-back payment of approximately HK$1,880 million (including the attributable share of such payment received by our joint venture investments). In addition, the Group also continued exploring new investment opportunities that will leverage the Group strategic advantages.

<u>Affordable Housing Projects</u>

During the period under review, the scale of the Group's affordable housing business expanded steadily. Upon the successful completion of the affordable housing projects in Chongqing and Zhangzhou, the Group's affordable housing projects in cities such as Wuxi, Hangzhou, Wenzhou and Zhenjiang have been in full swing during the period. As a result, construction revenue from this sector reported a tremendous rise of approximately 69.2% to HK$3,312 million (corresponding period in 2013: HK$1,958 million). In addition, as the investment in this sector continued to be accumulated, interests earned from these BT projects also expanded by approximately 118.8% to HK$350 million (corresponding period in 2013: HK$160 million) and were reclassified as part of the revenue of this sector. Accordingly, this sector has recorded a brilliant growth in both gross profit and result of approximately 91.2% to HK$759 million (corresponding period in 2013: HK$397 million) and 89.9% to HK$735 million (corresponding period in 2013: HK$387 million) respectively. During the period under review, the Group's portfolio continued expanding with new projects in Pinghu, Hefei and Xi'an added to the pipeline. The new affordable housing project in Hefei will be implemented by the Group by way of residential industrialisation for the first time in Mainland China. Relying on its own extensive experience in prefabricated unit design, production, construction and installation, the Group will continue to actively promote the operation of the affordable housing business by way of residential industrialisation.

Investment and Construction of Infrastructure Projects

During the period under review, the group continued participating in investments in its infrastructure businesses portfolio including the BT, "Build-Operate-Transfer" ("BOT") and "Transfer-Operate-Transfer" ("TOT") arrangements of various transport infrastructure facilities and direct ownership of a thermoelectric plant. While the projects in Shanxi had been substantially completed, this sector has maintained its steady growth as the contribution from the BT projects in Zhengzhou has increased to a significant level since its commencement last year. In addition, contribution from the Group's infrastructure investment project in Wuhan, Taiyuan and Nanchang and the Thermal Power Plant in Shenyang continued to bring in steady contribution to this segment. As a result, the investment portfolio has recorded a steady growth in both revenue and gross profit of approximately 24.2% to HK$2,639 million (corresponding period in 2013: HK$2,125 million) and 18.9% to HK$686 million (corresponding period in 2013: HK$577 million) respectively. With the award of new infrastructure BT projects in Fuzhou and Xi'an, the Group portfolio has been maintained for the sustainable growth.

Construction – Cash contract and related business

The revenue and gross profit contribution from this sector have dropped to HK$127 million (corresponding period in 2013: HK$974 million) and HK$44 million (corresponding period in 2013: HK$154 million) respectively and the Group continued to direct its focus to affordable housing and infrastructure project during the period under review.

5. *Facade Contracting - Far East Global Group Limited*

During the period under review, the new management of Far East Global Group Limited continued its effort to improving its structure and portfolio so as to position this subsidiary for future expansion. The turnover and gross profits contribution from Far East Global Group Limited amounted to HK$614 million and HK$58 million respectively for the period.

BUSINESS PROSPECTS

In the second half of 2014, the global economy should gradually recover amid imbalanced conditions. The US economy tends to improve at slow pace; economic growth in the Eurozone is expected to gain speed as domestic consumption recovers further; the increasing borrowing cost in the emerging markets has stunted its own growth momentum. Under the combined impacts from the abandonment of quantitative easing policies and the raising expectation of increasing long-term interest rate, the global economic prospect is still uncertain. The Group shall precisely act on the macro-economic trend, formulate forward-looking operational strategies, improve market judgment and adaptability, and steadily confront the external changes in operation environment.

Market Outlook

In the second half of the year, the Hong Kong and Macau economy will maintain the upward momentum from the first half but the lack of resources within the industry cannot be alleviated in the short term.

Mainland China's economy has entered medium-high tier growth. The government is actively facilitating the transition from an "export & investment-oriented economy" towards a "domestic consumption-driven economy", and the relevant structural adjustments, such as accelerated shanty town redevelopment, railway construction and tax reduction for small-micro enterprises, can certainly offer many investment opportunities. In addition, with the introduction of affordable housing related policies such as the trial for shared property right housing, and the advocacy of the application of residential industrialisation, great potentials are presented to the development of residential industrialisation.

The performance of the curtain wall industry varies. With the recovery of construction business in North American private development projects with higher margins and more reasonable contract terms comprise a larger proportion of the business. However, with anti-dumping investigations being conducted by regulatory institutions on Chinese products, curtain wall components are subject to punitive tariffs. As Hong Kong, Macau and Asian Pacific market is gradually slowing down, it would be difficult to maintain the current market size. The Mainland China market is enormous but the products vary in quality, resulting in fierce competitions, and the market is subject to standardisation.

Operation Strategies

Committed to the operation strategy of "**Cost-effective Competition and High-quality Management"**, the Group endeavors to achieve the strategic transformation from a sole contractor towards an integrated international contractor with comprehensive development in both construction and relevant investments, so as to further strengthen its corporate value and market competitiveness.

In respect of the construction projects in Hong Kong and Macau, a wide range of measures will be implemented to overcome various kinds of resource shortages and construction difficulties. Contract model will be promptly adjusted with the tendering focus set on large-scale projects and government projects. Meanwhile, the Group will strengthen the management of sub-contractors and enhance the level of standards for construction project design to ensure a smooth construction process.

As to the investment business in Mainland China, an "All Out Marketing Approach" is adopted where subsidiaries from different regions all set operational expansion as their focus, actively creating and seeking collaboration opportunities with the government. Project selection criteria are strictly followed, whereby premium projects that satisfy all criteria including investment size, cooperation model, business conditions, guarantee scheme and economic indicators are preferred, and earlier construction are guaranteed for projects with mature conditions.

Leveraging on the Group's branding effect, FEG will target small-medium size projects for marketing, search for appropriate projects and build up Treasure Construction's results and brand name, accumulating market experiences for further expansion in the overseas market.

Operation Management

The Group adopts a horizontal matrix management structure of three levels, namely the senior management, the heads of departments and the project operation division, which significantly simplified the communication process. The senior management is responsible for the decision-making and comprehensive risk management. Leveraging the information and technical support provided by the heads of departments and incorporating the "5+3" project management model (i.e. coordinated management over the five elements, namely progress, quality, cost, safety and environmental protection, and the three systems, namely flow guarantee system, procedure guarantee system and responsibility guarantee system), the project operation division is the first executor of project operation risk control.

COMPANY MISSION

The Group is dedicated to its core value of **"Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success"** and adheres to the principle of **"A Trusted Brand Growing through Diligence and Care"**. It will carry out people-orientated and scientific management. Based on its corporate philosophy of **"Committed Team-building; Perseverance; Ambition for Success; Strict Self-discipline and Conscious Devotion"**, the Group will offer excellent value-of- money products and services and fulfill its responsibilities as a corporate citizen. Its ultimate goal is to build an evergreen business regime with optimised competitiveness and shareholder's value.

INTERIM DIVIDEND

The Board declared an interim dividend of HK11.00 cents per share (2013: HK9.00 cents per share) to shareholders whose names appear on the register of members of the Company on Friday, 19 September 2014. The interim dividend will be payable on Monday, 6 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered from Thursday, 18 September 2014 to Friday, 19 September 2014, both days inclusive, 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, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 17 September 2014.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations as specified and explained below with considered reasons for such deviations:-

- Under code provision A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings). Mr. Li Jian, Non-executive Director, due to other business engagement was unable to attend the annual general meeting of the Company which held on 30 May 2014.

- Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong has acted as Executive Director, Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group's business. If the positions occupied by unqualified persons, the Group's performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

APPRECIATION

I would like to take this opportunity to express my gratitude to fellow members of the Board for their brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

By order of the Board
China State Construction International Holdings Limited
Zhou Yong
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 14 August 2014

As at the date of this announcement, the Board comprises Mr. Zhou Yong (Chairman and Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew and Mr. Wu Mingqing as Executive Directors; Mr. Li Jian as Non-executive Director; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.