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

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

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2015,  
 INTERIM DIVIDEND, SPECIAL DIVIDEND AND  
 CLOSURE OF REGISTER OF MEMBERS**

**FINANCIAL HIGHLIGHTS**

	Unaudited		Change %
	Six months ended 30 June 2015	2014 (restated)	
<b>RESULTS (HK\$'000)</b>			
Revenue	<b>16,975,732</b>	14,283,426	18.8
Gross profit	<b>2,506,495</b>	2,011,535	24.6
Gross profit margin	<b>14.8%</b>	14.1%	5.0
Profit attributable to owners of the Company	<b>1,765,347</b>	1,458,997	21.0
<b>FINANCIAL INFORMATION PER SHARE</b>			
Earnings – basic (HK cents)	<b>44.00</b>	37.50	17.3
Net assets (HK\$)	<b>5.27</b>	4.36	20.9

**INTERIM DIVIDEND AND SPECIAL DIVIDEND**

The Board declared an interim dividend of HK13.00 cents per share. A special dividend of HK2.00 cents per share for celebrating the 10th listing anniversary of the Company is also declared.

**BANK BALANCES AND CASH**

As at 30 June 2015, the Group had bank balances and cash of approximately HK\$9,763 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 2015 together with the unaudited comparative figures for the corresponding period ended 30 June 2014 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000 (restated)
Revenue	2	16,975,732	14,283,426
Costs of sales		(14,469,237)	(12,271,891)
Gross profit		2,506,495	2,011,535
Other income and other gains, net	4	167,386	266,885
Administrative expenses		(418,558)	(390,962)
Distribution, selling and other operating expenses		(25,653)	(41,856)
Share of profits of			
Joint ventures		167,906	171,639
Associates		12,766	13,757
Finance costs		(293,580)	(267,455)
Profit before tax	5	2,116,762	1,763,543
Income tax expenses, net	6	(350,077)	(315,756)
Profit for the period		1,766,685	1,447,787
Profit/(loss) for the period attributable to:			
Owners of the Company		1,765,347	1,458,997
Non-controlling interests		1,338	(11,210)
		1,766,685	1,447,787
Earnings per share (HK cents)	8		
Basic		44.00	37.50
Diluted		43.44	36.97

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
		(restated)
Profit for the period	<b>1,766,685</b>	1,447,787
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit and loss</i>		
Gain on fair value changes of available-for-sale investments, net of tax	1,863	408
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	-	(7,162)
Exchange differences on translation of foreign operations	<b>(5,261)</b>	(181,105)
Other comprehensive loss for the period, net of tax	<b>(3,398)</b>	(187,859)
Total comprehensive income for the period, net of tax	<b>1,763,287</b>	1,259,928
Total comprehensive income/(loss) attributable to:		
Owners of the Company	1,764,259	1,275,577
Non-controlling interests	(972)	(15,649)
	<b>1,763,287</b>	1,259,928

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2015</b>	31 December 2014
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	
<b>Non-current Assets</b>			
Property, plant and equipment		2,847,333	2,827,300
Investment properties		37,569	38,073
Interests in infrastructure project investments		1,634,554	1,489,188
Prepaid lease payments		270,953	273,022
Interests in joint ventures		3,460,890	3,449,034
Interests in associates		2,332,781	2,104,943
Concession operating rights		6,509,049	6,530,992
Deferred tax assets		227,049	187,320
Trademark, project backlogs and licenses		191,443	200,640
Goodwill		577,664	577,664
Available-for-sale investments		455,152	453,286
Amounts due from investee companies		399,999	411,838
Trade and other receivables	9	17,699,238	12,901,282
Deposit paid for an investment		261,017	-
Loan to a joint venture		955,696	804,918
		<b>37,860,387</b>	<b>32,249,500</b>
<b>Current Assets</b>			
Interests in infrastructure project investments		27,531	17,176
Inventories		66,911	160,289
Properties held for sale		51,315	66,544
Amounts due from customers for contract work		1,027,423	1,354,148
Trade and other receivables	9	11,100,484	12,542,067
Deposits and prepayments		510,088	461,585
Amounts due from joint ventures		1,573,655	1,342,025
Tax recoverable		3,068	11,559
Bank balances and cash		9,762,905	7,452,448
		<b>24,123,380</b>	<b>23,407,841</b>
Assets held for sale		10,974,746	10,921,766
		<b>35,098,126</b>	<b>34,329,607</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

	Note	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
		<b>(unaudited)</b>	
<b>Current Liabilities</b>			
Amounts due to customers for contract work		4,532,343	3,793,052
Trade payables, other payables and accruals	10	18,810,225	17,261,318
Deposits received and advances from customers		512,067	828,738
Amounts due to joint ventures		276,869	354,111
Amount due to an associate		26,480	26,480
Current tax payables		1,167,686	930,971
Dividend payables		601,863	-
Borrowings		1,111,503	587,269
Obligations under finance leases		994	998
		<b>27,040,030</b>	<b>23,782,937</b>
Liabilities directly associated with assets classified as held for sale		6,894,602	7,438,135
		<b>33,934,632</b>	<b>31,221,072</b>
<b>Net Current Assets</b>		<b>1,163,494</b>	<b>3,108,535</b>
<b>Total Assets less Current Liabilities</b>		<b>39,023,881</b>	<b>35,358,035</b>
<b>Capital and Reserves</b>			
Share capital		100,310	100,310
Share premium and reserves		20,892,182	19,729,786
Equity attributable to owners of the Company		20,992,492	19,830,096
Non-controlling interests		163,811	167,566
		<b>21,156,303</b>	<b>19,997,662</b>
<b>Non-current Liabilities</b>			
Borrowings		12,843,998	10,361,804
Guaranteed notes payable		3,874,550	3,869,804
Deferred income		751,450	735,808
Deferred tax liabilities		394,495	389,477
Obligations under finance leases		3,085	3,480
		<b>17,867,578</b>	<b>15,360,373</b>
		<b>39,023,881</b>	<b>35,358,035</b>

## **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 2014. The revised standards and improvements to existing standards, which are mandatory for the financial year beginning on or after 1 January 2015, are either currently not relevant to the Group or had no material impact on the Group’s condensed consolidated financial statements.

**(1) BASIS OF PREPARATION (continued)**

Acquisition of China Overseas Ports Investment Company Limited (“COP”)

In December 2014, Ever Power Group Limited (“Ever Power”), a wholly-owned subsidiary of the Company, completed the acquisition of COP, from China Overseas Holdings Limited (“COHL”), immediate holding company of the Company, including a shareholder’s loan to COP for 117,278,000 shares of the Company. The fair value of these shares was HK\$1,320,550,000 at the date of completion.

COP and its subsidiaries are engaged in logistics business and also own 60% equity interest in a joint venture, 中海港務(萊州)有限公司, which is principally engaged in port operation in Mainland China.

The transfer of the entire interests in COP, together with its subsidiaries (together, the “COP Group”), was considered as a common control combination. Accordingly, the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2014, were prepared using the principles of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if they had been combined from the date when the COP Group first came under the control of the controlling party of the Group and COP Group.

The effect of application of common control combination, in accordance with Accounting Guideline 5, on the results of the Group for the six months ended 30 June 2014 by line items presented in the unaudited condensed consolidated income statement (extracts) is as follows:

	For the six months ended 30 June 2014 (as previously presented)	Effect of acquisition of COP Group	For the six months ended 30 June 2014 (as restated)
	HK\$’000	HK\$’000	HK\$’000
Revenue	14,258,816	24,610	14,283,426
Costs of sales	(12,257,115)	(14,776)	(12,271,891)
Other income and other gains, net	266,849	36	266,885
Administrative expenses	(380,445)	(10,517)	(390,962)
Finance costs	(264,715)	(2,740)	(267,455)
Income tax expenses, net	<u>(312,982)</u>	<u>(2,774)</u>	<u>(315,756)</u>
Earnings per share (HK cents)			
Basic	<u>37.66</u>	<u>(0.16)</u>	<u>37.50</u>
Diluted	<u>37.13</u>	<u>(0.16)</u>	<u>36.97</u>

**(1) BASIS OF PREPARATION (continued)**

The Group has not early adopted the following new standards, amendments and improvements to existing standards that have been issued but are not yet effective:

Amendments to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Annual Improvements Project	Annual Improvements to HKFRS 2012-2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

The Group has not early adopted the above new standards, amendments and improvements to existing standards, and is not yet in a position to state whether there is substantial changes to the Group's accounting policies and presentation of the Group's condensed consolidated financial statements.



## (2) REVENUE

Revenue/turnover represents the revenue arising from construction contracts, interest income generated from Build-Transfer (“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, logistics services and insurance contracts.

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (restated)
Revenue from construction contracts	14,488,583	12,470,529
Revenue from construction contracts under service concession arrangements	40,954	-
Interest income generated from BT projects	679,347	474,385
Revenue from project consultancy services	129,628	104,544
Revenue from thermoelectricity business	363,937	364,696
Revenue from infrastructure project investments and toll road operation	193,768	142,291
Revenue from facade contracting business	814,102	614,370
Others (Note)	265,413	112,611
	<b>16,975,732</b>	<b>14,283,426</b>

Note: Revenue from others mainly comprises revenue from sales of precast structures and building materials, machinery leasing, logistics services 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 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 2015 and 2014 are as follows:

	<u>Segment revenue</u>		<u>Gross profit/(loss)</u>		<u>Segment results</u>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
		(restated)		(restated)		(restated)
Reportable segments						
Hong Kong	<b>7,505,169</b>	6,247,706	<b>529,223</b>	392,731	<b>481,414</b>	348,262
Mainland China	<b>6,780,305</b>	6,452,797	<b>1,784,593</b>	1,499,267	<b>1,687,897</b>	1,404,383
Macau	<b>1,876,156</b>	968,553	<b>77,375</b>	62,405	<b>111,884</b>	203,698
Overseas	-	-	<b>(10,269)</b>	(1,235)	<b>(15,223)</b>	(11,808)
FEG Group	<b>814,102</b>	614,370	<b>125,573</b>	58,367	<b>42,970</b>	(43,491)
	<b>16,975,732</b>	14,283,426	<b>2,506,495</b>	2,011,535	<b>2,308,942</b>	1,901,044
Unallocated corporate expenses					<b>(80,743)</b>	(75,837)
Non-recurring other income and other gains, net					<b>1,471</b>	20,395
Share of profits of joint ventures					<b>167,906</b>	171,639
Share of profits of associates					<b>12,766</b>	13,757
Finance costs					<b>(293,580)</b>	(267,455)
Profit before tax					<b>2,116,762</b>	1,763,543

**(4) OTHER INCOME AND OTHER GAINS, NET**

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
		(restated)
Interest income on:		
Bank deposits	35,813	67,353
Debt securities	2,768	4,243
Imputed interest on amounts due from investee companies	5,711	7,159
Loan to a joint venture	55,969	11,742
Dividend income from:		
Unlisted available-for-sale investments	9,619	7,369
Gain on disposal of:		
Listed available-for-sale investments	-	11,096
Property, plant and equipment, net	4,008	1,815
Properties held for sale	24,269	139,134
Rental of properties	3,850	4,914
Service income	15,428	427
Others	9,951	11,633
	<b>167,386</b>	<b>266,885</b>

**(5) PROFIT BEFORE TAX**

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
		(restated)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	65,526	64,888
Depreciation of investment properties	504	503
Amortisation of prepaid lease payments	2,438	3,051
Amortisation of concession operating rights	71,128	71,128
Amortisation of trademark and project backlogs	9,198	12,978

**(6) INCOME TAX EXPENSES, NET**

	Six months ended 30 June	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
		(restated)
Current tax:		
Hong Kong	<b>69,585</b>	33,552
Other jurisdictions	<b>306,833</b>	315,110
	<b>376,418</b>	348,662
Under/(over)provision in prior years:		
Hong Kong	<b>1,209</b>	(166)
Other jurisdictions	<b>8,295</b>	(6,043)
	<b>9,504</b>	(6,209)
Deferred tax, net	<b>(35,845)</b>	(26,697)
Income tax expenses for the period, net	<b>350,077</b>	315,756

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	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Dividends recognised as distributions during the period	<b>601,863</b>	467,088

In July 2015, the Company distributed 2014 final dividends of HK15.00 cents per share (2014: HK12.00 cents per share), amounting to approximately HK\$601,863,000 (2014: HK\$467,088,000).

The Board declared the payment of an interim dividend of 2015 of HK13.00 cents per share (2014: HK11.00 cents per share). A special dividend of HK2.00 cents per share for celebrating the 10th listing anniversary of the Company is also declared.

## (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	
	2015	2014
	HK\$'000	HK\$'000
		(restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>1,765,347</b>	<u>1,458,997</u>
	<b>2015</b>	2014
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>4,012,418</b>	3,890,299
Effect of dilutive potential ordinary shares in respect of share options	<b>51,213</b>	<u>56,057</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,063,631</b>	<u>3,946,356</u>

## (9) TRADE AND OTHER RECEIVABLES

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

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	<b>5,018,804</b>	5,373,856
31-90 days	<b>3,668,522</b>	3,030,702
Over 90 days	<b>16,982,498</b>	14,059,865
	<b>25,669,824</b>	22,464,423
Retention receivables	<b>2,176,659</b>	2,025,904
Other receivables	<b>953,239</b>	953,022
Trade and other receivables	<b>28,799,722</b>	25,443,349
Current Portion	<b>(11,100,484)</b>	(12,542,067)
Non-current portion (Note (a))	<b>17,699,238</b>	12,901,282

Notes:

- (a) The balances of the non-current portion were mainly attributable to certain affordable housing and infrastructure projects (trading under BT model) in Mainland China. The balances are secured by certain assets of the customers as collateral and are interest bearing in accordance with the relevant contract terms. The amounts are expected to be gradually and fully recovered from the second half of 2016 to 2019, with approximately HK\$5,991,998,000 in the second half of 2016, HK\$9,310,518,000 in 2017, HK\$1,858,355,000 in 2018 and HK\$538,367,000 in 2019. As a result, they are classified as non-current.
- (b) Included in the receivables aged over 90 days were receivable attributable to the affordable housing projects amounting to HK\$16,287,579,000 (31 December 2014: HK\$13,690,541,000).
- (c) 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 2015, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$910,770,000 (31 December 2014: HK\$1,111,393,000).
- (d) Except for the receivables arising from construction contracts, including affordable housing and infrastructure projects trading under BT model, which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2014: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability periods 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:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade payables, aged:		
0-30 days	<b>5,355,443</b>	5,826,387
31-90 days	<b>2,626,105</b>	2,584,934
Over 90 days	<b>3,642,210</b>	2,729,907
	<b>11,623,758</b>	11,141,228
Retention payables	<b>5,347,609</b>	4,282,776
Other payables and accruals	<b>1,838,858</b>	1,837,314
	<b>18,810,225</b>	17,261,318

The average credit period on trade and construction cost payables is 60 days (2014: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

## REVIEW OF OPERATION

In the first half of 2015, the global economic growth remained slow. Economic recovery was not yet on track and the economy has become more diverse. Financial market saw intensified fluctuations and was full of uncertainties. Developed countries were still struggling to recover while the economy of developing countries slowed down in general due to the duo challenges arising from changes in exchange rates and falling of oil prices. Europe was still in the whirlpool of debt crisis. The economic growth of the US remained strong although several setbacks were experienced. The economy of China was in good shape in general although it was under the pressures of restructuring, slowdown and deflation.

During the year, the Group adopted an operation strategy of “**compliance and prudent development to support the robust and rapid development of the Company**”. The Company paid high attention to the compliance with laws and regulations of local governments to maintain sound operation. In the face of market changes, the Group leveraged its experiences to maintain the sustainability of its operation and cope with the new opportunities and challenges under the new economic trends in order to facilitate the healthy and rapid development of all lines of business of the Group.

### Market Conditions

The construction markets in Hong Kong and Macau continued to grow in both residential and public sectors, resulting in higher pressure of shortage of resources. The measures to maintain economic growth under the new economic trends in Mainland China proved to be effective. More benefits of economic reform will be further realised. Investments in new infrastructure projects under the urbanisation process and the “One Belt, One Road” strategy maintained high growth rates. In the overseas market, the curtain wall market in North America gradually recovered.

#### 1. *Hong Kong and Macau*

Hong Kong maintained a moderate economic growth, while the Macau economy showed a slowdown due to the consolidation of the gambling industry. The Group duly optimised its competition strategy to expand operation and successively secured new contracts of HK\$17,253 million for the first half of the year in Hong Kong and Macau. The building construction subsidiary was awarded the Construction of Public Rental Housing Development at Anderson Road Site C1 and Ancillary Facilities Block at Site C2 Phase 2. The MGM Cotai Project jointly constructed by the subsidiaries in Hong Kong and Macau was in progress as scheduled while the superstructures of the two main towers will be completed this year. Focusing on the high-end premium projects under the Ten Mega Infrastructure Projects, the civil engineering subsidiary successfully secured the projects of some sections of Shatin-to-Central Link, including Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link; Central-Wanchai Bypass – Tunnel (West Section in Wanchai) ; and Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link.



The Macau subsidiary participated to promote The Construction of the Residential and Commercial Development Project of Nova City Phase 5 as one of the investors and was appointed as the general contractor of the project. The Company further diversified its business and explored new sources of profits. The foundation engineering, mechanical and electrical engineering, insurance businesses as well as Shenzhen Hailong Construction Products Plant focus on profits-oriented with reasonable allocation of internal and external resources and maintain the sound development.

## 2. *Mainland China*

Anticipating a slowdown in economic growth in China, the Group believed that China would maintain its investment in infrastructure projects to stabilize the economy and therefore actively explored major projects. The Group secured new contracts of HK\$18,000 million in aggregate in the first half of the year. The Highway Project, Bengbu, Anhui Province was the first Public-Private-Partnership (“PPP”) project of the Group. Comparing with traditional Build-Operate-Transfer (“BOT”) projects, the PPP project has lower operation risk and the return is manageable. Such experience will enable the Group to secure similar projects in the market. Dayang Affordable Housing Project in Luyang District, Hefei, Anhui Province is a major affordable housing industrialisation project of Anhui Province and the second housing industrialisation project of the Group in China. The success of such project will act as a demonstration for the industrialisation of housing projects. The Group was also awarded other affordable housing projects, including Infrastructure Build-Transfer Project in Longhai of Zhangzhou, Fujian Province; Affordable Housing and Infrastructure Projects, Hangzhou, Zhejiang Province; Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province; and Relocation Housing Project in Modern Industry Project of Hyundai Motor, Ziyang, Sichuan Province.

## 3. *Overseas Market*

The curtain wall market in North America was recovering while the Asia-Pacific market remained stable. With the flourishing markets in Hong Kong and Macau, more business opportunities were available to the Company. Far East Global Group Limited was awarded various projects, including MGM National Harbor, USA; Vancouver Urban Resort, Canada; Proposed Residential Development at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, NT; Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon; and Hong Kong Shangri-La Hotel Project.

## **Corporate Governance**

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with the investors, information is promptly released to enhance the transparency of operation, so as to improve the corporate governance standards. The Board is committed to maintain a high standard of business ethics, a healthy corporate culture and a good corporate practice. The Group established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also adjusted its strategies in line with market changes to better capitalise on the function and role of each dedicated decision-making team. The Group also strengthened the regional and specialised management capabilities of each business unit.

In the first half of 2015, the Group has established a supervisory system to oversee the compliance of the outsourcing and procurement committees of different operation regions to ensure the decision-making of the Group on selection of contractors is in compliance with regulations.

### **Risk Management**

Based on its general operation target, the Group has established a sound risk management system. Through formulating risk management strategy, it has basic risk management procedures in place for each operation management unit. With effective coordination among its information system, organisation system and internal control system, the Group was able to nurture excellent risk management culture and implement comprehensive risk management effectively.

Focusing on the fluctuations in the financial market, the Group reinforced its measures through material procurement and foreign exchange. The Group shortened the price monitoring interval of its major materials and promptly analysed reports and made decision. The Group achieved its profit target of tender projects through bulk procurement and mitigated pricing risk by setting fixed unit price for auxiliary materials. The Group moderately scaled down its overseas operation regions and focused on the North American market to avoid currency risks.

### **Financial Management**

Adhering to its prudent wealth management principle, the Group focused on strengthening financial resources allocation. At the beginning of the year, the Group raised a syndicated loan of HK\$3,500 million with major banks in Hong Kong and successfully refinanced a loan due within the year. In response to the expectation of rate hike of the US, the Group negotiated with several financial institutions in Hong Kong for payment options of fixed interest rates for certain loans to lower cost and further refine its loan structure. At 30 June 2015, the Group had bank deposits of HK\$9,763 million and total borrowings of HK\$17,830 million, and a net gearing ratio of 38.1%, with total drawdown of bank loans amounted to HK\$3,262 million, and committed but unutilised credit facilities amounted to HK\$21,720 million.

### **Human Resources Management**

The Group prioritised the interaction and training of human resource management this year. In respect of the investment business in Mainland China, the Group filled the human resource vacancies of different project phases through internal training and external recruitment. The internal allocation and selection mechanism were constantly reviewed to improve the degree of satisfaction of employees while the external recruitment and assignment were strengthened with growing number of contracting, procurement, business, management and financial professionals in order to have a balanced pool of expertise. Key personnel were encouraged to participate in the whole process of project implementation so as to avoid information loss and ensure a smooth transition and implementation of the management of whole project life cycle.

## **Capital Operation**

In February 2015, the Group successfully organised visits for the Hong Kong banking sector to showcase its housing industrialisation achievements and application in the construction of affordable housing. In particular, onsite visits were arranged to the production plant of precast structure units of 深圳海龍建築製品有限公司 (Shenzhen Hailong Construction Products Co., Ltd.) and the development project of Construction of Public Rental Housing at Sha Tin Area 52 Phase 1. The Group's leading technology and strength in housing industrialisation was once again highly recognised in the capital market.

In the first half of the year, given the Group's excellent results and performance in the capital market, three international rating agencies maintained their rating of the Group as "investment grade" 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, foreign debts and cross-border RMB capital pool, with an accumulated amount of approximately HK\$10,850 million foreign currency injected.

## **Technology Innovation**

In response to transformation and upgrade trend of the construction industry and capitalising on over 30 years of experience in numerous residential industrialisation construction projects in Hong Kong and its standardised design, industrialised production, prefabricated construction, integration of construction and decoration and information management, namely "Five in One" (五化合一), the Group leads the development of the industry with its prefabricated construction material system and standard characterised by the technical features of China State.

In January 2015, investment ERP (Enterprise Resources Planning) system developed by the Group has been officially launched. The system focuses on cost and capital management with a core emphasis on contract management covering multiple investment models such as Build-Transfer ("BT"), BOT and PPP. The system covers the implementation of investment in preliminary stage, construction in middle stage and refined management in full life cycle in subsequent operation. By standardisation of business procedures and comparison and analysis decision, the Group will optimise multiple-layer management for various projects, allocate resources reasonably and efficiently, make profits and maximise the value of resources.

In March 2015, the Group successfully completed the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road-Section between Scenic Hill and Hong Kong Boundary Crossing Facilities by solving technical difficulties of large section blasting and excavation under complicated geographical and construction environment. Our success has been highly recognised by the HKSAR government.

## **Social Responsibility**

The Group issues a corporate social responsibility report every year, striving to maintain open and transparent communication to enable stakeholders to fully understand the sustainable development of the Group. In pursuit of good corporate citizenship, the Group has been widely recognised and has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for consecutive 5 years.

As for charities, the Group has organised “China State Environmental Protection Day” for consecutive 10 years in order to enhance the awareness of environmental protection of employees in response to “World Environment Day”. The Group also jointly organised the “Geographical Tour to High Island Reservoir East Dam” (萬宜東壩景區地質導賞) with Sai Kung District Community Centre, a social enterprise, on 5 June in order to demonstrate the determination of the Group to develop into a social corporate and contributions of the Group for the promotion of ecocultural protection.

### **Key Awards**

In March 2015, Widening of Fanling Highway - Tai Hang to Wo Hop Shek Interchange of the Group received a merit award of Civil Engineering Sites under the Construction Industry Safety Award Scheme 2014/2015 organised by government authorities including the Labour Department.

In May 2015, the Development Bureau of the HKSAR Government and the Construction Industry Council jointly organised “The 21st Considerate Contractors Site Award Scheme Award”. The Group received three merits of Considerate Contractors Site Awards; and one bronze and two merits of the Outstanding Environmental Management & Performance Awards in the Public Works — New Works category in recognition of its excellent performance in safety and environmental protection. In the Construction Safety Week 2015, which was carried out during the same period, the Group received a gold award and a merit award in Qigong Display Competition and a silver award of Innovative Safety Initiative Award.

In June 2015, the Group was awarded the Safest Contractor in 2014 in the MTR Safety Contractor Award Scheme organised by the property project department of MTR Corporation Limited for its excellent performance in occupational health and safe management.

In July 2015, in the annual poll of The Best Listed Companies in Asia organised by “Institutional Investor”, the Group was ranked top three in eight awards and was ranked first in the category of the Most Respectable Companies, 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 recorded revenue of HK\$16,975 million, and profit attributable to the owners of the Company amounted to HK\$1,765 million for the six months ended 30 June 2015, representing 18.8% and 21.0% growth respectively. Basic earnings per share was HK44.00 cents, representing an increase of 17.3% as compared with the same period of last year.

### **Segment Results**

#### *1. Construction and Related Business - Hong Kong*

With the strong contract on hand over the last few years and new contract awarded during the period under review, the Group delivered revenue of approximately HK\$7,505 million, an increase of 20.1%. During the period under review, the Group proceed to work on numerous construction contracts on schedule, with the contribution of several major projects, including Construction of Central - Wan Chai Bypass Tunnel (Slip Road 8 Section) and Wan Chai Development Phase II – Central-Wan Chai Bypass – Tunnel (West Section in Wanchai) for The Civil Engineering and Development Department of The Government of The Hong Kong Special Administrative Region, which firstly recognised profit during the period, both gross profit and result has increased by 34.8% and 38.2% respectively.

2. *Construction and Related Business - Macau*

With the commencement of MGM Cotai in last year and Nova City Phase V Residential Development construction projects in this period, the revenue of this segment is at a satisfactory level with HK\$1,876 million, representing a growth of 93.7% year-on-year. However, this segment have reported a decline in result for the current period, mainly because the profit of these two projects have not been recognised in accordance with the Group's profits recognition policy.

3. *Investment and Construction of Affordable Housing and Infrastructure Projects and Construction Related Businesses - Mainland China*

Our businesses from Mainland China was primarily attributable to the affordable housing and infrastructure projects during the period under review. Benefits from the strong reputation and employer's satisfaction, the Group thereby able to embrace opportunities. As a result, this segment continued delivering relatively steady growth in revenue and gross profit of approximately 5.1% and 19.0% respectively. The Group actively identify ways to diversify portfolio of investment and enhance profitability. During the period under review, the Group was awarded a number of affordable housing and infrastructure projects with significant aggregate contract value, including a Highway Project in Bengbu, Anhui Province by way of Public-Private-Partnership ("PPP") model for the first time in Mainland China. It is expected that this new investment model will be one of the new drivers for the Group's performance.

Investment and Construction of Affordable Housing Projects

Affordable Housing Projects continued to be the most significant contributor for Mainland China, recorded total revenue of HK\$3,752 million. Due to the accelerating shanty town redevelopment, this has provided tremendous market opportunities to the Group in affordable housing projects. Benefited from our solid track record and leadership technology in prefabricated parts, which enable us to capture this opportunities. For the period under review, the construction of the affordable housing projects in Hefei and Wenzhou have been in full swing, this has stimulated the performance of this segment.

Investment and Construction of Infrastructure Projects

Our investments in infrastructure projects span over different kinds of business, including toll road, toll bridge, thermoelectric plant and port. We participated in these infrastructure projects by way of Build-Transfer ("BT"), Build-Operate-Transfer ("BOT"), Transfer-Operate-Transfer ("TOT") and PPP arrangements. The contribution from the operating infrastructure projects remained relatively stable. With satisfactory construction progress of several projects in Wuhan, Xi'an, Fuzhou and Jiaying newly awarded in last year, this segment has maintained its steady growth in both gross profit and result to HK\$701 million and HK\$681 million.

### Construction – Cash contract and related business

As focus has been directed to the affordable housing and infrastructure investment businesses, the Group has exercised caution in its traditional construction business and participated in only those projects with quality management and promising profit prospect. With the growth of demand of prefabricated parts, the Group setup a new pre-cast structures production plant in Anhui in last year and commenced production during the period under review, which has stimulated the performance of this segment. As a result, the revenue of this segment have increased over 1.9 times to HK\$377 million.

#### 4. *Facade Contracting - Far East Global Group Limited (“FEG”)*

The management of FEG has actively reviewed its operation by enhancing its existing portfolio and identify new opportunities. As a result of effective resources allocation and cost control, FEG reported satisfactory performance in terms of turnover and result for the period under review.

### **Cash Flows Analysis**

During the period under review, the Group continued to reap the reward of several affordable housing and infrastructure BT projects, together with the stable contribution from cash construction and related businesses which generated approximately HK\$2,183 million (corresponding period in 2014: HK\$2,011 million) net operating cash inflow. After deducting the net expenditure in the BT projects of approximately HK\$1,746 million (corresponding period in 2014: HK\$1,813 million), the Group experienced a net cash inflow for its operating activities of approximately HK\$437 million (corresponding period in 2014: HK\$198 million). The net cash outflow from investing activities was approximately HK\$666 million (corresponding period in 2014: HK\$2,046 million), and the net cash inflow from financing activities was approximately HK\$2,517 million (corresponding period in 2014: HK\$3,613 million).

## **BUSINESS PROSPECTS**

In the second half of 2015, the global economy will continue its slow recovery. Economies of developed countries will recover at a faster pace while economies of developing countries will see slower growth in general. In addition, exchange rate fluctuations, interest rate hike by the Federal Reserve Board and the aftermaths of the Greek debt crisis will increase the risks and uncertainties of global economic recovery. The Group will precisely act on the macroeconomic trend, formulate forward-looking operational strategies, improve market judgment and adaptability, and adopt measures to confront the external changes in operation environment.

### **Market Expectation**

The Hong Kong and Macau economies will resume their upward track due to rising of external demand. The overall construction market will maintain buoyant while the construction industry will continue to face the risk of resources shortage. The Company will pay high attention to various large-scale government projects (including design and engineering works) to be launched in the second half of the year.

Mainland China's economic structure will change from medium-low end to medium-high end. To ensure healthy and stable long-term economic development, the government is expected to launch more structural policies including accelerating the review and approval and implementation of projects including water resources, railways, ecological environment and affordable housing. Meanwhile, the national strategy of "One Belt, One Road" will create enormous infrastructure investment opportunities.

The curtain wall market in North America will grow steadily in line with the recovery of its construction industry. The curtain wall markets in Hong Kong, Macau and Asia-Pacific will see steady growth and maintain their existing scale with severe competition. Despite vast potential in China's curtain wall market, its problems of varied quality and disorderly competition are yet to be regulated.

### **Operation Strategies**

Committed to the operation strategy of "**Cost-effective Competition and High-quality Management**", the Group endeavours 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 construction projects in Hong Kong and Macau, the Group will place great emphasis on consolidating the foundation of existing projects. It will continue to give preference to large-scale private commercial projects and public projects from government or institutional bodies with inflation compensation and identify competent cooperative partners in order to strive for another breakthrough in business expansion. With optimised business and refined management, the Group will capitalise on its differentiated competitive edges against its competitors in order to obtain higher profits. Internally, it will strengthen its management on human resources and subcontractors and consolidate the advantages of outsourced labour management to ensure stable and smooth project progress. While strengthening its principal construction business, the Group will continue to grasp contracting opportunities arising from new investments.

In respect of the Mainland investment business, the Group will strictly follow national strategies such as "One Belt, One Road", "Integration of Beijing-Tianjin-Hebei" and "Yangtze River Economic Zone". It will also pay full attention to and study thoroughly the investment opportunities of Public-Private-Partnership ("PPP") and Build-Operate-Transfer ("BOT"). It will strive to explore new industrial models and keep stable growth of its infrastructure business to establish a sustainable and profitable operation model. The Group will strengthen its expansion in key cities with better economic conditions and select projects with higher creditworthiness and capacity. Greater efforts will be made on research and development as well as negotiation for more favourable terms. Without jeopardising its investment security and stable income, the Group will explore different investment models and innovations with the government. In addition, it will accelerate the implementation of its existing projects and schedule sufficient time for other projects.

Far East Global Group Limited will further promote its brand and market expansion and optimise internal management and control. In addition to proactively implementing projects with high margin in North America, Hong Kong and Macau, it will further explore investment opportunities in overseas and Mainland China in order to achieve its strategic transformation.

## **Management Model**

According to its strategic control and management model, the Group will further optimise the allocation of duties, clearly define the scope of authorities and modify business flows to strengthen the leadership, services and supervision of the headquarters and encourage proactive business management by regional teams. The Group will refine the cooperation mechanism among different departments so as to enlarge the general business scale, strengthen the profitability and consolidate and expand the foundation of construction contracts and investment businesses.

## **COMPANY MISSION**

The Group is dedicated to its longstanding operation philosophy of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**”. The Group will proactively adhere to its core value of “**Good Quality and Value Creation**”. Incorporating personal aspirations into its long-term corporate development, the Group will put tremendous efforts to ensure stable and sustainable development. It will strive to achieve a **win-win situation** with the shareholders, cooperative partners, employees and society and become a new role model in the new era. The Group will endeavour to develop into a “**leading corporation with competitive international complex construction and infrastructure investment**”.

## **INTERIM DIVIDEND AND SPECIAL DIVIDEND**

The Board declared an interim dividend of HK13.00 cents per share (2014: HK11.00 cents per share) and a special dividend of HK2.00 cents per share for celebrating the 10th listing anniversary of the Company, both to shareholders whose names appear on the register of members of the Company on Friday, 18 September 2015. The interim dividend and special dividend will be payable on Monday, 5 October 2015.

## **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, 18 September 2015, for the purpose of determining shareholders' entitlement to the interim dividend and special dividend.

In order to qualify for the interim dividend and special 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 4:30 p.m. on Thursday, 17 September 2015.

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

During the six months ended 30 June 2015, 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 2015, 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 the deviation as specified and explained below with considered reason for such deviation:-

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 2015 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 the Board for its 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**  
*Chairman and Chief Executive Officer*

Hong Kong, 13 August 2015

*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; 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.*