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 2017, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2017	2016	Change %
RESULTS (HK$'000)			
Revenue	**22,966,135**	18,845,053	21.9
Gross profit	**3,253,404**	2,307,432	41.0
Gross profit margin	**14.2%**	12.2%	16.4
Profit attributable to owners of the Company	**2,493,401**	2,253,309	10.7
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	**55.56**	55.32	0.4
Net assets (HK$)	**6.35**	5.56	14.2

INTERIM DIVIDEND

The Board declared an interim dividend of HK15.00 cents per share.

BANK BALANCES AND CASH

As at 30 June 2017, the Group had bank balances and cash of approximately HK$11,211 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 2017 together with the unaudited comparative figures for the corresponding period ended 30 June 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2017** **HK$'000**	 2016 HK$'000
Revenue	3	**22,966,135**	18,845,053
Costs of sales		**(19,712,731)**	(16,537,621)
Gross profit		**3,253,404**	2,307,432
Investment income, other income and other gains, net	5	**527,436**	1,089,615
Administrative, selling and other operating expenses		**(664,408)**	(645,732)
Share of profits of			
Joint ventures		**416,360**	239,963
Associates		**85,309**	9,197
Finance costs		**(442,166)**	(323,952)
Profit before tax	6	**3,175,935**	2,676,523
Income tax expenses, net	7	**(641,400)**	(433,028)
Profit for the period		**2,534,535**	2,243,495
Profit/(loss) for the period attributable to:			
Owners of the Company		**2,493,401**	2,253,309
Non-controlling interests		**41,134**	(9,814)
		2,534,535	2,243,495
Earnings per share (HK cents)	9		
Basic		**55.56**	55.32
Diluted		**55.56**	55.32

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**2,534,535**	2,243,495
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss		
Gain on fair value changes of available-for-sale investments, net of tax	**3,571**	7,179
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	**-**	(1,124)
Exchange differences on translation of the Company and its subsidiaries	**891,328**	(674,568)
Exchange differences on translation of joint ventures	**176,987**	(93,980)
Exchange differences on translation of associates	**16,684**	(11,078)
Other comprehensive income/(loss) for the period, net of tax	**1,088,570**	(773,571)
Total comprehensive income for the period, net of tax	**3,623,105**	1,469,924
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**3,573,846**	1,474,018
Non-controlling interests	**49,259**	(4,094)
	3,623,105	1,469,924

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**3,305,439**	2,493,761
Investment properties		**4,754,123**	4,249,520
Interests in infrastructure project investments		**2,681,936**	1,495,041
Prepaid lease payments		**379,616**	315,097
Interests in joint ventures		**8,248,168**	4,949,241
Interests in associates		**4,397,742**	4,070,378
Concession operating rights		**5,293,572**	5,234,340
Deferred tax assets		**223,696**	225,006
Trademark, project backlogs and licenses		**336,424**	175,190
Goodwill		**577,664**	577,664
Available-for-sale investments		**232,054**	228,370
Amounts due from investee companies		**200,440**	196,818
Trade and other receivables	10	**20,956,791**	21,820,299
		51,587,665	46,030,725
Current Assets			
Interests in infrastructure project investments		**38,786**	37,041
Inventories		**168,126**	131,365
Properties held for sale		**414,274**	414,209
Amounts due from customers for contract work		**12,590,492**	6,485,536
Trade and other receivables	10	**18,320,909**	17,643,865
Deposits and prepayments		**472,994**	428,612
Loans to joint ventures		**611,029**	628,816
Amounts due from joint ventures		**2,086,759**	2,847,361
Tax recoverable		**68,882**	42,263
Bank balances and cash		**11,210,638**	11,484,652
		45,982,889	40,143,720

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Current Liabilities			
Amounts due to customers for contract work		**6,079,252**	5,304,671
Trade payables, other payables and accruals	11	**28,817,594**	29,000,144
Deposits received and advances from customers		**1,030,135**	827,167
Amounts due to joint ventures		**622,493**	735,030
Current tax payables		**2,833,929**	2,392,708
Dividend payables		**807,865**	-
Borrowings		**1,295,524**	1,455,620
Guaranteed notes payables		**3,893,533**	-
Obligations under finance leases		**676**	774
		45,381,001	39,716,114
Net Current Assets		**601,888**	427,606
Total Assets less Current Liabilities		**52,189,553**	46,458,331
Capital and Reserves			
Share capital		**112,203**	112,203
Share premium and reserves		**28,104,988**	25,335,755
Equity attributable to owners of the Company		**28,217,191**	25,447,958
Non-controlling interests		**282,045**	222,360
		28,499,236	25,670,318
Non-current Liabilities			
Borrowings		**22,555,901**	15,849,056
Guaranteed notes payables		**-**	3,888,839
Deferred income		**730,078**	699,088
Deferred tax liabilities		**402,438**	348,891
Obligations under finance leases		**1,900**	2,139
		23,690,317	20,788,013
		52,189,553	46,458,331

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 and investment properties, which are measured at fair values.

(2) APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS AND INTERPRETATION

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 2016, except for the adoption of amendments to HKAS effective for the financial year ending 31 December 2017.

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

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income taxes

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

(2) APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS AND INTERPRETATION *(continued)*

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements Project	Annual Improvements 2014-2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The mandatory effective date will be determined

The Group will adopt the above new standards, amendments and improvements to existing standards and interpretation as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

(3) REVENUE

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

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Revenue from construction contracts	**12,621,460**	11,352,252
Revenue from infrastructure investment projects (note (a))	**8,739,934**	5,896,534
Revenue from facade contracting business	**855,453**	887,073
Revenue from infrastructure operation (note (b))	**420,914**	433,655
Others (note(c))	**328,374**	275,539
	22,966,135	18,845,053

Notes:

(a) Revenue from infrastructure investment projects comprise of revenue generated from the provision of construction services under Public-Private-Partnership (“PPP”) model, including previously known as "Build-transfer" and “Build-Operation-Transfer” model, and the corresponding interest income.

(b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.

(c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

(4) SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates and India) for the period ended 30 June 2017 and 2016.

Far East Global Group Limited, a limited liability company, incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together, the "FEG Group") is currently managed by a separate business team. The chief operating decision maker regards the 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 2017 and 2016 are as follows:

	Segment revenue		**Gross profit/(loss)**		**Segment results**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Reportable segments						
Mainland China	**9,455,686**	6,590,392	**2,136,689**	1,460,447	**1,902,715**	1,242,071
Hong Kong and Macau	**12,654,996**	11,367,588	**899,035**	723,305	**871,636**	646,769
Hong Kong	**8,433,989**	7,206,277	**443,372**	421,923	**402,516**	384,460
Macau	**4,221,007**	4,161,311	**455,663**	301,382	**469,120**	262,309
Overseas	**-**	-	**-**	(9,979)	**(1,814)**	(19,267)
FEG Group	**855,453**	887,073	**217,680**	133,659	**128,215**	53,002
	22,966,135	18,845,053	**3,253,404**	2,307,432	**2,900,752**	1,922,575
Share of revenue/results of joint ventures	**2,461,251**	1,423,928			**416,360**	239,963
Total	**25,427,386**	20,268,981			**3,317,112**	2,162,538
Unallocated corporate expenses					**(185,320)**	(124,060)
Unallocated corporate income					**401,000**	952,800
Share of profits of associates					**85,309**	9,197
Finance costs					**(442,166)**	(323,952)
Profit before tax					**3,175,935**	2,676,523

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**36,816**	19,920
Debt securities	**2,768**	2,768
Imputed interest on amounts due from investee companies	**3,622**	3,387
Loans to joint ventures	**9,718**	36,199
Loan to an associate	**17,348**	-
Dividend income from:		
Unlisted available-for-sale investments	**17,231**	25,194
Gain on disposal of:		
Listed available-for-sale investments	**-**	1,124
Property, plant and equipment, net	**2,405**	18,577
Properties held for sale	**-**	9,434
Gain on fair value changes of investment properties	**401,000**	1,182,800
Impairment loss on concession operating rights	**-**	(230,000)
Service income	**11,158**	9,766
Others	**25,370**	10,446
	527,436	1,089,615

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**64,163**	68,278
Amortisation of prepaid lease payments	**3,454**	4,320
Amortisation of concession operating rights	**101,124**	111,755
Amortisation of trademark, project backlogs and licences	**8,765**	5,418

(7) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Current tax:		
Hong Kong	**86,957**	62,299
Other jurisdictions	**555,230**	430,530
	642,187	492,829
Under/(over)provision in prior years:		
Hong Kong	**3,899**	(556)
Other jurisdictions	**(966)**	(37)
	2,933	(593)
Deferred tax, net	**(3,720)**	(59,208)
Income tax expenses for the period, net	**641,400**	433,028

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.

(8) DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Dividends recognised as distributions during the period	**807,865**	730,137

In July 2017, the Company distributed 2016 final dividends of HK18.00 cents per share (2016: HK18.00 cents per share), amounting to approximately HK$807,865,000 (2016: HK$730,137,000).

The Board declared the payment of an interim dividend of 2017 of HK15.00 cents per share (2016: interim dividend of HK15.00 cents per share).

(9) 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	
	2017	2016
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,493,401**	2,253,309
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,488,139**	4,072,923

(10) 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:

	30 June 2017 HK$'000	31 December 2016 HK$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	**5,907,560**	7,575,653
31-90 days	**2,945,269**	2,946,561
Over 90 days	**25,166,533**	24,173,990
	34,019,362	34,696,204
Retention receivables	**3,762,099**	3,372,108
Other receivables	**1,496,239**	1,395,852
Trade and other receivables	**39,277,700**	39,464,164
Current portion	**(18,320,909)**	(17,643,865)
Non-current portion (note (a))	**20,956,791**	21,820,299

Notes:

(a) The balances of the non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Most of the balances are secured by certain assets from employers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from the second half of 2018 to 2022, with approximately HK$5,403,370,000 in the second half of 2018, HK$8,613,931,000 in 2019, HK$5,084,979,000 in 2020, HK$1,854,511,000 in 2021 to 2022. As a result, they are classified as non-current.

(b) Included in the receivables aged over 90 days were receivables attributable to the infrastructure investment projects amounting to HK$24,556,980,000 (31 December 2016: HK$23,778,470,000).

(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 2017, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,980,193,000 (31 December 2016: HK$1,779,561,000).

(d) Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2016: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability periods of construction.

(11) 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 2017 HK$'000	31 December 2016 HK$'000
Trade payables, aged:		
0-30 days	**9,754,682**	10,822,619
31-90 days	**2,965,434**	5,113,422
Over 90 days	**4,743,884**	3,467,700
	17,464,000	19,403,741
Retention payables	**8,492,284**	7,181,098
Other payables and accruals	**2,861,310**	2,415,305
	28,817,594	29,000,144

The average credit period on trade and construction cost payables is 60 days (2016: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

INTERIM DIVIDEND

The Board declared an interim dividend of HK15.00 cents per share (2016: HK15.00 cents per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The interim dividend will be payable on Tuesday, 3 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Tuesday, 19 September 2017, 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 4:30 p.m. on Monday, 18 September 2017.

REVIEW OF OPERATION

In the first half of the year, the global economy saw steady growth with pickups in the manufacturing industry and trading. The market showed greater confidence but was still concerned about the future. The commodity prices were gradually stabilised. The Federal Reserve delivered the second rate hike during the year and planned to reduce the size of its balance sheet gradually. Other major economies such as the European Union and Japan reported better-than-expected growth rates. China's overall economic development was stable with certain improvement.

During the year, the Group adopted an operating strategy of **"improving its service quality and efficiency while facing different difficulties and challenges and casting its brand with synergy and innovation"**. Facing complicated market conditions, we reinforced our confidence, overcame challenges, strengthened internal and external synergistic collaborations, innovated the investment and financing model, and promoted the transformation and upgrade of business. Scale expansion and efficiency improvement were achieved at the same time and craftsmanship's spirit was strongly promoted, which scaled new heights for the brand in terms of quality.

MARKET CONDITIONS

The accelerating economic recovery of Hong Kong and Macau posed both opportunities and challenges to the construction market. The economic development of Mainland China was stable with continuously strong infrastructure investment and increasing scale. The Public-Private-Partnership ("PPP") market saw rapid development. The overall glass curtain wall market was stable while the curtain wall market of North America was relatively active.

1. Hong Kong and Macau

Driven by stronger economy of Hong Kong, the investment and construction of private properties were booming; however, the number of projects launched by the government decreased significantly and market competition was increasingly intense. As for Macau, the overall construction market shrank and the rollout of government-owned projects was slow, offsetting the development of private construction. To adapt to the changes in market conditions, the Group actively identified potential partners and effectively integrated advantages and resources to overcome the adverse impact of the market and to consolidate and expand the market share. New contracts in Hong Kong and Macau amounted to HK$16,560 million in the first half of the year. All of the key projects under construction were progressing smoothly. The Group continuously made investment to boost the contracting business and gradually achieved results from such investment.

2. Mainland China

The infrastructure investment growth in Mainland China remained high and the PPP market saw rapid development. As phenomena such as non-compliant local government debts and varying project quality emerged, China successively implemented policies to regulate and standardise the market. Adhering closely to the state policies, the Group further increased its efforts in business expansion and seized market opportunities. It expedited the completion of transactions and projects and secured new contracts of HK$34,440 million in the first half of the year.

3. Curtain Wall

The curtain wall market of Hong Kong, Macau and Mainland China was stable in general but saw increasing competition while the curtain wall market of North America was in the middle of a rebound. Adhering to the high-end and sophisticated approach, Far East Global Group Limited (“FEG”) tracked the projects in depth and continued to strengthen and develop the business relationship with key customers, continuously enhancing the market expansion standard. New contracts of HK$1,875 million were secured in the first half of the year.

CORPORATE GOVERNANCE

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

RISK MANAGEMENT

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

The Group actively responded to market and policy risks, fully applying its advantages as an enterprise supported by the central government and foreign investment to stand out in competition. The Group further strengthened the natural hedging mechanism for foreign exchange risks, arranged and secured Renminbi loans for the investment projects in Mainland China in advance, accelerated the development of foreign business and enhanced the weight of foreign assets and expanded the operating scale. Tax risks were effectively prevented and legal and compliant operation was ensured.

FINANCIAL MANAGEMENT

Adhering to its prudent financial management principle, the Group has arranged centralised management for funds and credit, reasonably deployed financial resources, promoted the innovation of the financing model and strengthened its advantage in the cost of capital. In the first half of the year, the Group secured new loans of RMB6,230 million in Mainland China, with drawdown of loans in Mainland China of RMB5,337 million. The proportion of Renminbi bank borrowings increased to 45.4%. At 30 June 2017, the Group had bank deposits of HK$11,211 million, total borrowings of HK$27,745 million and a net gearing ratio of 58.0%, with drawdown of bank loans amounting to HK$7,155 million and committed but unutilised credit facilities amounting to HK$26,446 million. The Group has closely monitored the latest changes in the capital market and actively explored various financing means to strengthen its financial resources.

HUMAN RESOURCES

The Group has improved the human resources management system in accordance with the guidelines of the 13th Five Year Plan for human resources. By innovating a talent nurturing procedure and establishing a sound system for double-path career development, the Group has enabled upward mobility to the professional path for its employees and created larger room for talent development. Based on the administrative measures for nurturing “the Son of the Sea” and the talent pool programme in Hong Kong and Macau, the Group has focused on talent nurturing and reserve in different regions and developed sophisticated courses so as to provide effective training.

TECHNOLOGY INNOVATION

In the first half of the year, the Group received approval from the PRC government for four applications of invention patent and four applications of utility model patent, as well as approval from the provincial government for five applications of construction method. In addition, two applications of technological innovation were appraised by the national authority as internationally advanced technological invention in whole and internationally leading technological invention in part. The book prepared by the Group, “Essays on Basic Construction Techniques”, was published by the China Architecture & Building Press.

Having successfully put the mobile synergistic office platform into use, the Group has comprehensively enhanced the efficiency of communication and synergy. The platform integrates brand-new unified communication technology, efficient methods for team collaboration and convenient mobile office applications, which offers the functions of mobile portals, information sharing, attendance registration and approval, instant communication, multi-party conferences and business contacts. This has achieved a unified organisational structure, the integration of business systems and the cross-platform and multi-device synchronisation of information.

SOCIAL RESPONSIBILITY

The Group actively participated in the promotion of social welfare. It engaged its employees in Hangzhou, Qingdao, Hefei and other places in joining the "Children's Dream • Children's Art" Mainland and Hong Kong Art Exchange Programme jointly organised by China Overseas and TREATS. Together with a series of events such as "Architecture & Space" sharing session, art-themed drawing course and "Painting on Grounds", children could experience the harmonious and inclusive relationship among space, architecture and people and among different groups of people. Learning through fun activities enabled them to taste the joy of life.

The Group enthusiastically joined the 2017 Happy Run cum Carnival organised by the Construction Industry Council with a view to raising donations for the Construction Charity Fund to help the construction workers in need. In response to the "World Environment Day", the Group organised the "Guided Tour of Kadoorie Farm & Botanic Garden", where the employees could visit the Farm Museum, the Piers Jacobs Wildlife Sanctuary and the Raptor Roost to understand the biodiversity in Southern China and the local efforts in animal and plant conservation, thereby contributing to the promotion of ecological culture protection.

KEY AWARDS

In March 2017, in the "Construction Industry Safety Award Scheme 2016/2017" organised by the Labour Department of Hong Kong, the Occupational Safety and Health Council and other government authorities, the Group won a gold award in Building Sites (Private Sector), a silver award and a bronze award in Civil Engineering Sites, and a silver award and two merit awards in Safety Teams. In the "Construction Sites Housekeeping Award Scheme (2016)" organised by the Drainage Services Department of Hong Kong, the Group won the Best Construction Sites Housekeeping Award and the Grand Award in the category of large scale civil works contracts. In the same month, in the fifth "Building Inspectors Academy Awards" organised by the Hong Kong Professional Building Inspection Academy, the Group won the "Five Stars Residency of the Year 2016" for the excellent overall performance in multiple aspects of its housing estate project, Mayfair By The Sea, in Pak Shek Kok, Tai Po.

In May 2017, in respect of the outstanding performance in new technology promotion, use of new materials, innovative structural forms and other aspects of the BAIC project in Binzhou, Shandong, the Group was awarded the highest honour for the construction quality of China's construction steel structure industry, the "12th China's Steel Structure Gold Award". This marks the Group's leading role in the investment and building areas in steel structure construction.

In July 2017, in the annual poll of "All-Asia (Ex-Japan) Executive Teams" organised by "Institutional Investor", the Group was ranked as the "Most Honoured Company" again and top three among six categories in the industrial sector, as well as winning the first place in "Best CEO" in Asia for five consecutive years, which are the indicatives of the international capital market's continual affirmation in respect of the Group's operation and investor relations.

REVIEW OF FINANCIAL PERFORMANCE

Driven by the growth of Mainland China segment and increased contribution from joint ventures, the Group recorded revenue of HK$22,966 million, and profit attributable to the owners of the Company amounted to HK$2,493 million for the six months ended 30 June 2017, representing 21.9% and 10.7% growth respectively. Basic earnings per share was HK55.56 cents, representing an increase of 0.4% as compared with the same period of last year.

Segment Result

Construction and related business — Hong Kong

Hong Kong segment's order book remain strong, it continued to provide stable performance and cash flow to the Group. Revenue derived from Hong Kong segment amounted to HK$8,434 million during the period under review, compared with HK$7,206 million for the corresponding period of 2016. Segment result amounted to HK$403 million, compared with HK$384 million for the same period of last year.

Construction and related business — Macau

Despite the overall construction market in Macau shrank, the Group managed to deliver similar level of revenue as last corresponding period, amounting to HK$4,221 million. With the continuous improvement in cost control through effective project management, the overall result increased significantly to HK$469 million.

Infrastructure investment projects and construction related businesses — Mainland China

To further capture the growing investment in infrastructure project by PRC government, the Group actively increase its investment in Mainland China, in particular, the Public-Private-Partnership ("PPP") project. In the first half of the year, the Group secured a number of large size PPP projects, thanks to our sound project execution and risk control and good cost controls. Following the growth momentum since last year, this segment recorded notable increase in both of revenue and result to HK$9,456 million and HK$1,903 million, representing a growth of 43.5% and 53.2% year-on-year.

Infrastructure investment projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and college. We mainly participated in these infrastructure projects by way of PPP model.

With the kick off of several mega size toll road and municipal infrastructure projects during the period, the result of infrastructure investment sector have been boosted, reported total revenue and result of HK$8,740 million and HK$1,776 million, compared with HK$5,897 million and HK$1,198 million respectively for the corresponding period in 2016.

Operation of infrastructure projects

The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, excluding contribution from joint venture, this sector recorded revenue of HK$421 million, which was close to the HK$434 million for the corresponding period in last year.

Facade contracting — Far East Global Group Limited ("FEG")

FEG focused on the facade contracting business, general contracting business and new business expansion. FEG continues to improve on operating efficiency and enhance core competitiveness, it reported satisfactory performance for the period under review.

Cash Flows Analysis

As the Group has undertaken a number of large-scale PPP projects in current period, these projects are in a net investment period, the net expenditure of this sector reached HK$3,200 million (2016: net inflow HK$1,512 million), overall net cash outflow from operating activities was HK$2,089 million (2016: Net cash inflow HK$2,091 million). The net cash outflow from investing activities was HK$4,178 million (2016: HK$2,444 million), mainly for the capital investment in joint ventures for PPP project. The net cash inflow from financing activities was HK$5,871 million (2016: HK$6,567 million).

BUSINESS PROSPECTS

In the second half of the year, the market will pay close attention to the balance sheet position of the Federal Reserve, the global macroeconomic trends as well as the geopolitical changes. The Group will precisely capture the trends of macro economy and industry development. Forward-looking operation strategies will also be formulated. This serves to raise the capabilities in market research and judgement as well as responsiveness to confront the external changes in operation environment in a proactive manner.

MARKET OUTLOOK

Economic recovery will continue in Hong Kong and Macau. The investment sentiment on Hong Kong's private properties remains strong, whereas the market of public sector is yet to be improved. The construction market of Macau will continue to be dominated by government-owned projects, and the market of private construction is relatively in the doldrums. For the construction markets of Hong Kong and Macau, they are faced with some temporary challenges in the short term; however, they are still developing towards a positive direction in general.

Driven by both domestic and foreign demands, the economic growth of Mainland China remains steady. Infrastructure investment, as an important driver of domestic demand, will continue to be supported by policies. In a more standardised policy framework, the government will strongly promote the PPP model to strengthen infrastructure construction, revitalise private investment and mend the constraints on economic development. Mainly based on the PPP model in the future, the infrastructure investment market will see orderly and rapid development.

In respect of the curtain wall market, the market of North America, driven by construction and real estate, will continue to become more active. The markets of Hong Kong, Macau and Mainland will stably improve, yet with relatively intense competition.

OPERATION STRATEGIES

Committed to the operation strategy of **"Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success"**, the Group carries out thorough investigations and researches into the market situations in a timely manner. Market opportunities are accurately grasped and operation risks are prevented and mitigated. This effectively maintains the comprehensive management standards for the projects. The Group puts great efforts in its core business of construction and infrastructure investment so as to continuously strengthen its corporate value and market competitiveness.

Adhering to the working philosophy of "prudent and progressive operation with good quality", the construction business of Hong Kong and Macau adapts to the trends and further integrates the internal and external advantages and resources. More opportunities for exclusive bid negotiations are sought as well with an effort to convert the Group's latecomer advantage in the private market into first-mover advantage, hence enlarging its market influences. The valuable experience in the investment-driven contracting business is consolidated in a timely manner. The fully proven investment-driven contracting model is strongly promoted and the proportion of equity investment projects is raised. This enhances the market competitiveness in public and private construction, thereby improving the Group's overall profitability.

The Mainland investment business adheres to the state policy and accelerates the implementation of the development strategies for transformation and upgrade. The PPP model is innovatively expanded to promote the development in breadth and depth of the 3+ business models: “Government Platform +”, “Prefabricated Construction +” and “Industrial Integration +”. Regional development strategies and differentiated competition strategies are sensibly implemented. In the eastern region where the economy and infrastructure are more developed, the integrated quality-enhancing businesses such as new industrial towns, underground tunnels, sponge cities, etc. are strongly promoted. In the western region where the economy and infrastructure are less developed, large-scale infrastructure projects such as expressways, railways, etc. are heavily developed. This leads to the better and more rapid development of the investment business.

FEG is committed to the working approach of “Seize the Market, Build the Brand” and adheres to the bidding strategies of “Big Clients, Big Markets”. Synergistic and collaborative advantages of the resources of the whole industry chain such as global allocation design, procurement, production, installations, etc., are brought into play. Positive momentum is maintained for external market development. Internal control is enhanced and the bidding costs are controlled. This also strengthens the connections among the units within the system and stabilises the internal market.

While focusing on the current markets, the Group actively responds to the state’s “Belt and Road” proposal by strengthening the collaboration with the policy-based financial institutions and bringing the financing advantages of being a listed company into play. The Group sets up business along the “Belt and Road” step by step and makes overseas investment according to the local circumstances as the subject of liability. A higher proportion of policy resources are invested. Together with a view to balancing the relationship between business expansion and risk management, the Group strives to turn the overseas business into another growth point to drive the continuous improvement of the Group’s results.

MANAGEMENT MODEL

According to its strategic control and management model, the Group will further optimise the distribution of duties, reasonably allocate the authorities and clearly define 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 internal cooperation mechanism so as to enlarge the general business scale, strengthen the profitability and consolidate the Group’s operating foundation of construction contracts and investment businesses.

COMPANY MISSION

The Group is dedicated to its longstanding operation philosophy of **“Sustainable Growth for Mutual Success with Harmony”**. The Group will proactively adhere to its core value of **“Good Quality and Value Creation”**. Committed to prudent and progressive operation, the Group will improve its service quality and efficiency. 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 era. The Group will endeavour to develop into a **“leading corporation with competitive international complex construction and infrastructure investment”**.

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

During the six months ended 30 June 2017, 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 2017, 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 2017 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

ACKNOWLEDGEMENT

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, 22 August 2017

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, Mr. Wu Mingqing and Mr. Zhang Haipeng 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.