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 2019, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2019	2018	Change %
RESULTS (HK$'000)			
Revenue	**27,542,500**	27,105,613	1.6
Gross profit	**4,352,163**	4,104,799	6.0
Gross profit margin	**15.8%**	15.1%	4.6
Profit attributable to owners of the Company	**2,861,645**	2,522,320	13.5
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	**56.68**	49.96	13.5
Net assets (HK$)	**9.01**	7.83	15.1

INTERIM DIVIDEND

The Board declared an interim dividend of HK16.00 cents per share.

BANK BALANCES AND CASH

As at 30 June 2019, the Group had bank balances and cash of HK$21,035 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 2019 together with the unaudited comparative figures for the corresponding period ended 30 June 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2019** HK$'000	2018 HK$'000
Revenue	4	**27,542,500**	27,105,613
Costs of sales		**(23,190,337)**	(23,000,814)
Gross profit		**4,352,163**	4,104,799
Investment income, other income and other gains, net	6	**315,908**	280,528
Administrative, selling and other operating expenses		**(770,652)**	(623,367)
Share of profits/(losses) of			
Joint ventures		**320,195**	384,923
Associates		**608,291**	(11,816)
Finance costs		**(1,104,213)**	(838,598)
Profit before tax	7	**3,721,692**	3,296,469
Income tax expenses, net	8	**(706,924)**	(753,205)
Profit for the period		**3,014,768**	2,543,264
Profit for the period attributable to:			
Owners of the Company		**2,861,645**	2,522,320
Holders of perpetual capital securities		**124,095**	-
Non-controlling interests		**29,028**	20,944
		3,014,768	2,543,264
Earnings per share (HK cents)	10		
Basic		**56.68**	49.96
Diluted		**56.68**	49.96

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit for the period	**3,014,768**	2,543,264
Other comprehensive income/(loss)		
Items that may be reclassified to consolidated income statement		
Gain/(loss) on fair value changes of debt securities at fair value through other comprehensive income, net of tax	**16,955**	(15,477)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	**5,506**	(109)
Exchange differences on translation of subsidiaries	**(12,608)**	(431,228)
Exchange differences on translation of joint ventures	**(4,971)**	(155,163)
Exchange differences on translation of associates	**(135)**	(9,644)
Items that may not be reclassified to consolidated income statement		
Gain on fair value change of equity securities at fair value through other comprehensive income, net of tax	**492**	14,429
Other comprehensive income/(loss) for the period, net of tax	**5,239**	(597,192)
Total comprehensive income for the period, net of tax	**3,020,007**	1,946,072
Total comprehensive income attributable to:		
Owners of the Company	**2,865,541**	1,936,818
Holders of perpetual capital securities	**124,095**	-
Non-controlling interests	**30,371**	9,254
	3,020,007	1,946,072

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 HK$'000 (unaudited)**	31 December 2018 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**4,687,477**	4,149,806
Investment properties		**4,691,270**	4,680,776
Interests in infrastructure project investments		**4,137,846**	3,680,414
Prepaid lease payments		**-**	367,032
Interests in joint ventures		**12,170,227**	11,709,355
Interests in associates		**6,635,137**	5,654,865
Concession operating rights		**4,070,584**	4,154,800
Deferred tax assets		**157,295**	198,830
Trademark, project backlogs and licenses		**299,748**	308,535
Goodwill		**577,664**	577,664
Financial assets at fair value through other comprehensive income		**538,148**	505,416
Amounts due from investee companies		**211,806**	211,806
Trade and other receivables	11	**40,174,824**	38,047,727
Loans to joint ventures		**993,593**	1,612,397
		79,345,619	75,859,423
Current Assets			
Interests in infrastructure project investments		**60,235**	45,811
Inventories		**310,345**	280,204
Properties under development		**2,163,593**	2,349,510
Properties held for sale		**887,773**	710,275
Contract assets		**11,324,217**	9,081,810
Trade and other receivables	11	**25,755,890**	25,321,390
Deposits and prepayments		**294,675**	265,530
Loans to joint ventures		**333,821**	338,024
Amounts due from joint ventures		**4,968,806**	3,781,326
Amount due from an associate		**113,482**	105,179
Tax recoverable		**9,096**	57,901
Bank balances and cash		**21,035,490**	17,925,708
		67,257,423	60,262,668

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2019 HK$'000 (unaudited)**	31 December 2018 HK$'000 (audited)
Current Liabilities			
Contract liabilities		**7,222,581**	9,027,486
Trade payables, other payables and accruals	12	**39,043,341**	36,714,715
Deposits received		**35,099**	38,802
Amount due to immediate holding company		**1,000,325**	-
Amounts due to joint ventures		**1,313,287**	1,064,099
Amount due to an associate		**102,645**	102,645
Current tax payables		**4,015,039**	3,885,617
Dividend payables		**605,899**	-
Borrowings	13	**6,941,033**	2,795,832
Lease liabilities		**4,520**	-
Obligations under finance leases		**-**	793
		60,283,769	53,629,989
Net Current Assets		**6,973,654**	6,632,679
Total Assets less Current Liabilities		**86,319,273**	82,492,102
Capital and Reserves			
Share capital		**126,229**	126,229
Share premium and reserves		**40,593,531**	38,328,139
Equity attributable to owners of the Company		**40,719,760**	38,454,368
Perpetual capital securities		**3,885,563**	3,878,468
Non-controlling interests		**865,143**	745,414
		45,470,466	43,078,250
Non-current Liabilities			
Borrowings	13	**30,589,169**	32,033,950
Guaranteed notes payables		**6,213,477**	6,210,963
Contract liabilities		**796,440**	740,010
Deferred tax liabilities		**430,311**	427,087
Lease liabilities		**73,415**	-
Loan from a joint venture		**2,745,995**	-
Obligations under finance leases		**-**	1,842
		40,848,807	39,413,852
		86,319,273	82,492,102

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 2018 except for the adoption of amendments and improvements to existing HKAS and new Hong Kong Financial Reporting Standard ("HKFRS") effective for the financial year ending 31 December 2019.

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

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position, except HKFRS 16 "Leases". As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption is disclosed in Note 3.

(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 HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Business combinations[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

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.

(3) CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2019 in below.

HKFRS 16 “Leases”

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees’ financial statements. HKFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset for the lease term) and a lease liability (representing the obligation to pay rentals) are recognised for all leases. The lessor accounting largely remains unchanged.

(3) CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16 "Leases" *(continued)*

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Applied the recognition exemption for leases of low value assets
- Excluded the initial direct costs from the measurement of the right-of-use assets
- Used hindsight in determining lease term if the contract contained an option to extend or terminate the lease

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases (mainly land and buildings and motor vehicles) from property, plant and equipment and prepaid lease payments under operating leases to right-of-use assets and the liabilities under obligations under finance leases to lease liabilities for presentation purpose.

(3) CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16 "Leases" *(continued)*

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK'000
Operating lease commitments disclosed as at 31 December 2018	145,629
Discounted using the lessee's incremental borrowing rate of at the date of initial application*	140,595
Add: finance lease liabilities recognised as at 31 December 2018	2,635
Less: adjustments as a result of a different treatment of extension and termination options	(51,880)
Lease liability recognised as at 1 January 2019	91,350
Of which are:	
Current lease liabilities	7,176
Non-current lease liabilities	84,174
	91,350

* The weighted average incremental borrowing rate was 4.81% for Mainland China and 3.68% for the rest of the regions.

(3) CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16 "Leases" *(continued)*

The table below summarises the impact on the adoption of HKFRS 16:

	At 1 January 2019 HK'000
Decrease in property, plant and equipment – land and buildings and motor vehicles	33,491
Decrease in prepaid lease payments	367,032
Increase in property, plant and equipment – right-of-use assets	489,238
Decrease in finance lease payables – current	793
Decrease in finance lease payables – non-current	1,842
Increase in lease liabilities – current	7,176
Increase in lease liabilities – non-current	84,174

	For the six months ended 30 June 2019 HK'000
Decrease in administrative, selling and other operating expenses	**14,997**
Increase in depreciation and amortisation	**13,922**
Increase in finance costs	**1,859**

(4) 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	
	2019	2018
	HK$'000	HK$'000
Revenue from construction contracts	**12,433,320**	11,248,967
Revenue from infrastructure investment projects (note (a))	**12,872,306**	13,490,952
Revenue from facade contracting business	**1,441,775**	1,542,361
Revenue from infrastructure operation (note (b))	**412,213**	480,614
Others (note(c))	**382,886**	342,719
	27,542,500	27,105,613

(4) REVENUE *(continued)*

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue from contract with customers (note (d))		
- Revenue from construction contracts	**12,433,320**	11,248,967
- Revenue from infrastructure investment projects	**11,656,322**	12,468,516
- Revenue from facade contracting business	**1,441,775**	1,542,361
- Revenue from infrastructure operation	**412,213**	480,614
- Others (note (e))	**299,021**	189,048
	26,242,651	25,929,506
Revenue from other sources		
- Interest income generated from infrastructure investment projects	**1,215,984**	1,022,436
- Others (note (f))	**83,865**	153,671
	1,299,849	1,176,107
	27,542,500	27,105,613

Notes:

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

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

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

(d) The revenue recognised for the period ended 30 June 2019 and 2018 are recognised over time, except for toll road operation of approximately HK$80,531,000 (2018: HK$109,609,000).

(e) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials and logistics services.

(f) Revenue from others mainly comprise of revenue from machinery leasing, insurance contracts and rental income from investment properties.

(5) 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 2019 and 2018.

China State Construction Development Holdings Limited (formerly known as 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 "CSC Development Group") is currently managed by a separate business team. The chief operating decision maker regards the CSC Development Group as a distinct reportable segment and assesses its performance based on its overall result.

Segment revenue and results for the six months ended 30 June 2019 and 2018 are as follows:

	Segment revenue		Gross profit		Segment result	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Reportable segments						
Mainland China	**13,475,074**	14,109,112	**3,185,221**	2,862,097	**2,943,175**	2,681,648
Hong Kong and Macau	**12,496,158**	11,373,132	**910,431**	1,065,410	**938,402**	1,119,307
Hong Kong	**9,841,103**	7,356,967	**670,412**	475,381	**711,923**	520,347
Macau	**2,655,055**	4,016,165	**240,019**	590,029	**226,479**	598,960
Overseas	**-**	-	**-**	-	**(3,093)**	(3,275)
CSC Development Group	**1,571,268**	1,623,369	**256,511**	177,292	**168,189**	70,015
	27,542,500	27,105,613	**4,352,163**	4,104,799	**4,046,673**	3,867,695
Share of revenue/results of joint ventures	**968,904**	1,236,101			**320,195**	384,923
Total	**28,511,404**	28,341,714			**4,366,868**	4,252,618
Unallocated corporate expenses					**(149,254)**	(105,735)
Share of profits of associates					**608,291**	(11,816)
Finance costs					**(1,104,213)**	(838,598)
Profit before tax					**3,721,692**	3,296,469

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**119,748**	68,056
Debt securities	**8,980**	7,108
Imputed interest on amounts due from investee companies	**-**	3,873
Loans to joint ventures	**41,713**	13,994
Loans to associates	**61,210**	16,326
Dividend income from:		
Equity securities	**31,118**	24,226
Gain on disposal of:		
Debt securities	**5,506**	-
Property, plant and equipment, net	**6,326**	268
Service income	**21,623**	113,201
Others	**19,684**	33,476
	315,908	280,528

(7) PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**116,667**	76,414
Amortisation of prepaid lease payments	**-**	3,837
Amortisation of concession operating rights	**86,088**	109,863
Amortisation of trademark and licences	**8,863**	9,054

(8) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**75,720**	130,983
Other jurisdictions	**692,979**	634,671
	768,699	765,654
Overprovision in prior years:		
Hong Kong	**(89,674)**	(23,347)
Other jurisdictions	**(16,615)**	(9,495)
	(106,289)	(32,842)
Deferred tax, net	**44,514**	20,393
Income tax expenses for the period, net	**706,924**	753,205

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.

(9) DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Dividends recognised as distributions during the period	**605,899**	1,009,831

In July 2019, the Company distributed 2018 final dividends of HK12.00 cents per share (2018: HK20.00 cents per share), amounting to approximately HK$605,899,000 (2018: HK$1,009,831,000).

The Board declared the payment of an interim dividend of 2019 of HK16.00 cents per share (2018: interim dividend of HK15.00 cents per share).

(10) 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	
	2019	2018
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,861,645**	2,522,320
	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,049,157**	5,049,157

No diluted earnings per share are presented as the Company did not have any diluted potential ordinary shares during the period ended 30 June 2019 and 30 June 2018.

(11) 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 term of the related contracts, is as follows:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	**6,762,419**	7,160,723
31-90 days	**3,233,974**	4,287,398
Over 90 days	**48,614,036**	45,180,936
	58,610,429	56,629,057
Retention receivables	**5,127,053**	4,386,552
Other receivables	**2,193,232**	2,353,508
Trade and other receivables	**65,930,714**	63,369,117
Current portion	**(25,755,890)**	(25,321,390)
Non-current portion (note (a))	**40,174,824**	38,047,727

Notes:

(a) The balances of the non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by collateral from employers and interest bearing in accordance with the relevant contract terms. The amounts is expected to be gradually and fully recovered from the second half of 2020 to 2025, with approximately HK$8,862,737,000 in the second half of 2020, HK$18,597,695,000 in 2021, HK$7,240,409,000 in 2022 and HK$5,473,983,000 in 2023 to 2025. As a result, they are classified as non-current.

(b) Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to approximately HK$44,748,245,000 (31 December 2018: HK$42,066,594,000).

(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 2019, the amount of retention receivables expected to be recovered after more than one year was approximately HK$2,894,311,000 (31 December 2018: HK$2,970,715,000).

(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 (2018: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability periods of construction.

(12) 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 2019 HK$'000	31 December 2018 HK$'000
Trade payables, aged:		
0-30 days	**12,683,902**	12,472,392
31-90 days	**2,998,558**	2,912,983
Over 90 days	**5,438,510**	5,209,148
	21,120,970	20,594,523
Retention payables	**13,650,578**	12,551,670
Other payables and accruals	**4,271,793**	3,568,522
	39,043,341	36,714,715

The average credit period on trade and construction cost payables is 60 days (2018: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

(13) BORROWINGS

	30 June 2019 HK$'000	31 December 2018 HK$'000
Bank loans, secured	**7,628,672**	7,101,428
Bank loans, unsecured	**29,901,530**	27,728,354
	37,530,202	34,829,782
Carrying amount repayable:		
Within one year	**6,941,033**	2,795,832
More than one year but not exceeding two years	**8,120,181**	12,073,222
More than two years but not more than five years	**14,438,454**	13,335,877
More than five years	**8,030,534**	6,624,851
	37,530,202	34,829,782
Less: Amount due within one year shown under current liabilities	**(6,941,033)**	(2,795,832)
Amount due after one year	**30,589,169**	32,033,950

The Group's bank loans are mainly denominated in Hong Kong dollar and Renminbi, all of which are functional currencies of the respective Group entities. The Group's secured bank loans are secured by land and building, concession operating rights and account receivables of the Group.

INTERIM DIVIDEND

The Board declared an interim dividend of HK16.00 cents per share (2018: HK15.00 cents per share) to shareholders whose names appear on the register of members of the Company on Thursday, 19 September 2019. The interim dividend will be payable on Thursday, 3 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Thursday, 19 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 September 2019.

REVIEW OF OPERATION

Since the beginning of 2019, the global economic has experienced a tortuous development with a risk of resurgence of crisis. In the first half of 2019, the growth of major economies has slowed down almost simultaneously. Central banks have been adjusting their monetary policy directions. The increasing volatility in currency liquidity and capital market, together with trade frictions among major economies, has once again cast a shadow over the recovery of global economy and trade.

Affected by factors such as shrinking trade and high cardinal effect, Hong Kong's economic growth in the first half of 2019 fell into trough since the 2008 financial tsunami. Economy of Macau also experienced a slowdown after a ten-consecutive-quarter growth. In the first half of 2019, economic progress in Mainland China maintained a generally stable trend. The economic growth rate in the first half of the year was 6.3%, remaining in a reasonable range and showing strong growth resilience, which laid a solid foundation for stable and healthy economic development for the full year.

Facing the complex and ever-changing external environment, the Group adheres to the corporate culture of "fighters" and the "customer-oriented" service tenet. While maintaining a steady growth in business performance, we also work hard on adjusting business structure and implementing strategic transformation with a proactive, pioneering and innovative attitude.

Hong Kong and Macau Markets

The Lantau Tomorrow Vision proposed by the Chief Executive of Hong Kong in the 2018 Policy Address aims to address the issue of land shortage yet is expected to require a long period of preliminary work. During the year, the construction market in Hong Kong still focused on hospital projects, redevelopment of old districts, infrastructure projects such as Kowloon East and private developers' projects. Facing the intensified market competition , the Group fully utilized the competitive advantages and brand value in professional sector to continuously achieve new breakthroughs in government projects such as hospitals, and actively participated in the reconstruction of old districts to seize market opportunities. For the first half of the year, new contracts of HK$21,270 million were signed by the Group in Hong Kong, representing a significant increase of 33.9% as compared with the same period of last year.

The Macau economy has experienced a slowdown. Limited by land supply, private projects will remain low. However, the coming government projects such as the new reclamation area and public housing will bring new increments to the Macau market. There are also potential opportunities for gambling projects. For the first half of the year, new contracts of HK$10,110 million were signed by the Group in Macau, representing a significant increase of 52.5% as compared with the same period of last year.

Mainland China Market

In the first half of 2019, central ministries and commissions issued several policies and regulations to further strengthen the supervision of public-private-partnership projects ("PPP projects"), reducing the scale of shantytown redevelopment plan and strengthening the regulation of government investment by clear limits on capital expenses, repayment resources, etc.

In this context, although the growth rate of infrastructure investment has rebounded compared to the second half of 2018, it still remains at a relatively low level. Infrastructure investment has shifted to budgetary expenditures. Local governments are also actively exploring new models of infrastructure investment other than PPP projects. Development in models such as the interconnection of urban agglomerations, new type of infrastructure, industrial park projects, and government targeted repurchase projects opens new development windows for the market. Based on the strategy of balance between scale growth and leverage-cash flow, the Group reduced the proportion of long-term project orders and proactively acquired legally compliant infrastructure projects with fast turnover and high yield. During the first half of the year, new contracts of HK$24,580 million were signed in Mainland China, representing a slight year-on-year decline, with a relatively shortened project cycle, which achieved the target of structural adjustment.

Curtain Wall Market

The curtain wall markets of Hong Kong and Macau have witnessed the launch of many large-scale business projects during the first half of the year, and it is expected that large-scale residential projects will be launched in Hong Kong during the second half of the year, providing more opportunities for curtain wall work. Although the curtain wall industry in Mainland China is large in scale, the competition is fierce.

Corporate Governance

Through a clear corporate governance structure, the Group continuously strengthened Board functions and improved internal control, and strived to achieve sound operations by enhancing the competitiveness and risk control capabilities. To ensure that our Directors can continuously make contributions to the Board and its committees, the Group provides ongoing training and up-to-date information to our Directors, regularly updating their knowledge, skills and understanding of business and the markets. During the first half of year, the Group focused on the improvement of internal control management efficiency by optimizing the Company's decision-making and execution system, reviewing and revising several internal regulations, as well as strengthening and refining settings of internal control reporting and management information systems.

The optimized governance structure significantly improved the management and operation efficiency of the Group. The decisions to adjust business structure made at the beginning of the year based on judgement of each market were fully implemented, ensuring the completion of the operational objectives.

Risk Management

The Board is responsible for setting the overall business strategy and objectives of the Company. It assesses and determines the nature and extent of risks, which it is willing to take in achieving strategic objectives, and ensures that the Group establishes and maintains appropriate and effective risk management and internal control system. Under the supervision of the Board, the management of the Group is responsible for designing, implementing and monitoring the risk management and internal control system, so that sufficient control measures can be ensured to safeguard the Group's assets and the interests of stakeholders.

To constantly identify risks and strengthen risk management of the Company, and establish risk awareness and control culture, the Group sets up the Risk Management Control Committee mainly in response to strategic risks, financial risks, market risks and operational risks, and implements risk management and optimizes its system with the support from audit and legal departments. It also assists the Board and the management to evaluate and review the deficiency and weakness of the system, examining and optimizing relevant mechanisms if necessary.

Financial Management

During the first half of the year, the Group's business operations and capital operations continued to develop effectively and synergistically, leading to achievements in financial innovation. After a successful initial issuance of US dollar guaranteed perpetual capital securities at the end of last year, the Group completed the first ever US$500 million asset securitization transaction in March 2019. As the first overseas asset securitization transaction in the history of China State Construction Engineering Corporation and China Overseas Holdings Limited, it has great significance to revitalizing assets and is beneficial to the Company's healthy and stable development.

Following the operational objectives, the Group steadily controlled leverage and strengthened cash flow. The collected operating cash from Mainland China in the first half of the year amounted to HK10,510 million, a year-on-year increase of 31.5%, and the total operating cash outflow significantly decreased as compared to the corresponding period of last year, while the increase of interest-bearing liabilities dropped HK7,050 million compared with the same period of last year. As of 30 June 2019, the net gearing ratio was controlled at 49.9%, dropped by 3.8 percentage points since the end of 2018.

Technological Innovation

The Group set up Technology Management Department at the end of last year to strengthen the management of technological innovation. During the first half of the year, the technology management system was comprehensively reviewed in detail. The Group proactively promotes system construction and increases investment in technology to support innovation. In the first half of 2019, the Company's technological innovation work achieved remarkable results. A total of 8 national invention patents were approved, of which 7 were approved in Hong Kong. All these patents were technological equipment innovation achievements, bringing breakthroughs in intellectual property management.

Meanwhile, the Group combines technological innovation with green building, smart building and building industrialization to promote the transformation of technological achievements in related technical fields. The Group has promoted the technological achievements of “China Overseas’ Research and Application of Key Technologies of Precast Concrete Buildings” in Mainland China since the beginning of this year. We will continue to innovate and participate in the plan submission in Hong Kong steel structure Modular Integrated Construction (MIC).

Social Responsibility

In recent years, global concern for sustainable development continues to grow. The United Nations proposed 17 Sustainable Development Goals. The Chinese government subsequently issued the China’s National Plan on Implementation of the 2030 Agenda for Sustainable Development to clarify its direction of driving sustainability agenda. As one of the pillar industries of the country, construction industry has played a significant role in promoting economic, environmental and social development and is also an important contributor to the implementation of sustainable development. The Group formulated guidelines and policies during the first half of the year to establish a systemic mechanism that guides regional offices to make contributions to sustainable development in their regional markets and more extensive areas.

The Group issues a sustainability report on an annual basis and improves the report based on social trend of sustainable development, fostering an “open and transparent” communication atmosphere which allows stakeholders to have deeper understandings of its sustainable development.

REVIEW OF FINANCIAL PERFORMANCE

For the six months ended 30 June 2019, the Group's profit attributable to owners of the company was HK$2,862 million, up by 13.5% compared to HK$2,522 million for the last period. The Group recorded revenue of HK$27,543 million, up by 1.6% compared to HK$27,106 million for the last period. Basic earnings per share was HK56.68 cents, representing an increase of 13.5% as compared with the same period of last year.

Segment Result

Construction and related business — Hong Kong and Macau

Hong Kong's economic growth continues to slow down due to both internal and external factors. Against the increased market competition, the Group makes full use of its competitive advantages and brand value of the professional sector to continuously achieve new breakthroughs in government projects including hospitals, and actively participated in the private housing work. Revenue of Hong Kong segment recorded new high to HK$9,841 million (2018: HK$7,357 million), up by about 33.8%, segment result amounted to HK$712 million (2018: HK$520 million), up by about 36.9%.

Macau's economy has seen a correction, reported revenue of HK$2,655 million (2018: HK$4,016 million), dropped by about 33.9%, segment result amounted to HK$226 million (2018: HK$599 million), dropped by about 62.3%. The decrease was mainly attributable to the completion of a mega-sized contract in the first half of 2018.

Infrastructure Investment Projects and Construction Related Businesses — Mainland China

In the first half of 2019, central ministries and commissions issued several policies and regulations to further strengthen the supervision of Public-Private-Partnership ("PPP") projects, reduce the scale of shantytown redevelopment plan and strengthen the regulation of government investment, with clear limits on capital expenses, repayment resources, etc.

The Group strengthened the rectification and implementation of on hand project, and aimed for fast turnover and high yield project. With the ample order book, this segment recorded stable revenue of HK$13,475 million (2018: HK$14,109 million) and better result of HK$2,943 million (2018: HK$2,682 million), representing a growth of 9.7% 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 school. We mainly participated in these infrastructure projects by way of PPP model. During the period under review, the Group received buy- back payment of HK$6,606 million from infrastructure investment project, including the attributable share of such payment received by our joint venture investments.

Infrastructure Investment Projects remained the core business and the major contributor of Mainland China. This sector reported total revenue and result of HK$12,856 million and HK$2,832 million, compared with HK$13,491 million and HK$2,582 million respectively for the corresponding period in 2018.

Operating 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$412 million, which was slightly lower than that of HK$480 million for the corresponding period in last year.

China State Construction Development Holdings Limited ("CSC Development Group")

CSC Development Group focused on the facade contracting business, general contracting business and project operation and management service business. CSC Development Group continues to expand its market with its good market reputation, brand influence, as well as quality and price advantages, which is reflected in the notable growth of result during the period under review.

Cash Flows Analysis

As some infrastructure project are operated in PPP model, the buy-back period of PPP project is comparatively longer than that of traditional Build-transfer model, the net cash used in operating activities for the period was HK$1,406 million (2018: HK$3,994 million), included the net expenditure for infrastructure project amounting HK$933 million (2018:HK5,194 million). The net cash outflow in investing activities was HK$955 million (2018: HK$3,918 million), and the net cash inflow from financing activities was HK$5,519 million (2018: HK$9,476 million).

UNAUDITED OPERATING INFORMATION

For the six months ended 30 June 2019, the Group recorded an accumulated new contract value of HK$58.41 billion.

As of 30 June 2019, the on-hand contract value of the Group amounted to HK$398.54 billion, among which the backlog was HK$244.81 billion.

New Contracts Awarded & Project in Progress in the first half of 2019

Market	**New Contract Awarded For the Six Months ended 30 June 2019**	**Project in Progress as of 30 June 2019**	
	(HK$ Billion)	**Total Value** (HK$ Billion)	**Backlog** (HK$ Billion)
Mainland China	24.58	274.21	178.67
Hong Kong	21.27	82.48	45.41
Macau	10.11	29.17	13.50
China State Construction Development Holdings Limited	2.45	12.68	7.23
Total	58.41	398.54	244.81

BUSINESS PROSPECTS

In the second half of 2019, sticking to the general principle of steady progress and the new concept of development, the Group will make an overall planning in accordance with the requirements of high-quality development, promoting stable growth, structural adjustment, reform and innovation, and risk prevention.

Business in Hong Kong and Macau

The Group will continue to maintain the leading scale of business in Hong Kong and Macau's construction market. In Hong Kong, we will actively bid for large-scale government projects and expand private projects such as private residential development and commercial buildings. In Macau, we will continue to follow up with large-scale government projects and bid for gaming projects to maintain the market share in large-scale construction market and will continue to focus on investment-driven contracting projects and explore opportunities in the reconstruction of old buildings. With the existing advantages of Hong Kong and Macau, we will seize market opportunities to engage in the construction of Guangdong-Hong Kong-Macao Greater Bay Area.

For the projects in hand, the Group will ensure timely high-quality deliverables to owners and strengthen our good reputation. With emphasis on technological innovation, we will continue to follow up with the Modular Integrated Construction (MIC) technology promoted by the Hong Kong government and gradually upgrade the Company's site information management capabilities to a higher level.

Business in Mainland China

Based on the principle of "achieving large contract with small investment", the Group will further promote business transformation, increase investment in government targeted repurchase projects, and actively develop innovative projects. We will implement compliant construction plan and strengthen the construction of contract system. Meanwhile, our investment evaluation system will be standardized to improve investment expansion and evaluation efficiency. The Group will accelerate the deepening and improvement of the operation management system, strengthen the standardized management of projects, improve self-circulation and self-balance of funds, and allocate funds according to the Company's strategic plan to ensure implementation of business plans. We will reasonably arrange the financing scale of various industrial chains to ease the pressure on funds and steadily promote innovative financing. In the implementation of the projects, we will focus on works such as quality and schedule management, investment management and control, and fund recovery.

China State Construction Development Holdings Limited

In respect of curtain wall business in Hong Kong and Macau, the Group will continue to expand markets with its good market reputation, brand influence, as well as quality and price advantages. For curtain wall business in Mainland China, taking "efficiency first, moderate scale" as development strategy, the Group will focus on quality owners and strengthen internal resource coordination to jointly develop high-end projects. We will also review the integrated development management system in North America, and focus on specific projects with large scale, good reputation and capability of the owners to better centralize resources and create benefits. Policy study and market research will be strengthened for innovative business to promptly find the development direction. Suitable organizational structure and talent team will be set up to achieve business breakthroughs, bringing general transformation and upgrading of the Company's business.

While cultivating the existing market, the Group will also actively respond to the Belt and Road Initiative, and study the businesses in the United Kingdom, North America and Portugal in a steady and orderly manner. With the advantages of talents, experience and language in Hong Kong and Macau markets, we will further research on local policies and regulations, focusing on talent nurturing and localized management. The Group will carry out overseas business in accordance with the standard of "high turnover, light assets, controllable risks, moderate revenue", and strengthen coordination with other companies within China State Construction in striving to contribute to the performance of the Group.

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

During the six months ended 30 June 2019, 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 2019, 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.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee which comprises three 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 assistance, and last but not least, to our staff for their dedicated efforts.

By order of the Board
China State Construction
International Holdings Limited
Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 23 August 2019

As at the date of this announcement, the Board comprises Mr. Yan Jianguo as Chairman and Non-executive Director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Hung Cheung Shew as Executive Directors; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.