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

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

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND
INTERIM DIVIDEND**

FINANCIAL HIGHLIGHTS

	Unaudited		Change %
	Six months ended 30 June 2022	2021	
RESULTS (HK\$'000)			
Revenue	53,810,559	36,370,988	47.9
Gross profit margin	13.4%	16.5%	-3.1
Profit attributable to owners of the Company	4,213,994	3,500,201	20.4
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	83.65	69.42	20.5
Net assets (HK\$)	13.18	12.99	1.5

INTERIM DIVIDEND

The Board declared an interim dividend of HK24 cents per share.

China State Construction International Holdings Limited

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 (collectively referred to as the “Group”) for the six months ended 30 June 2022 together with the unaudited comparative figures for the corresponding period ended 30 June 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue	3	53,810,559	36,370,988
Costs of sales		(46,593,286)	(30,358,018)
Gross profit		7,217,273	6,012,970
Investment income, other income and other gains, net	5	617,020	255,531
Administrative, selling and other operating expenses		(1,108,648)	(862,893)
Share of profits of			
Joint ventures		89,601	219,817
Associates		224,733	433,928
Finance costs		(1,474,582)	(1,256,554)
Profit before tax	6	5,565,397	4,802,799
Income tax expenses, net	7	(1,047,280)	(1,004,769)
Profit for the period		4,518,117	3,798,030
Profit for the period attributable to:			
Owners of the Company		4,213,994	3,500,201
Holders of perpetual capital securities		146,954	210,752
Non-controlling interests		157,169	87,077
		4,518,117	3,798,030
Earnings per share (HK cents)	9		
Basic		83.65	69.42
Diluted		83.65	69.42

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Profit for the period	4,518,117	<u>3,798,030</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to consolidated income statement</i>		
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(103,853)	(20,486)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	7,312	-
Exchange differences on translation of subsidiaries	(2,518,951)	372,703
Exchange differences on translation of joint ventures	(702,508)	191,259
Exchange differences on translation of associates	(117,904)	13,190
<i>Items that will not be reclassified to consolidated income statement</i>		
Gain on fair value changes of investment properties transferred from property, plant and equipment	10,943	-
Other comprehensive (loss)/income for the period, net of tax	(3,424,961)	<u>556,666</u>
Total comprehensive income for the period	1,093,156	<u>4,354,696</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	858,036	3,995,752
Holders of perpetual capital securities	146,954	210,752
Non-controlling interests	88,166	148,192
	1,093,156	<u>4,354,696</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment		5,467,414	5,698,336
Investment properties		5,066,419	5,126,232
Interests in infrastructure project investments		5,622,237	5,726,639
Interests in joint ventures		16,799,611	18,388,085
Interests in associates		8,390,534	9,347,225
Concession operating rights		3,526,400	3,784,772
Deferred tax assets		144,131	173,764
Trademark, project backlogs and licenses		250,574	266,102
Goodwill		577,664	577,664
Financial assets at fair value through other comprehensive income		539,940	693,390
Amounts due from investee companies		211,806	211,806
Trade and other receivables	10	54,464,413	54,434,753
Loans to joint ventures		830,498	898,754
		101,891,641	105,327,522
Current Assets			
Interests in infrastructure project investments		160,825	72,752
Inventories		471,519	366,967
Properties under development		6,951,291	6,312,434
Properties held for sale		1,195,658	1,256,031
Contract assets		18,046,282	13,467,619
Trade and other receivables	10	55,131,457	59,239,650
Deposits and prepayments		1,245,296	1,114,512
Loans to joint ventures		344,797	618,899
Amounts due from joint ventures		7,099,568	6,977,678
Amount due from an associate		183,657	-
Tax recoverable		114,050	122,942
Bank balances and cash		27,951,160	24,407,419
		118,895,560	113,956,903

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June	31 December
		2022	2021
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
Current Liabilities			
Contract liabilities		9,418,569	9,662,819
Trade payables, other payables and accruals	11	61,146,391	60,561,364
Deposits received		49,880	64,208
Amounts due to joint ventures		880,307	1,183,012
Amounts due to associates		247,741	107,563
Amount due to a related company		453,518	588,313
Current tax payables		5,453,096	5,573,209
Borrowings	12	14,599,586	10,104,945
Guaranteed notes payables and corporate bonds		4,288,244	4,286,155
Loans from fellow subsidiaries		235,243	739,706
Lease liabilities		60,846	51,154
		96,833,421	92,922,448
Net Current Assets		22,062,139	21,034,455
Total Assets less Current Liabilities		123,953,780	126,361,977
Capital and Reserves			
Share capital		125,940	125,940
Share premium and reserves		56,255,775	56,320,225
Equity attributable to owners of the Company		56,381,715	56,446,165
Perpetual capital securities		7,796,585	7,793,930
Non-controlling interests		2,238,741	1,976,176
		66,417,041	66,216,271
Non-current Liabilities			
Borrowings	12	42,934,845	47,848,335
Guaranteed notes payables and corporate bonds		10,705,617	8,095,418
Contract liabilities		601,903	667,106
Deferred tax liabilities		418,976	520,728
Loan from a joint venture		2,820,212	2,955,665
Lease liabilities		55,186	58,454
		57,536,739	60,145,706
		123,953,780	126,361,977

NOTES:

(1) BASIS OF PREPARATION

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

(2) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective for the financial year ending 31 December 2022.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(3) REVENUE

Revenue represents the revenue arising from construction contracts, construction related investment projects, façade contracting business, infrastructure operation, industrial plant reconstruction, 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	
	2022 HK\$'000	2021 HK\$'000
Revenue from construction contracts	29,024,172	13,313,160
Revenue from construction related investment projects (Note (a))	20,383,539	20,311,617
Revenue from façade contracting business	2,570,752	1,619,370
Revenue from infrastructure operation (Note (b))	484,591	478,785
Others (Note (c))	1,347,505	648,056
	53,810,559	36,370,988
Revenue from contracts with customers (Note (d))		
Timing of revenue recognition		
- Over time	50,224,346	33,842,926
- At a point in time	1,059,712	340,866
	51,284,058	34,183,792
Revenue from other sources		
- Interest income generated from construction related investment projects	2,159,726	2,080,240
- Others (Note (e))	366,775	106,956
	2,526,501	2,187,196
	53,810,559	36,370,988

(3) REVENUE *(continued)*

Notes:

- (a) Revenue from construction related investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises revenue from industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the six months ended 30 June 2022 and 2021 are recognised over time, except for toll road operation, sales of building materials and industrial plant reconstruction of approximately HK\$78,982,000 (Six months ended 30 June 2021: HK\$92,088,000), HK\$570,120,000 (Six months ended 30 June 2021: HK\$248,778,000) and HK\$410,610,000 (Six months ended 30 June 2021: Nil), respectively, which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

(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).

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

Segment revenue and results for the six months ended 30 June 2022 and 2021 are as follows:

	<u>Segment revenue</u>		<u>Gross profit</u>		<u>Segment result</u>	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Reportable segments						
Mainland China	21,838,860	20,802,687	5,323,810	4,613,664	4,971,762	4,316,827
Hong Kong and Macau	28,801,549	13,393,509	1,354,428	1,016,886	1,260,140	916,614
Hong Kong	22,989,036	10,468,113	937,367	537,179	845,217	439,659
Macau	5,812,513	2,925,396	417,061	479,707	414,923	476,955
Overseas	-	-	-	-	-	(2,588)
CSC Development Group	3,170,150	2,174,792	539,035	382,420	374,438	299,242
	53,810,559	36,370,988	7,217,273	6,012,970	6,606,340	5,530,095
Share of revenue/results of joint ventures	2,014,292	516,635			89,601	219,817
Total	55,824,851	36,887,623			6,695,941	5,749,912
Unallocated corporate expenses					(148,823)	(124,487)
Gain on disposal of a subsidiary					38,351	-
Gain on disposal of a joint venture					192,614	-
Gain on disposal of an associate					37,163	-
Share of profits of associates					224,733	433,928
Finance costs					(1,474,582)	(1,256,554)
Profit before tax					5,565,397	4,802,799

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

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest income on:		
Bank deposits	94,511	92,624
Debt securities at FVOCI	15,397	14,267
Loans to joint ventures	12,804	13,234
Loans to associates	59,961	57,348
Deposits with a fellow subsidiary	1,395	3,350
Dividend income from:		
Equity securities at FVOCI	7,223	20,402
Gain on disposal of:		
Property, plant and equipment, net	1,514	808
A subsidiary	38,351	-
A joint venture	192,614	-
An associate	37,163	-
Debt securities at FVOCI	1,556	-
Gain on fair value changes of investment properties, net	4,446	-
Service income	-	261
Others	150,085	53,237
	617,020	255,531

(6) PROFIT BEFORE TAX

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment (including right-of-use assets)	157,564	83,525
Amortisation of concession operating rights (included in costs of sales)	87,492	86,757
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	8,983	8,953

(7) INCOME TAX EXPENSES, NET

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong profits tax	136,018	84,535
Other jurisdictions income tax	1,008,809	1,013,689
Mainland China land appreciation tax	10,444	-
	<u>1,155,271</u>	<u>1,098,224</u>
Under/(over)provision in prior years:		
Hong Kong profits tax	2,824	-
Other jurisdictions income tax	(29,059)	(21,335)
	<u>(26,235)</u>	<u>(21,335)</u>
Deferred tax, net	(81,756)	(72,120)
Income tax expenses for the period, net	<u>1,047,280</u>	<u>1,004,769</u>

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

(8) DIVIDENDS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distributions during the period:		
2021 Final, paid – HK20.5 cents per share (2021: 2020 Final, paid – HK19 cents per share)	<u>1,032,711</u>	<u>957,147</u>

The Board declared the payment of an interim dividend of 2022 of HK24 cents (2021: HK20 cents) per share.

(9) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	4,213,994	<u>3,500,201</u>
	Six months ended 30 June	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,037,617	<u>5,041,995</u>

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021.

(10) TRADE AND OTHER RECEIVABLES

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade receivables, net of allowance for doubtful debt, aged:		
0-30 days	20,375,567	23,896,383
31-90 days	3,071,008	3,588,257
Over 90 days	65,499,839	64,754,514
	88,946,414	92,239,154
Retention receivables	4,725,653	5,347,719
Other receivables	15,923,803	16,087,530
Trade and other receivables	109,595,870	113,674,403
Less: Current portion	(55,131,457)	(59,239,650)
Non-current portion (Note)	54,464,413	54,434,753

Note: The balances of non-current portion were mainly attributable to certain construction related investment projects in Mainland China. Certain balances are secured by collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from the second half of 2023 to 2032, with approximately HK\$20,887,015,000 in the second half of 2023, HK\$11,843,423,000 in 2024, HK\$5,079,975,000 in 2025 and HK\$16,654,000,000 in 2026 to 2032. As a result, they are classified as non-current.

Included in the receivables aged over 90 days are receivables attributable to the construction related investment projects amounting to approximately HK\$52,166,469,000 (31 December 2021: HK\$52,112,570,000).

Retention receivables are interest free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 30 June 2022, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$2,130,672,000 (31 December 2021: HK\$3,131,498,000).

(10) TRADE AND OTHER RECEIVABLES (continued)

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

(11) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade payables, aged:		
0-30 days	34,837,759	35,871,788
31-90 days	1,257,022	1,089,962
Over 90 days	9,440,884	9,684,973
	45,535,665	46,646,723
Retention payables	6,612,800	5,967,206
Other payables and accruals	8,997,926	7,947,435
	61,146,391	60,561,364

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

(12) BORROWINGS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Bank loans, secured	18,280,315	18,474,397
Bank loans, unsecured	39,254,116	39,478,883
	57,534,431	57,953,280
Less: Current portion	(14,599,586)	(10,104,945)
Non-current portion	42,934,845	47,848,335
Carrying amount repayable:		
Within one year or on demand	14,599,586	10,104,945
More than one year but not exceeding two years	14,190,392	18,213,834
More than two years but not more than five years	21,979,349	21,216,807
More than five years	6,765,104	8,417,694
	57,534,431	57,953,280

The secured bank loans are secured by property, plant and equipment, interests in infrastructure project investments and trade receivables.

Borrowings are mainly denominated in Hong Kong dollar and Renminbi.

INTERIM DIVIDEND

The Board of the Company declares an interim dividend of 2022 of HK24 cents per share (2021: interim dividend of HK20 cents per share) payable on or about Thursday, 6 October 2022 to shareholders whose names appear on the register of members of the Company at the record date and time on Friday, 16 September 2022 at 4:30 p.m..

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 September 2022.

REVIEW OF OPERATION

In the first half of 2022, the COVID-19 pandemic continued to wreak havoc with its frequent variations; the outbreak of the Russian-Ukrainian War marked some intensified geopolitical conflicts; highly volatile commodity prices and the global economy volatility, coupled with aggravating inflation tended to materialise the risk of stagflation further. The US Federal Reserve and the European Central Bank prioritised the control of inflation and accelerated the tightening of their monetary policies, posing pressure on capital outflows from emerging markets, and further exacerbating trade protectionism and increasing long-term risks on the global economy. Against a backdrop of the economy being impacted by the epidemic situation, China managed to realise positive growth in the second quarter and maintain an overall stability of market prices, which had showcased its strong resilience and potential with no change in the fundamental tendency towards a long-term better economy. The economy of Hong Kong in the first quarter had once declined owing to the fifth wave of the epidemic situation, but had taken a favorable turn in the second quarter as the epidemic situation had gradually been brought under control and the domestic demand recovered. The volume of tourists of Macau had yet to recover under the influence of the epidemic situation with the economy at its troughs.

In the face of recurrent waves of epidemic outbreaks and a volatile economic situation, the Group cared for its staff, implemented normalised epidemic prevention and control and contributed actively to the pandemic prevention undertaking while adhering to the established strategies under the “14th Five-Year Plan” to expedite business transformation and upgrade, and to pursue high-quality enhancement persistently. In the first half of the year, we continued to promote business transformation in the Mainland market with a strong growth in the featured general contracting business. The Group consolidated its sound market-leading position in the Hong Kong and Macau markets with the façade business taking the lead in terms of technology and growing rapidly. Meanwhile, the Group managed to preserve a healthy financial condition with increasingly reinforced anti-risk ability.

China State Construction International Holdings Limited

For the six months ended 30 June 2022, the Group's results registered a steady growth with newly signed contracts amounted to HK\$90.48 billion, representing a year-on-year increase of 28.3%. The unaudited revenue amounted to HK\$53.81 billion, representing a year-on-year increase of 47.9%. The operating profit amounted to HK\$6.61 billion, representing a year-on-year increase of 19.5%. The profit attributable to the shareholders increased by 20.4% to HK\$4.21 billion, with basic earnings per share of HK83.65 cents and net asset value per share of HK\$13.18. The Board declared the distribution of an interim dividend of HK24 cents per share for the year of 2022, translating to a payout ratio of about 28.7%, which is in line with the Group's dividend policy.

Mainland China Market

In the first half of 2022, the construction industry confronted major challenges owing to impacts caused by recurrent waves of epidemic outbreaks. Nevertheless, the Group persisted in advancing its business transformation strategy by centering on superior markets such as the Yangtze River Delta and the Greater Bay Area, continuing to secure infrastructure investment projects with short duration and fast turnover, and expanding its featured general contracting business through differentiated competencies. In the first half of the year, newly signed contracts in the Mainland China amounted to HK\$44.99 billion, representing a year-on-year increase of 24.3%. With the continuous acceleration of turnover, cashflow has achieved significant improvement, which contributed greatly in restoring the Group's overall operating cash flow to positive.

The Group is committed to promoting the process of construction industrialization. In the first half of the year, featured general contracting projects driven by technologies such as Modular Integrated Construction (MiC) had yielded fruitful results, and many of them represented innovative paradigms of the industry, for instance, the quarantine hotel in Yantai, Shandong will, after completion, become the highest and the largest stand-alone MiC nationwide; the talent housing project in Longhua, Shenzhen represented the first concrete MiC high-rise building nationwide; and the quarantine hotel project in Wuxi had an assembly rate reaching 100% of the GB standard.

Hong Kong and Macau Markets

At the beginning of 2022, Hong Kong experienced the fifth wave of the epidemic situation with a record-breaking hike in the number of confirmed cases. Facing such severe epidemic situation, the Group undertook the construction of 8 anti-epidemic facilities projects as part of the Mainland support for Hong Kong and had them completed swiftly to provide over 40,000 beds, assisting Hong Kong in the anti-epidemic work with high quality engineering. At the same time, in respect of livelihood projects, the Group had secured major projects including Chinese Medicine Hospital in Tseung Kwan O and maintained its industry-leading position while further enhancing its reputation. In the first half of the year, newly signed contracts in the Hong Kong market amounted to HK\$27.39 billion, representing a year-on-year increase of 59.4%.

The Group continued to maintain its brand image and reputation in the Macau market. In spite of a general industry downturn, the Group proactively promoted the application of prefabricated construction technology by leveraging its conventional strength, and had therefore won the tender of a series of livelihood projects such as public housing and replacement apartments, maintaining a steady business development amid the adversity. In the first half of the year, newly signed contracts in the Macau market amounted to HK\$12.09 billion, maintaining the same level as those in the same period of last year.

Façade Market

China State Construction Development Holdings Limited (“CSC Development”), a subsidiary of the Group, has its key performance indicators kept on the fast growth track by focusing on its primary façade business, bringing brand advantages into full play and grasping market opportunities timely and exactly, aided with technological innovation and empowering production and operation as well as refined management. In the first half of the year, CSC Development won the tender of Phase IV of Galaxy Macau resort and gaming facility with a contract amount of approximately HK\$2.24 billion, a record high for stand-alone building curtain wall worldwide, in addition to some new projects secured in the markets of Hong Kong and Mainland China. In the first half of the year, newly signed contracts of CSC Development amounted to HK\$6.01 billion, representing a year-on-year increase of 32.1%.

Sustainable Development Management

Since the announcement of its sustainability roadmap in 2021, the Group has continued to enhance its corporate governance level, optimise environmental management measures and undertake corporate social responsibility proactively in accordance with the targets set in the roadmap. The anti-epidemic facilities constructed by the Group provided a solid protection for fighting the pandemic and demonstrated the Group's commitment in shouldering its social responsibility. The Group was selected as a constituent stock of FTSE4Good Index for six consecutive years, and its sustainable development performance being once again recognised by the authoritative index.

Risk Management and Control

The Group has established a complete risk management and internal control system and has formulated a risk management framework such that staff at all levels can identify and report risks at the strategic and operational levels. The Risk Management Control Committee is responsible for evaluating potential risks in respect of strategy, finance, market and operation existing in all business lines, and have them monitored, controlled and managed accordingly.

In view of caprices of the epidemic situation across the globe, the Group has formulated practicable anti-epidemic measures in coordination with local policies to implement project management effectively and meticulously, so as to maximise the protection for staff health and safety, and to reduce the epidemic impact on production and operation.

Financial Management

In 2022, the Group maintained a sound financial status with optimal leverage. Particularly, during the first half of the year, the Group has its operating cash flow restored to positive, ensuring improvement in its financial structure. Meanwhile, the Group has transformed its outstanding ESG performance in recent years to strengthen financing capability and yielded remarkable results in the green finance domain, which involved, namely, the Group's first issuance of RMB green medium-term notes, the first green bond issued with the highest grade of certification for prefabricated construction nationwide; as well as the first HK\$300 million three-year green revolving loan signed by CSC Development to finance a number of qualified green projects under the green finance framework standards, and to fuel its capability in enhancing green construction technology. Besides, the Group optimised further its debt currency types and term structure by seizing the favorable RMB financing opportunities, so that the financing costs remained under control at a low level in the industry. In respect of equity financing, CSC Development, a subsidiary of the Group, completed its additional issuance of 100,000,000 shares at a premium and realised an equity capital of HK\$219 million, which has signified the full confidence of the market in the growth potential of its results.

The Group is currently in a healthy financial condition. As of 30 June 2022, the cash in hand amounted to HK\$27.95 billion, accounting for 12.7% of total assets. The unutilised bank credit facilities were HK\$83.72 billion, and the net gearing ratio was controlled at 67.1%.

Human Resources

Adhering to its talent concept of “gathering strivers and motivating the promising people”, the Group has unremittingly perfected its human resources structure. This year, the Group has made efforts to forge a cultivation base for science and research talents in order to reserve talents for strategic businesses. We have, for instance, China State Hailong, successfully set up an innovation practice base at postdoctoral level, a research centre for MiC and other platforms to foster high-level research talent introduction. The Group cared about staff growth and scientifically formulated training programs, providing staff with training courses on various topics such as macro-economics, corporate strategy, professional knowledge and managerial techniques, with lecturers invited internally and externally to give lectures. The Group’s human resources policies closely integrated individual development of staff with its business development so as to elevate their senses of recognition and belonging.

Technological Innovation

The Group upholds its business strategy of technological empowerment that features the enhancement of differentiated competencies with core technologies. China State Hailong maintained its frontrunner leading position in terms of MiC technology, with new breakthroughs in high-rise steel structure MiC technology and concrete MiC technology, and research and development (R&D) of new MiC elevator. Its self-developed C-Smart intelligent construction site management platform has been upgraded to Version 3.0, paving the way for whole-process logistics management of products including MiC from production at plant to on-site production with digitalised delivery. It also initiated the R&D of precast products based on MiC and DfMA technologies, and forged their standardised solutions through the Chinese Medicine Hospital project in Tseung Kwan O. CSC Development researched and developed a photovoltaic power generation window wall system (BIPV unit façade), unfolded the R&D of BIPV series products on roof, façade, canopy and so on, and advanced the construction of a number of template projects.

In the first half of the year, the Group has obtained a series of technological achievements, including 75 patents, among them one was invention patent. Earlier this year, North Lantau Hospital Hong Kong Infection Control Centre project won China Construction Engineering Luban Prize (foreign project), which demonstrated that the Group, with its robust scientific and technological strengths, has earned the highest honor in terms of engineering quality in the construction industry of China.

REVIEW OF FINANCIAL PERFORMANCE

Overall performance

For the six months ended 30 June 2022, the Group's profit attributable to owners of the company was HK\$4,214 million, up by 20.4% compared to HK\$3,500 million for the last period. The Group recorded revenue of HK\$53,811 million, up by 47.9% compared to HK\$36,371 million for the last period. Basic earnings per share was HK83.65 cents, representing an increase of 20.5% as compared with the same period of last year.

During the period under review, the Group has significant improvement in its cashflow, generated HK\$102 million and HK\$1,899 million net cash inflow from operating and investing activities, respectively.

The Board declared payment of an interim dividend of HK24 cents per share, the dividend payout ratio will be 28.7%.

As at 30 June 2022, the equity attributable to the owners of the Company was HK\$56,382 million (31 December 2021: HK\$56,446 million).

Segment Result

Construction and related business — Hong Kong and Macau

At the beginning of 2022, Hong Kong experienced the fifth wave of the pandemic situation with a record-breaking hike in the number of confirmed cases. The Group has against this difficulty and fulfill its social civic responsibility. In order to cooperate with the pandemic prevention work, the Group has undertaken a large number of construction projects related to pandemic prevention. Together with the organic growth of other orders, it helps to push up Hong Kong segment revenue to HK\$22,989 million, up by about 1.2 times as compared to HK\$10,468 million for corresponding period of 2021. Due to the increase of scale, segment result amounted to HK\$845 million, up by 92.2% as compared to HK\$440 million for the same period of last year.

Macau's economy has not recovered from the impact of pandemic. The Group has won several government projects during the period under review, together with several large-scale hospital and other projects under construction, Macau's revenue recorded new high to HK\$5,813 million, up by 98.7% as compared to HK\$2,925 million for the same period of last year. Segment profit dropped 13.0% to HK\$415 million as compared to HK\$477 million for last period. This is because profit of several large-sized projects has not been accrued as they were still in the preliminary stage.

Infrastructure Investment Projects and Construction Related Businesses — Mainland China

The pandemic in Mainland China has broken out in individual provinces, the construction industry is still facing major challenges. The Group adhered to the business transformation strategy, selects high-quality markets such as the Yangtze River Delta and the Greater Bay Area, and continues to expand infrastructure investment projects with short cycles and rapid turnover.

Mainland China segment recorded a flat growth in revenue to HK\$21,839 million, up by 5.0% as compared to HK\$20,803 million in last period. Segment result amounted to HK\$4,972 million, up by 15.2% as compared to HK\$4,317 million for the same period of last year, which was mainly contributed by the growth of our Modular Integrated Construction (MiC) business.

Infrastructure Investment Projects

Our investments in infrastructure projects spanned 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, etc. The Group continued to optimise the project mix on hand, increased participation in government targeted repurchase (GTR) projects and other shorter cash payback cycle projects in order to accelerate capital turnover.

During the period under review, the Group received buy-back payment of HK\$14,127 million (2021: HK\$11,676 million) from infrastructure investment projects, including the attributable share of such payment received by our joint venture investments, with an increase of 21.0%.

Infrastructure investment projects remained the core business and the major contributor of Mainland China. Revenue and result of this sector rose by 1.6% and 6.1% to HK\$20,623 million (2021: HK\$20,299 million) and HK\$4,364 million (2021: HK\$4,113 million), respectively.

Operation Infrastructure Projects

Operation Infrastructure Projects represents toll road operation. This sector affected by pandemic again, the revenue from Operating Infrastructure Projects excluding contribution from joint venture was HK\$79 million, dropped by 14.2% as compared to HK\$92 million of the same period of last year.

Other business

Other business mainly represents contribution from industrial plant reconstruction, prefabricated construction industrialisation factories and other business. This sector recorded impressive growth in segment result due to the increase of MiC business, amounted HK\$559 million as compared to HK\$230 million for the last period.

China State Construction Development Holdings Limited (“CSC Development Group”)

CSC Development Group focused on the façade contracting business, general contracting business and operating management business. CSC Development Group further solidified its leading position in the market of Hong Kong and Macau and continued to expand its market in Mainland China. During the period under review, both revenue and result continued to do well.

Cash Flows Analysis

Following the improvement momentum in operating cash flow since last year, operating cash flow has turned from HK\$971 million outflow in last corresponding period into HK\$102 million inflow for the period under review. Besides, the Group is committed to improving liquidity, disposed some low-turnover assets for the period under review, generated HK\$1,899 million net cash inflow from investing activities (2021: net cash outflow HK\$2,224 million). The net cash inflow from financing activities was HK\$2,691 million (2021: HK\$982 million).

UNAUDITED OPERATING INFORMATION

For the six months ended 30 June 2022, the Group recorded an accumulated new contract value of HK\$90.48 billion.

As of 30 June 2022, the on-hand contract value of the Group amounted to approximately HK\$499.94 billion, among which the backlog was approximately HK\$285.10 billion.

New Contracts Awarded & Project in Progress in the first half of 2022

Market	New Contract Awarded for the Six Months ended 30 June 2022 (HK\$ Billion)	Project in Progress as of 30 June 2022	
		Total Value (HK\$ Billion)	Backlog (HK\$ Billion)
Mainland China	44.99	303.07	185.15
Hong Kong	27.39	113.25	60.41
Macau	12.09	59.71	26.53
China State Construction Development Holdings Limited	6.01	23.91	13.01
Total	90.48	499.94	285.10

BUSINESS OUTLOOK

Since the beginning of the year 2022, the Group had been actively addressing complicated internal and external economic situations by integrated solutions, made steady improvement in the fields of market expansion and scientific research and development, and achieved brilliant operating results. The Group will implement the “technology+” core strategy and expedite its transformation and upgrade. It will also persist in technological empowerment and take the lead in the trend of construction industrialization. Such initiatives involve keeping abreast with policy guidance and integrating into regional development strategies of the State, such as dedicating itself in core city groups in the Yangtze River Delta and the Greater Bay Area. Looking forward, the epidemic situation will continue to cause lots of difficulties for production and living, laden with plenty of variables in economic conditions. However, the Group will continue to enhance refined management and operation, propel technological innovation and strengthen differentiated competencies, with an aim to consummate all operational objectives for 2022, and to realise the road of quality development set in the “14th Five-Year Plan”.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE GROUP

During the six months ended 30 June 2022, a subsidiary of the Company completed its public issuance of the following medium-term notes in the People’s Republic of China, which were listed on the Inter-bank Bond Market:

Date	Principal Amount (RMB)	Coupon Rate per annum	Maturity
2 April 2022	960 million	2.98%	3 years
27 April 2022	1,500 million	3.09%	3 years

During the six months ended 30 June 2022, Add Treasure Holdings Limited, a wholly owned subsidiary of the Company, completed placing and subscription of 100,000,000 shares of CSC Development respectively. For further details, please refer to the joint announcement of the Company and CSC Development dated 24 June 2022 in relation to the completion of the placing and the subscription.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the six months ended 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has applied and complied with all the code provisions of the Corporate Governance Code (except some of the new and/or amended code provisions of the Corporate Governance Code taking effect from 1 January 2022, which will be applied and complied with from time to time during the financial year 2022) as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a model code for securities transactions by directors and relevant employees (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code. Directors and relevant employees of the Company are required to comply with the Securities Code. Reminders are sent to the directors and relevant employees that they should not deal in the shares of the Company during the “black-out-period” specified in the Securities Code and before publishing any inside information announcement. They are also required to notify the Company and obtain a dated written acknowledgement before dealing in the securities of the Company. In reply to specific enquiries made, all directors and relevant employees of the Company confirmed that they have complied with the Securities Code during the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2022 have been reviewed by the Audit Committee of the Company.

APPRECIATION

With this opportunity, I would like to express my profound gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, to other members of the society for their generous assistance, and to all our staff for their hard works.

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

Hong Kong, 19 August 2022

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