中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 830)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Board") of China State Construction Development Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with restated comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2020	2019
	Notes	**HK$'000**	HK$'000
			(restated)
Revenue	4	**1,960,725**	2,355,514
Costs of sales		**(1,693,878)**	(2,050,579)
Gross profit		**266,847**	304,935
Other income and other gains, net	5	**15,591**	9,293
Administrative, selling and other operating expenses		**(83,917)**	(101,979)
Finance costs	6	**(17,487)**	(15,868)
Profit before tax	7	**181,034**	196,381
Income tax expense	8	**(28,774)**	(48,141)
Profit for the period		**152,260**	148,240
Profit/(loss) for the period attributable to:			
Owners of the Company		**154,930**	153,369
Non-controlling interests		**(2,670)**	(5,129)
		152,260	148,240
Earnings per share (HK cents)			
Basic and diluted	10	**7.19**	7.12

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Profit for the period	**152,260**	148,240
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Exchange differences arising on translation of foreign operations	**(42,470)**	4,353
Other comprehensive income for the period, net of tax	**(42,470)**	4,353
Total comprehensive income for the period, net of tax	**109,790**	152,593
Total comprehensive income for the period attributable to:		
Owners of the Company	**112,222**	157,234
Non-controlling interests	**(2,432)**	(4,641)
	109,790	152,593

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 HK$'000**	31 December 2019 HK$'000
Non-current Assets			
Property, plant and equipment		**1,922,839**	1,957,144
Interests in infrastructure project investments	11	**156,196**	193,890
Goodwill	12	**138,149**	138,149
Deferred tax assets		**180,819**	171,971
		2,398,003	2,461,154
Current Assets			
Interests in infrastructure project investments	11	**64,740**	54,010
Inventories		**114,084**	98,524
Contract assets		**1,580,322**	1,017,935
Trade and other receivables	13	**1,386,825**	1,633,535
Deposits and prepayments		**139,884**	133,429
Tax recoverable		**1,616**	874
Amounts due from fellow subsidiaries		**811,622**	824,232
Amounts due from related companies		**13,529**	3,725
Cash and cash equivalents		**436,810**	826,576
		4,549,432	4,592,840
		6,947,435	7,053,994

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

	Notes	**30 June 2020 HK$'000**	31 December 2019 HK$'000
Current Liabilities			
Bank borrowings	14	**348,478**	655,780
Contract liabilities		**398,210**	685,696
Trade payables, other payables and accruals	15	**1,399,148**	1,387,986
Lease liabilities		**12,847**	7,641
Deposits received		**38,111**	38,685
Current tax payables		**167,439**	175,610
Amount due to an intermediate holding company		**230,352**	-
Amounts due to fellow subsidiaries		**1,803,053**	1,795,833
Amount due to a related company		**1,546**	1,475
		4,399,184	4,748,706
Total Assets less Current Liabilities		**2,548,251**	2,305,288
Capital and Reserves			
Share capital	16	**21,555**	21,555
Share premium and reserves		**1,216,287**	1,103,770
Equity attributable to owners of the Company		**1,237,842**	1,125,325
Non-controlling interests		**(69,244)**	(66,812)
		1,168,598	1,058,513
Non-current Liabilities			
Contract liabilities		**741,797**	770,912
Bank borrowings	14	**610,934**	211,758
Amount due to a fellow subsidiary		**-**	229,580
Lease liabilities		**18,398**	29,990
Deferred tax liabilities		**8,524**	4,535
		1,379,653	1,246,775
		2,548,251	2,305,288

NOTES:

(1) BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 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 "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

On 30 December 2019, the Group acquired 100% of equity interests in 瀋陽皇姑熱電有限公司 ("Shenyang Huanggu Company") by way of purchase of (i) the entire issued share capital of China Overseas Public Utility Investment Limited ("COPUI") which owns 99.69% of the registered capital of Shenyang Huanggu Company; and (ii) the 0.31% of the registered capital of Shenyang Huanggu Company held by 深圳海豐德投資有限公司 ("Shenzhen Haifengde"), for an aggregate consideration of HK$673,580,000.

Both COPUI and Shenzhen Haifengde are indirect wholly-owned subsidiaries of China State Construction International Holdings Limited ("CSCIHL"), which is an intermediate holding company of the Company whose shares are listed on the Stock Exchange.

(1) BASIS OF PREPARATION *(continued)*

The transfer of the equity interests in COPUI (the "Acquired Company") and the 0.31% equity interests in Shenyang Huanggu Company held by Shenzhen Haifengde (together, the "Acquired Group") was regarded as business combination under common control combination. Accordingly, the acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA, as if the Acquired Group had been combined from the date when the Acquired Group first came under the control of the controlling party of the Group and the Acquired Group. The comparative figures of the result of the unaudited interim condensed consolidated statement of comprehensive income have been restated accordingly.

The effect of the combination of the Acquired Group on the result of the Group for the six months ended 30 June 2019 is as follows:

	For the six months ended 30 June 2019 HK$'000 (previously reported)	Combination of the Acquired Group HK$'000	Combination Adjustment HK$'000	For the six months ended 30 June 2019 HK$'000 (restated)
Revenue	2,031,435	324,079	-	2,355,514
Cost of sales	(1,793,813)	(256,766)	-	(2,050,579)
Gross profit	237,622	67,313	-	304,935
Other income and other gains, net	7,536	1,757	-	9,293
Administrative, selling and other expenses	(94,122)	(7,857)	-	(101,979)
Finance costs	(14,909)	(959)	-	(15,868)
Profit before tax	136,127	60,254	-	196,381
Income tax expense	(31,947)	(16,194)	-	(48,141)
Profit for the period	104,180	44,060	-	148,240
Profit / (loss) for the period attributable to:				
Owners of the Company	109,445	43,924	-	153,369
Non-controlling interests	(5,265)	136	-	(5,129)
	104,180	44,060	-	148,240

(2) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of the following new and revised Hong Kong Financial Reporting Standard ("HKFRS") effective as of 1 January 2020.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the above new and revised HKFRSs has had no significant impact on the Group's result and financial position.

(3) ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendment to HKFRS 16	*Covid-19 Related Rent Concession*[1]
HKFRS 17	*Insurance Contracts*[2]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

The Group expects to adopt the above new and revised HKFRSs as and when they become effective. The new and revised HKFRSs are not expected to have any significant impact on the Group's result and financial position.

(4) REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business, general contracting business and operating management business. The Group's revenue represents revenue from construction and management contracts.

The Group has classified the reportable segment into three reportable segments, principally based on reportable business units as well as the reporting organisation hierarchy, and are determined as follows:

- Facade Contracting Works
- General Contracting Works
- Operating Management

Operating management segment includes the Group's urban planning management and consultation services, engineering consultancy services and thermoelectricity business.

Unaudited segment results for the six months ended 30 June 2020 and 2019 are as follows:

	Revenue		Gross profit		Segment results	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Facade Contracting Works	**1,312,453**	1,430,001	**103,836**	137,251	**65,805**	88,642
General Contracting Works	**173,602**	459,078	**7,344**	30,886	**5,965**	26,359
Operating Management	**474,670**	466,435	**155,667**	136,798	**142,091**	116,453
Total	**1,960,725**	2,355,514	**266,847**	304,935	**213,861**	231,454
Unallocated corporate expenses					**(23,454)**	(24,518)
Other income and other gains, net					**8,114**	5,313
Finance costs					**(17,487)**	(15,868)
Profit before tax					**181,034**	196,381

For the six months ended 30 June 2020, segment revenue of Facade Contracting Works comprises revenue from Greater China, Asia and other region amounting to HK$1,124,315,000 (2019: HK$1,164,744,000) and revenue from North America region amounting to HK$188,138,000 (2019: HK$265,257,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Greater China region.

The revenue recognised for the periods ended 30 June 2020 and 2019 are recognised over time.

(5) OTHER INCOME AND OTHER GAINS, NET

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Bank interest income	**1,447**	1,276
Exchange gain, net	**6,526**	5,119
Sundry income	**7,618**	2,898
	15,591	9,293

(6) FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Interest on bank loans and overdrafts	**17,271**	14,332
Interest on loan from an intermediate holding company	**352**	-
Interest on loan from a fellow subsidiary	**-**	931
Interest on lease liabilities	**695**	605
	18,318	15,868
Less: amounts capitalised in property, plant and equipment	**(831)**	-
	17,487	15,868

(7) PROFIT BEFORE TAX

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment, excluding right-of-use assets	**69,557**	89,016
Less: amounts included in cost of sales	**(66,485)**	(86,093)
	3,072	2,923
Depreciation of right-of-use assets	**7,609**	4,895
Less: amounts included in cost of sales	**(1,151)**	(1,335)
	6,458	3,560
	9,530	6,483

(8) INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Current tax – Hong Kong		
Charge for the period	**6,115**	17,814
Overprovision in prior years	**(529)**	-
	5,586	17,814
Current tax –Mainland China and overseas		
Charge for the period	**43,653**	25,364
(Over)/underprovision in prior years	**(13,320)**	6
	30,333	25,370
Deferred tax, net	**(7,145)**	4,957
Total tax expense for the period	**28,774**	48,141

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

(9) DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
Dividend recognised as distribution during the period:		
No final dividend paid for 2019 (30 June 2019: 2018 final dividend of HK1.2 cents per share paid)	**-**	25,867

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: interim dividend of HK1.2 cents per share, amounting to approximately HK$25,867,000).

(10) EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The Company had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

The calculation of the basic and diluted earnings per share is based on:

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(restated)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**154,930**	153,369
	2020	2019
	'000	'000
Shares		
Weighted average number of ordinary shares in issue, used in the basic and diluted earnings per share calculation	**2,155,545**	2,155,545
Basic and diluted earnings per share (HK cents)	**7.19**	7.12

(11) INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	30 June 2020	31 December 2019
	HK$'000	HK$'000
Interests in infrastructure project investments	**220,936**	247,900
Less: Current portion	**(64,740)**	(54,010)
Non-current portion	**156,196**	193,890

On 7 January 2019, the Group acquired 100% of equity interests in and shareholder's loan to Fuller Sky Enterprises Limited and Value Idea Investments Limited from Ever Power Group Limited, a wholly owned subsidiary of CSCIHL for a total consideration of HK$295,000,000.

Interests in infrastructure project investments represent funding denominated in Renminbi ("RMB") advanced to joint ventures for Public-Private-Partnership ("PPP") infrastructure projects located in Mainland China. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements.

The effective interest rates on the infrastructure project investments range from 10.2% to 10.7% per annum. The interests in infrastructure project investments were not past due as at 30 June 2020.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 30 June 2020 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

(12) GOODWILL

	HK$'000
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	
Cost	159,707
Accumulated impairment	(21,558)
Net carrying amount	138,149

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that is expected to benefit from that business combination.

The carrying amount of goodwill had been allocated to the CGU relating to the operations of Gamma North America, Inc. and its subsidiaries ("Gamma Group") within the North America division.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations of market development. The key assumptions used are consistent with the annual consolidated financial statements for the year ended 31 December 2019.

(13) TRADE AND OTHER RECEIVABLES

The analysis of trade and other receivables, including the aging analysis of trade receivables, based on the invoice date and net of provisions, is as follows:

	30 June 2020 HK$'000	31 December 2019 HK$'000
Trade receivables:		
0 to 30 days	**529,244**	725,353
31 to 60 days	**13,330**	24,506
61 to 90 days	**12,450**	28,388
More than 90 days	**169,805**	151,990
	724,829	930,237
Retention receivables	**566,080**	630,996
	1,290,909	1,561,233
Other receivables	**95,916**	72,302
Trade and other receivables	**1,386,825**	1,633,535

(14) BANK BORROWINGS

The bank borrowings are repayable as follows:

	30 June 2020 HK$'000	31 December 2019 HK$'000
On demand or within one year	**348,478**	655,780
In the second year	**200,479**	200,494
In the third to fifth years, inclusive	**410,455**	11,264
	959,412	867,538
Less: current portion	**(348,478)**	(655,780)
Non-current portion	**610,934**	211,758

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Hong Kong dollar HK$'000	Canadian dollar HK$'000	United States dollar HK$'000	Total HK$'000
30 June 2020	**780,000**	**176,867**	**2,545**	**959,412**
31 December 2019	380,000	55,900	431,638	867,538

The average bank loans interest rates at 30 June 2020 was 3.55% (31 December 2019: 4.19%).

(15) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, based on invoice date, is as follows:

	30 June 2020 HK$'000	31 December 2019 HK$'000
Trade payables:		
0 to 30 days	**875,868**	800,389
31 to 60 days	**26,570**	21,618
More than 60 days	**135,386**	138,011
	1,037,824	960,018
Retention payables	**248,286**	249,052
	1,286,110	1,209,070
Other payables and accruals	**113,038**	178,916
Trade payables, other payables and accruals	**1,399,148**	1,387,986

As at 30 June 2020, the amount of retention payables expected to be due after more than twelve months was approximately HK$120,578,000 (31 December 2019: approximately HK$131,281,000).

(16) SHARE CAPITAL

	Issued and fully paid	
	Number of shares '000	**Share Capital Amount HK$'000**
Ordinary share of HK$0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	2,155,545	**21,555**

BUSINESS REVIEW

In the first half of 2020, the COVID-19 pandemic caused unprecedented impacts on the global economy. Major economies suffered short-term stagnancy, turmoil in the financial market intensified, the monetary easing measures worldwide were strengthened unprecedentedly, the downward pressure in emerging economies continued to increase, and the global economic growth slowed down rapidly. The epidemic prevention and control measures in China achieved significant progress, the central government put forward the goals of "six stabilities" and "security in six areas" policies, launched a series of economy supporting policies, sped up the process of resumption in work and production, actively push ahead the economic transformation and upgrade, thereby China economy recovered rapidly during the first half of the year, and the economy continued to maintain a trend of steady and positive growth.

The Group adhered to the operational strategy of "rooting in Hong Kong and Macau, relying on Mainland, exploring overseas markets, joining internal and external forces", persisted with its prudent bidding strategy, drew on internal synergy, and proactively developed premium projects that could enjoy branding effect.

1. Facade Contracting Business

Hong Kong and Macau are the key pillar markets of the Group's curtain wall business. The epidemic prevention and control in Hong Kong were in grim conditions, which intensified the competition in the construction industry and curtain wall market. The Group strived to further strengthen the competitive advantages of its curtain wall business in order to bolster its leading market position in Hong Kong. The pillar industries in Macau were deeply affected by the COVID-19 pandemic, and the economy continued undergoing in-depth adjustments. As a recognized high-end curtain wall total solution provider in such market, the Group focused on deepening the strategic cooperation with its existing major clients and actively developed long-term and stable cooperation with its new clients while striving for better coordination internally. Business scale in the regions was constantly growing. In the first half of 2020, the Group's newly awarded project in the regions was the construction work (the common curtain wall and double-skin curtain wall section) of Immigration Headquarters in Area 67 at Tseung Kwan O, Hong Kong. The Group strived to continue improving the project performances, and has put emphasis on managing the schedule, quality, safety, environmental protection and efficiency of its project in progress. Synergy is achieved by consolidating the internal design, procurement, production and installation resources of the Group. In addition, the Group endeavored to minimize the negative impact of the COVID-19 pandemic on the project progress. The Group has also been working on measures such as enhancing safety control and implementing incentive schemes, so as to adjust and maximize project teams' motivation.

The COVID-19 pandemic outbreak in North America spread rapidly, the construction and curtain wall market also suffered larger impact. During the first half of the year, the Group focused on profitable premium projects with controllable risk, and it also has been examining more potential projects in North America. With its effort in strengthening project cost control and contract management, adjusting the management structure of North America's businesses, and enhancing its cross-field resources allocation and coordination, the Group took measures timely to resolve business contract risks and mitigated the negative impact of operation suspension caused by the pandemic on projects in progress.

The curtain wall market in Mainland China is becoming more and more regulated, but disorderly price competition still prevails in the industry. The Group has always been selective about curtain wall projects in Mainland China, focusing on major projects owned by creditworthy landlords. During the first half of 2020, seizing the opportunities offered by the resumption of work and production in Mainland China, the Group leveraged its branding effect to proactively explore high-end curtain wall projects. Capitalizing on its internal synergy, the Group was awarded a number of projects, including the curtain wall project at Building A (tower plus podium) of Phase I, Bid Section 1 of Zhuao Bay Century Centre project, the curtain wall project at Phase II of China Construction Huafu Jincheng project and the curtain wall subcontracting project of Qianhai CTF Finance Tower.

The Group made full use of the advantages provided by its Zhuhai production base in Mainland China, which had been newly put into operation. Upgrade and transformation projects regarding intelligent technologies and automation were carried out in the Zhuhai factory. In order to deal with highly challenging projects, production processes were optimised, and technological innovations were introduced. As a result, the factory's capacity utilization and technological level have been effectively enhanced, and the economies of scale have gradually manifested themselves. In order to overcome the impact of the COVID-19 pandemic, the Zhuhai factory took active measures and managed to resume work and production in March. It adjusted its production capacity in a reasonable manner and coordinated the allocation of resources, thereby fully meeting the demands arising from Hong Kong's, Macau's and overseas projects. The factory's production and operation have now returned to normal.

In addition to the Greater China region and North America, the Group was dedicated to the curtain wall projects in progress in other overseas regions and endeavored to control the performance risks of these projects. During the first half of 2020, as the project for the supply of components for West Side Place Stage 1 in Melbourne, Australia and the project of The Stage in London, the UK were affected by the pandemic, the Group actively coordinated resources in order to mitigate any negative impact.

2. General Contracting Business

The development of our contracting business was stable. The Group actively participated in the bidding of small and medium housing projects in Hong Kong, and proactively explored internal cooperation opportunities. Bidding work was progressing steadily, as we were awarded the residential project at 128, Wong Ma Kok Road, Stanley. The projects in progress were proceeding smoothly, with the work regarding Chuang's residential development at Tuen Mun Town Lot No. 514 and Hong Kong Henderson Land's project in Ma Tau Wai being conducted in an orderly manner.

3. Operating Management Business

During the first half of 2020, with the strong backing of its parent company, the Group steadily promoted the operation of its asset management business and bolstered the results of its strategic move into the operating management sector. Our operating management business was largely unaffected by the pandemic, and managed to increase its stable cash flow and profit contribution, which shows that it has enhanced the Group's risk tolerance.

Abiding by its "big markets, big landlords, and big projects" operational strategy while enhancing the business synergy within its systems, China Overseas Supervision was awarded a number of projects, including Longguang Qianhai Tianjing Garden project in Shenzhen, the China Resources Guangming Xinhu Street project in Shenzhen, the Hezheng Yantian Shajingtou project in Shenzhen, which further bolstered the advantages of its supervision business.

During the first half of the year, Shenyang Huanggu Thermoelectricity worked hard on safe production as well as the prevention and control of the pandemic. It also explored various means of saving energy and reducing consumption. Continuing to reduce costs and increase efficiency, it successfully achieved safe and stable operation of heating production during the heating season, and carried out preparation work for heating, including equipment maintenance, the construction of heat networks and coal storage, in an orderly manner.

The Group's investment business in the elderly care sector in Canada progressed smoothly. The investment project of elderly care apartments in Toronto, Canada was under construction and proceeded at a normal pace. It has already entered the main construction stage as scheduled.

OVERALL PERFORMANCE

The outbreak of the COVID-19 in early 2020 has created economic uncertainty to Greater China and North America and imposed negative impacts on the construction industry, including supply chain disruptions and work stoppages due to measures imposed by the government. For the six months ended 30 June 2020, the Group recorded aggregate revenue of HK$1,961 million (30 June 2019 (restated): HK$2,356 million), a decrease of 16.8% as compared with the corresponding period of last year. The profit attributable to owners of the Company was HK$155 million (30 June 2019 (restated): HK$153 million), a slight increase of 1.0% as compared with the corresponding period of last year. The basic earnings per share was HK7.19 cents (30 June 2019 (restated): HK7.12 cents), a slight increase of 1.0% as compared with the same period last year. Taking into account of the development needs of operating management business in the future and the uncertain impact of the epidemic on the economy, the Board does not recommend payment of an interim dividend for the six months ended 30 June 2020.

Segment analysis

Facade Contracting Business
As a results of the delays in commencement or work progress of facade projects in Greater China and North America due to the impact of COVID-19, the segment's revenue recorded a decrease to HK$1,312 million for the six months ended 30 June 2020 (30 June 2019: HK$1,430 million). The operating profit decreased to HK$66 million for the six months ended 30 June 2020 (30 June 2019: HK$89 million).

General Contracting Business
The segment's revenue recorded a decrease to HK$174 million for the six months ended 30 June 2020 (30 June 2019: HK$459 million). The operating profit decreased to HK$6 million for the six months ended 30 June 2020 (30 June 2019: HK$26 million). It is due to the fact that the certain projects substantially completed in 2019 has made less contribution in the first half of the year and the newly project awarded have not yet made a significant contribution in the preliminary stage of construction.

Operating Management Business
The contribution from operating management projects including Shenyang Huanggu thermoelectric plant and Nan Chang bridges steadily increased. The segment's revenue recorded an increase to HK$475 million for the six months ended 30 June 2020 (30 June 2019 (restated): HK$466 million). The operating profit increased to HK$142 million for the six months ended 30 June 2020 (30 June 2019 (restated): HK$116 million) as a results of the decrease of cost of coal of Shenyang Huanggu thermoelectric plant.

Administrative, selling and other operating expenses
With the continuous implementation of stringent cost control measures of three core business, administrative expenses decreased to HK$84 million (30 June 2019 (restated): HK$102 million).

Finance costs
For the six months ended 30 June 2020, the Group's finance costs increased to HK$17 million (30 June 2019 (restated): HK$16 million) as a results of the increase in bank borrowings.

New Contracts Awarded and Project in Progress
The Group recorded an accumulated new contract value of HK$2,575 million in the six months ended 30 June 2020 and achieved a 46.8% completion of the full year target of 2020, which is not less than HK$5,500 million.

As of 30 June 2020, the on-hand total contract value amounted to approximately HK$17,602 million, among which the backlog was approximately HK$9,423 million.

Business Segments	New Contract Awarded (HK$ million)	Project in Progress	
		Total Value (HK$ million)	Backlog (HK$ million)
Curtain Wall	657	12,764	6,657
Building Works	1,767	4,091	2,237
Operating Management	151	747	529
Total	2,575	17,602	9,423

LIQUIDITY AND FINANCIAL RESOURCES

During the first half of 2020, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group properly allocated its financial resources, optimized its capital structure, improved the efficiency in the utilisation of its capital, saved financial costs and actively expanded its finance channels. The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 30 June 2020, the Group had cash and bank balances of HK$437 million (31 December 2019: HK$827 million), total bank borrowings of the Group were HK$959 million (31 December 2019: HK$868 million). The Group's net gearing ratio (net bank borrowings to total net assets) as at 30 June 2020 was approximately 44.7% (31 December 2019: 3.9%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$2,580 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total bank borrowings as at 30 June 2020 and 31 December 2019 are set out as follows:

	30 June 2020 HK$'000	31 December 2019 HK$'000
On demand or within one year	348,478	655,780
More than one year but not exceeding two years	200,479	200,494
More than two years but not more than five years	410,455	11,264
Total bank borrowings	959,412	867,538

As at 30 June 2020, the Group's equity attributable to owners of the Company amounted to HK$1,238 million (31 December 2019: HK$1,125 million), comprising issued capital of HK$22 million (31 December 2019: HK$22 million) and reserves of HK$1,216 million (31 December 2019: HK$1,103 million).

TREASURY POLICY

The Group adopts a conservative treasury policy in cash and financial management. The Group's treasury activities are centralised in order to achieve better risk control and minimise cost of funds. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar or Renminbi. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2020, the Group employed a total of 3,203 (31 December 2019: 3,197) employees. The Group has sound policies of management incentives and competitive remuneration, which align the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of base salary, allowances, fringe benefits including medical insurance and contributions to pension funds as well as incentives such as discretionary bonus.

FOREIGN CURRENCY RISK

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency where these sales or purchases are mainly denominated in United States dollar, Renminbi, Canadian dollar, Pound Sterling and Macau Pataca. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

PROSPECTS

In the second half of 2020, the global epidemic prevention and control will still be in a critical period, trade protectionism will escalate, and geopolitical tensions will intensify. Although the developed economies gradually restart, as overseas pandemic outbreaks continue to occur, the global supply chain will face a new round of radical adjustment. On the other hand, the situation in Hong Kong is stabilizing, the economy in Macau will start to revive from its lowest point, and the continual construction of Guangdong-Hong Kong-Macau Greater Bay Area is expected to facilitate the gradual recovery of the construction market. Moreover, though China's macroeconomy is still facing a greater short-term downward pressure, the pandemic development in Mainland China is currently entering into a buffer period, the resumption of work and production are progressing, and there is substantial growth potential for the market in the future, and the mid-and-long term prospects of China's economy still remain optimistic.

Business and Development Strategies

The curtain wall business is the Group's core business. The Group will continue to adopt the operational strategy of "big markets, big landlords, big projects", adhere to the business philosophy of "closely focusing on high-end markets and providing high-quality services", integrate advantageous resources, improve its operational and management and control models by taking into consideration the features of various markets, and optimise business deployment in the three major markets, namely Hong Kong and Macau, North America and Mainland China. The Group will prudently explore other overseas markets such as Australia, the UK and Asia-Pacific region by further leveraging and integrating the existing resources and production capacity. The Group will continue to focus on the work schedule, quality, safety, capital and cost management of projects while improving the synergies created during design, production and installation processes. The Group will sharpen its integrated competitive edges in its curtain wall business. Efforts will be made to further improve branding and market development, strengthen management over projects on hand, consolidate the Group's core competitiveness in design, procurement, production and construction, and exercise rigorous control over the project risks while maintaining desired profitability.

The Group highly values the building of its design teams, and will strengthen its design teams in Hong Kong and North America while expanding its design teams in Mainland China, by continuously recruiting additional experts to meet the demand for professionals at project peak seasons. Meanwhile, the Group will provide stronger support to its personnel serving overseas, which includes establishing the basic policies for overseas core management team setup and the remuneration and benefits of personnel serving overseas, thereby maintaining the stability of overseas teams and enhancing the Group's cohesiveness and competitive strengths.

The Group will strengthen its system, make a plan in advance and facilitate communication for project design and construction plan evaluations. In addition, the Group will dovetail the design and production processes of projects to elevate the contract business management levels. Efforts will be increased to improve planning for the procurement of materials and for better process-oriented management to ensure successful completion of all projects.

In respect of its general contracting business, given that the situation in Hong Kong stabilizes, developers being optimistic about the prospects of the housing market, and the demand in the local housing market has been constantly growing, the housing market will be driven to recovery, and the Group will be actively engaged in the development of premium, medium and small building construction projects in Hong Kong.

In the field of operating management business, while further improving the operation model of its operating management business, the Group will thoroughly explore the direction of its innovative businesses in Mainland China, and continue to study the implementation plan of the functions of investment and financing platform of listed companies. The Group will also proactively seek for opportunities of merger and acquisition of quality assets, promote industry-finance integration, enhance business transformation, endeavor to explore profit margins for its existing operating business, and strive to increase the contribution of its operating business to the general results in order to achieve its dual-core-driven strategic objective.

The board of directors is able to discern and face various problems that may arise in the course of development and wishes to, through constant exploration and efforts, establish and maintain a healthy system integrating the mutual interests of shareholders, the board of directors, management and employees as well as customers and suppliers to promote the sustainable growth of the Group's revenue and profitability.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: HK1.2 cents per share).

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout the six months to 30 June 2020 with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF ACCOUNTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020 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 heartfelt gratitude to all shareholders, customers and suppliers for their strong support and to all employees for their hard work and commitment.

By Order of the Board
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 20 August 2020

As at the date of this announcement, the Board comprises Mr. Zhang Haipeng as Chairman and Non-executive Director; Mr. Wu Mingqing (Vice Chairman and Chief Executive Officer) and Mr. Wang Hai as Executive Directors; Mr. Huang Jiang as Non-executive Director; and Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.