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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

	2020	2019	Change
RESULTS (HK\$'000)			
Revenue	4,535,657	4,619,412	(1.8)%
Profit attributable to owners of the Company	194,344	175,560	10.7%
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	9.02	8.14	10.8%

The board of directors (the “Board”) of China State Construction Development Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, together with the comparative figures for 2019 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	3	4,535,657	4,619,412
Costs of sales	5	<u>(4,047,197)</u>	<u>(4,075,348)</u>
Gross profit		488,460	544,064
Other income and gains, net	4	21,864	19,640
Administrative, selling and other operating expenses	5	(222,463)	(248,104)
Finance costs	6	<u>(31,569)</u>	<u>(38,687)</u>
Profit before tax		256,292	276,913
Income tax charge	7	<u>(73,432)</u>	<u>(109,173)</u>
Profit for the year		<u>182,860</u>	<u>167,740</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		194,344	175,560
Non-controlling interests		<u>(11,484)</u>	<u>(7,820)</u>
		<u>182,860</u>	<u>167,740</u>
Earnings per share attributable to owners of the Company			
Earnings per share			
Basic and diluted	9	<u>HK9.02 cents</u>	<u>HK8.14 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	182,860	167,740
Other comprehensive income/(loss) <i>Items that may be reclassified to consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	<u>82,910</u>	<u>(26,664)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>82,910</u>	<u>(26,664)</u>
Total comprehensive income for the year, net of tax	<u>265,770</u>	<u>141,076</u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	277,101	148,880
Non-controlling interests	<u>(11,331)</u>	<u>(7,804)</u>
	<u>265,770</u>	<u>141,076</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		2,107,754	1,957,144
Interests in infrastructure project investments	<i>10</i>	132,892	193,890
Goodwill		129,649	138,149
Deferred tax assets		175,119	171,971
		<hr/> 2,545,414	<hr/> 2,461,154
Current Assets			
Interests in infrastructure project investments	<i>10</i>	61,080	54,010
Inventories		137,186	98,524
Contract assets		1,451,792	1,017,935
Trade and other receivables	<i>11</i>	1,321,016	1,633,535
Deposits and prepayments		127,518	133,429
Tax recoverable		2,326	874
Amounts due from fellow subsidiaries		864,074	824,232
Amounts due from related companies		20,338	3,725
Cash and cash equivalents		858,154	826,576
		<hr/> 4,843,484	<hr/> 4,592,840
Current Liabilities			
Bank borrowings	<i>12</i>	650,710	655,780
Contract liabilities		778,041	685,696
Trade payables, other payables and accruals	<i>13</i>	1,464,870	1,387,986
Lease liabilities		12,088	7,641
Deposits received		37,695	38,685
Current tax payables		148,733	175,610
Amount due to an intermediate holding company		2,755	-
Amounts due to fellow subsidiaries		1,550,247	1,795,833
Amount due to a related company		1,547	1,475
		<hr/> 4,646,686	<hr/> 4,748,706
Net current assets/(liabilities)		<hr/> 196,798	<hr/> (155,866)
Total Assets less Current Liabilities		<hr/> 2,742,212	<hr/> 2,305,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Capital and Reserves			
Share capital	14	21,555	21,555
Share premium and reserves		1,381,464	1,103,770
Equity attributable to owners of the Company		1,403,019	1,125,325
Non-controlling interests		(78,143)	(66,812)
		1,324,876	1,058,513
Non-current Liabilities			
Contract liabilities		755,970	770,912
Bank borrowings	12	411,456	211,758
Loan from an intermediate holding company		230,000	-
Amount due to a fellow subsidiary		-	229,580
Lease liabilities		15,709	29,990
Deferred tax liabilities		4,201	4,535
		1,417,336	1,246,775
		2,742,212	2,305,288

NOTES

(1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(2.1) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(2.1) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*continued*)

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

(2.2) ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{4,7}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{4,6}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ³
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> ³
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41</i> ³

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

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

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for annual periods beginning on or after 1 January 2023

5 No mandatory effective date yet determined but available for adoption

6 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

7 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group will adopt the above new standards and amendments to existing standards 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) 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 segments into three operating 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

(3) REVENUE AND SEGMENT INFORMATION (continued)

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

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). The CODM assesses the performance of the operating segments based on a measure of adjusted profit or loss before interest and tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, if any, such as restructuring costs, legal expenses and impairment of goodwill. The measurement also excludes the effects of share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses resulting from the central treasury function are not allocated to segments.

Segment results for the years ended 31 December 2020 and 2019 are as follows:

	Revenue		Gross profit		Segment result	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Facade Contracting Works	2,564,630	2,785,753	131,294	233,623	34,597	123,001
General Contracting Works	1,055,353	940,564	101,571	56,594	97,706	47,410
Operating Management	915,674	893,095	255,595	253,847	218,148	199,284
Total	4,535,657	4,619,412	488,460	544,064	350,451	369,695
Unallocated corporate expenses					(67,701)	(52,810)
Other income and gains, net					5,111	(1,285)
Finance costs					(31,569)	(38,687)
Profit before tax					256,292	276,913

Segment revenue of Facade Contracting Works comprises revenue from Greater China, Asia and other region amounting to HK\$2,226,210,000 (2019: HK\$2,314,407,000) and revenue from North America region amounting to HK\$338,420,000 (2019: HK\$471,346,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Greater China region.

Most of the revenue recognised for the year ended 31 December 2020 and 2019 are recognised over time.

Amounts of administrative, selling and other operating expenses included in the measurement of segment result:

	Depreciation of property, plant and equipment		(Gain)/loss on disposal of property, plant and equipment	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Facade Contracting Works	13,768	12,719	(50)	2
General Contracting Works	384	774	-	-
Operating Management	583	3,353	44	421
	14,735	16,846	(6)	423

(3) REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's financial position by territory is as follows:

	Non-current assets*		Addition to property, plant and equipment	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
North America	498,584	366,913	143,434	38,318
Greater China, Asia and Others	<u>1,738,819</u>	<u>1,728,380</u>	<u>55,264</u>	<u>68,544</u>
	<u>2,237,403</u>	<u>2,095,293</u>	<u>198,698</u>	<u>106,862</u>

* Other than deferred tax assets and interests in infrastructure project investments.

Segment assets and liabilities

No assets and liabilities are included in the measurements of the Group's segment reporting that are used by the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customer information

For the year ended 31 December 2020, no customer contributed revenue more than 10 per cent of the Group's total revenue (2019: one customer in Facade Contracting Works contributed revenue of approximately HK\$778,574,000 which represented more than 10 per cent of the Group's total revenue).

(4) OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Bank interest income	3,024	2,737
Exchange gain, net	3,495	7,355
Insurance claim received	1,942	653
Rental income	2,602	3,001
Service income	3,388	2,191
Sundry income	7,407	4,126
Gain/(loss) on disposal of property, plant and equipment	<u>6</u>	<u>(423)</u>
	<u>21,864</u>	<u>19,640</u>

(5) EXPENSES BY NATURE

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Cost of sales		
Costs of contracting works performed	3,539,396	3,570,306
Cost of supply of heat, steam and electricity	481,075	487,492
Warranty provisions, net	26,726	17,550
	4,047,197	4,075,348
Administrative, selling and other operating expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances	797,327	826,602
Retirement benefits scheme contributions	26,427	59,932
Less: amounts included in cost of sales	(699,514)	(728,736)
	124,240	157,798
Depreciation of property, plant and equipment, excluding right-of-use assets	126,195	168,285
Less: amounts included in cost of sales	(120,101)	(162,594)
	6,094	5,691
Depreciation of right-of-use assets	18,683	13,516
Less: amounts included in cost of sales	(10,042)	(2,361)
	8,641	11,155
Expenses relating to short-term leases	28,423	30,927
Less: amounts included in cost of sales	(27,351)	(20,049)
	1,072	10,878
Auditor's remuneration		
Audit services	2,510	2,787
Non-audit services	70	1,424
	2,580	4,211
Provision of trade and other receivables, net	10,721	5,287
Impairment of goodwill	8,500	-
Others	60,615	53,084
	222,463	248,104

Note:

Wage subsidies of HK\$12,225,000 and HK\$14,087,000 granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong and the "Canada Emergency Wage Subsidy" had been received during the year ended 31 December 2020 (2019: Nil). The amounts were recognised in cost of sales and administrative, selling and other operating expenses and had been offset against the employee benefit expenses. There are no unfulfilled conditions or contingencies relating to these grants.

(6) FINANCE COSTS

	For the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Interest on bank loans and overdrafts	28,097	39,363
Interest on lease liabilities	2,967	1,373
Interest on loan from an intermediate holding company	2,755	-
	<u>33,819</u>	<u>40,736</u>
Less : amounts capitalised in property, plant and equipment	<u>(2,250)</u>	<u>(2,049)</u>
	<u>31,569</u>	<u>38,687</u>

(7) INCOME TAX CHARGE

	For the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
The amount of taxation charged to the consolidated income statement represents:		
Current tax — Hong Kong profits tax		
Provision for the year	20,669	44,560
(Over)/underprovision in prior years	<u>(2,873)</u>	<u>20</u>
	<u>17,796</u>	<u>44,580</u>
Current tax — Mainland China and overseas		
Provision for the year	65,098	60,494
(Over)/underprovision in prior years	<u>(11,119)</u>	<u>7</u>
	<u>53,979</u>	<u>60,501</u>
Deferred tax		
Write-down of deferred tax assets	10,920	-
(Credit)/debit for the year	<u>(9,263)</u>	<u>4,092</u>
	<u>1,657</u>	<u>4,092</u>
Income tax charge for the year	<u>73,432</u>	<u>109,173</u>

Hong Kong profits tax has been provided at 16.5% of the estimated assessable profit for both years.

The tax charge on estimated assessable profits elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices.

(8) **DIVIDENDS**

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
No interim dividend paid (2019: HK1.2 cents per ordinary share)	-	25,867
Proposed final dividend of HK3 cents per ordinary share (2019: Nil)	64,666	-
	64,666	25,867

The final dividend proposed after 31 December 2020 was not recognised as a liability at 31 December 2020 and is subject to approval by shareholders in the forthcoming annual general meeting.

(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:

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	194,344	175,560
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	2,155,545	2,155,545
Basic and diluted earnings per share (HK cents)	9.02	8.14

The Company did not have any dilutive potential ordinary shares during the year ended 31 December 2020 (2019: Nil).

(10) INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interests in infrastructure project investments	193,972	247,900
Less: Portion due within one year included in current assets	(61,080)	(54,010)
Portion due after one year	<u>132,892</u>	<u>193,890</u>

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

Interests in infrastructure project investments represent funding denominated in Renminbi ("RMB") advanced to the 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 yield on the infrastructure project investments ranged from 10.2% to 10.7% (2019: 10.2% to 10.7%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2020.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2020 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

(11) TRADE AND OTHER RECEIVABLES

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

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables:		
0 to 30 days	500,862	725,353
31 to 60 days	28,305	24,506
61 to 90 days	30,393	28,388
More than 90 days	<u>135,070</u>	<u>151,990</u>
	694,630	930,237
Retention receivables	<u>570,131</u>	<u>630,996</u>
	1,264,761	1,561,233
Other receivables	<u>56,255</u>	<u>72,302</u>
Trade and other receivables	<u>1,321,016</u>	<u>1,633,535</u>

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period not exceeding 90 days (2019: 90 days) to its customers and the retention receivables are repayable approximately one year after the expiry of the defect liability period of construction projects.

(12) BANK BORROWINGS

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Bank loan, secured	11,958	12,232
Bank loans, unsecured	<u>1,050,208</u>	<u>855,306</u>
	<u>1,062,166</u>	<u>867,538</u>
The borrowings are repayable as follows:		
On demand or within one year	650,710	655,780
In the second year	400,524	200,494
In the third to fifth years, inclusive	<u>10,932</u>	<u>11,264</u>
	1,062,166	867,538
Less: Current portion	<u>(650,710)</u>	<u>(655,780)</u>
Non-current portion	<u>411,456</u>	<u>211,758</u>

At 31 December 2020, a bank loan of HK\$11,958,000 (2019: HK\$12,232,000) was secured by the Group's land and buildings of HK\$16,664,000 (2019: HK\$17,016,000).

(13) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade payables:		
0 to 30 days	827,777	800,389
31 to 60 days	26,273	21,618
More than 60 days	<u>139,579</u>	<u>138,011</u>
	993,629	960,018
Retention payables	<u>276,518</u>	<u>249,052</u>
	1,270,147	1,209,070
Other payables and accruals	<u>194,723</u>	<u>178,916</u>
Trade payables, other payables and accruals	<u>1,464,870</u>	<u>1,387,986</u>

(14) SHARE CAPITAL

	Issued and fully paid	
	Number of	Share capital
	shares	Amount
	'000	HK\$'000
Ordinary shares of HK\$0.01 each		
At 1 January 2019, 1 January 2020 and 31 December 2020	<u>2,155,545</u>	<u>21,555</u>

BUSINESS REVIEW

In 2020, China State Construction Development Holdings Limited and its subsidiaries (collectively the “Group”) accurately seized market opportunities, fully capitalised on internal synergy within the Group, carried out the curtain wall construction business in an orderly manner, steadily pushed forward with various operational deployments, continuously promoted technology-driven development, which resolved the adverse effects of the pandemic effectively and achieved remarkable results. The curtain wall business in Hong Kong continued to maintain its leading position in Hong Kong throughout the year. The newly awarded contract value of the curtain wall business in Mainland China reached a record high, while the general contracting business developed steadily and the operations in Mainland China progressed smoothly. The investment and operating businesses in the elderly care sector were carried out in an orderly manner as scheduled.

Market Conditions

In 2020, COVID-19 pandemic impacted global economy severely, the global political and economic conditions wobbled amid intensifying trade protectionism in the US, escalating trade tensions around the globe. The global economy experienced a significant downturn. Financial markets were highly volatile, with the U.S. stock halting four times in 10 days, and central banks such as the Federal Reserve implemented unprecedented ultra-loose monetary policies. The trade dispute between China and the United States has gradually shifted to the battle of science and technology, with wider scope. The pandemic control in the PRC was effective, and the economy gradually recovered through active implementation of measures to resume work and production and a series of policies to promote economic 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. Contracting Engineering Business

Curtain Wall Business

Hong Kong and Macau are the traditional key markets of the Group. The Group overcame the adverse effects of the pandemic on the project construction, and consolidated the competitive advantages of the curtain wall business to further strengthen its leadership in Hong Kong’s curtain wall market. In Macau, the high-end curtain wall market was in sluggish performance as the economy was deeply affected by the pandemic. As a recognized high-end curtain wall total solution provider in Hong Kong and Macau, the Group focused on deepening the strategic cooperation with its major clients and actively expanded its strategic client base while striving for better coordination internally. The performance in the Hong Kong and Macau markets were outstanding. The Group had successive bids for large-scale residential and commercial projects. In 2020, the Group’s newly awarded projects in the regions were Immigration Headquarters in Area 67 at Tseung Kwan O, Hong Kong, etc. The Group has put emphasis on managing the schedule, quality, safety, cash flow and efficiency of its projects in progress. Synergy is achieved by consolidating the internal design, procurement, production and installation resources of the Group. 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.

Growth of the construction and curtain wall market in the US slowed down. To control the risk of the pandemic and trade frictions, the Group consciously adjusted its strategy in North America, with focus on finishing on-hand projects. During the year, in Canada, the Group was awarded a project of One Square Phillips in Montreal, Canada. With its effort in strengthening project cost control and contract management, promoting integrated management over its North American operations, and enhancing its cross-field resources allocation and coordination, the level of management and control was improving continuously, and all projects in progress were proceeding smoothly.

There is huge potential in the curtain wall market in Mainland China, but disordered price competition in the industry is yet to be improved. The Group has been selective about curtain wall projects in Mainland China and has focused on major projects owned by creditworthy landlords. In 2020, the Group leveraged its branding effect to proactively explore strategic high-end clients in Mainland China. Capitalising on the internal synergy, newly awarded contract reached a record high and the Group was awarded a number of premium projects during the year, such as 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 subcontracting project at Qianhai CTF Finance Tower, Baiyun Cultural Hotel of Curtain Wall Professional Subcontracting Project, Cheung Sha Apple Store, Shanghai Jingan Temple Apple Store, etc.

In addition to the Greater China region and North America, the Group was highly dedicated to the curtain wall projects in progress in other overseas regions, and prudently involved itself in local competition only when the performance risks of projects were manageable. In 2020, the project for the supply of components for West Side Place Stage 1 in Melbourne, Australia, as well as the project of The Stage in London, the UK were progressing well.

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. During the year, the Group successfully awarded the bid for the residential project at 128 Wong Ma Kok Road, Stanley. Meanwhile, projects under construction are progressing smoothly, and Hong Kong Henderson Land's project in Ma Tau Wai being conducted in an orderly manner.

2. Operating Management Business

Abiding by its “big markets, big landlords, and big projects” operational strategy while enhancing the business synergy within its systems, China Overseas Supervision of the Group was awarded a number of projects, such as the Shenzhen Longhua Zhuyuan Industrial Zone Urban Renewal Project, Shenzhen Zhonghai Jigutian Project, Shenzhen Zhonghai Longhua Project, which further bolstered the advantages of the supervision business.

Huanggu Thermoelectricity, a subsidiary of the Group, continued to strengthen safe operation and explore the room for energy saving and consumption reduction, which provided stable profit and cash flow for the Company during the year.

The investment and operating business in the elderly care sector of the Group was pushed forward in an orderly manner. The investment project involving elderly care apartments in Toronto, Canada was nearly completed construction as scheduled, which represented a step forward in the Group's investment business.

Overall Results

The outbreak of the COVID-19 pandemic in 2020 created an abnormally volatile operating environment and imposed negative impacts on the construction industry, including supply chain disruptions and work stoppages due to measures imposed by the government. However, the resilient nature of our business, supported by a strong order book, and projects on hand progressed largely on track, resulted in the growth of net profit. For the year ended 31 December 2020, the Group recorded aggregate revenue of HK\$4,536 million (2019: HK\$4,619 million), a decrease of 1.8% as compared to last year. The profit attributable to owners of the Company was HK\$194 million (2019: HK\$176 million), an increase of 10.2% as compared to last year. The basic earnings per share was HK9.02 cents (2019: HK8.14 cents), an increase of 10.8% as compared to last year. In consideration of the Company's profitability, cash flow level and capital requirements for future development, the Board recommends a final dividend of HK3 cents per share.

Segment analysis

Facade Contracting Business

The segment's revenue decreased to HK\$2,565 million for the year ended 31 December 2020 (2019: HK\$2,786 million). The operating profit decreased to HK\$35 million for the year ended 31 December 2020 (2019: HK\$123 million). Due to the Covid-19 pandemic, commencement of newly-awarded projects was delayed. On-site project progress and building materials supply were disrupted. It also created additional costs in operation during pandemic and extra expenses in work acceleration after disruptions.

General Contracting Business

The segment delivered a steady growth of revenue to HK\$1,055 million for the year ended 31 December 2020 (2019: HK\$941 million). The segment profit increased to HK\$98 million for the year ended 31 December 2020 (2019: HK\$47 million) as a result of the increase in construction progress of certain projects.

Operating Management Business

Revenue contribution from the segment remained stable. The segment's revenue increased to HK\$916 million for the year ended 31 December 2020 (2019: HK\$893 million). The operating profit increased to HK\$218 million for the year ended 31 December 2020 (2019: HK\$199 million).

Administrative, selling and other operating expenses

As a result of stringent cost control, administrative, selling and other operating expenses decreased by 10.5% to HK\$222 million for the year ended 31 December 2020 (2019: HK\$248 million).

Finance costs

For the year ended 31 December 2020, the Group's finance costs decreased to HK\$32 million (2019: HK\$39 million) as a result of the decrease in borrowings cost.

New Contracts Awarded and Project in Progress

The Group recorded an accumulated new contract value of HK\$5,116 million for the year ended 31 December 2020 and achieved the full year target of 2020.

As of 31 December 2020, the on-hand contract value amounted to approximately HK\$18,467 million, among which the backlog was approximately HK\$8,885 million.

Business Segments	New Contract Awarded (HK\$ million)	Project in Progress	
		Total Value (HK\$ million)	Backlog (HK\$ million)
Curtain Wall	1,528	12,059	6,112
Building Works	2,670	4,990	2,233
Operating Management	918	1,418	540
Total	5,116	18,467	8,885

Financial Management

In 2020, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group improved the efficiency in utilisation of its capital and actively expanded its finance channels. In addition, the Group focused on expediting its collection of payments due from projects, thereby improving cash flow and liquidity pragmatically, and effectively fulfilling the capital needs of projects in progress and investment projects.

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 31 December 2020, the Group had cash and cash equivalents of HK\$858 million (31 December 2019: HK\$827 million), total borrowings of the Group were HK\$1,062 million (31 December 2019: HK\$868 million). The Group's net gearing ratio (net debt to total net assets) as at 31 December 2020 was approximately 15.4% (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\$2,414 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 31 December 2020 and 31 December 2019 are set out as follows:

	31 December 2020	31 December 2019
	HK\$'000	HK\$'000
On demand or within one year	650,710	655,780
In the second year	400,524	200,494
In the third to fifth years, inclusive	10,932	11,264
	<u>1,062,166</u>	<u>867,538</u>

As at 31 December 2020, the Group's equity attributable to owners of the Company amounted to HK\$1,403 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\$1,381 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 centralized in order to achieve better risk control and minimize funding cost. 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.

Corporate Governance

Adhering to the corporate governance philosophy of honesty, integrity, transparency and efficiency, the Group strictly complied with various laws and regulations and abided by the Listing Rules and regulatory requirements. The Group continuously improved its corporate governance structure and measures to gradually establish and optimise a series of policy systems, internal control system and management mechanism and processes to ensure sound corporate governance. The board of directors strived to maintain high standard commercial ethics, healthy corporate culture and excellent corporate governance, so that the Group was able to actively adjust its business strategy in response to changes of market trends, allowing each professional decision-making team to play its role and strengthening the regionalised governance capability of each business unit.

Risk Management and Control

The Group continued to improve its internal control system to enhance the ability of risk predictions and the effects of risk management and control, and promote the integration of internal control and business processes. In response to changes in business environments and regulatory requirements, the Group strengthened supervision over major areas and key issues to prevent operational risks and eliminate management loopholes. The Group continued to improve its management systems and optimize mechanisms and procedures to ensure healthy operations.

The Group monitored the policies in overseas markets and the trends of exchange rates constantly and focused its resources on key cities in Europe and North America with relatively optimistic economic prospects to avoid political and exchange rate risks.

Human Resource Management

By persisting in the “people-oriented” managerial philosophy, the Group emphasises the attraction, retention, and cultivation of all levels of talents who recognise its corporate vision. The Group improves employees' satisfaction and work efficiency by creating a variety of systems that cover employees' recruitment, training, performance assessment and remuneration, and has established an open and transparent mechanism for staff selection and employment to provide its employees with a healthy environment for professional competition and development. During the year, the Group implemented its lecture system to enrich training and the exchange of ideas. The Group also continued to improve its KPI assessment for the purpose of establishing a more comprehensive assessment system. The further implementation of the “Site-related Contracting Responsibility System Management Methods” (《地盤承包責任制管理辦法》), the “Site-related Integrated Management Appraisal and Incentives Methods” (《地盤綜合管理獎評審獎勵辦法》), “Design Motivation System” (《設計激勵制度》) and the “Production Motivation System” (《生產激勵制度》), and the newly formulated and implemented “Marketing Reward Management Methods” (《市場營銷獎勵管理辦法》) in Hong Kong, Macau and Mainland China has greatly improved the enthusiasm and work efficiency of employees.

The Group has also formulated solutions targeted to the needs of employees for regimes, procedures, benefits and training, and built a smooth communication platform to create a sound communication atmosphere and contribute ideas for the development of the Company.

At 31 December 2020, the Group employed a total of 3,344 (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.

Social Responsibilities

During the year, the Group is also named a “Caring Company” by virtue of its active participation in and promotion of “Drawing without boundaries under the pandemic” (疫情下畫出無界限) charity event and the “Earth Hour” event, demonstrating its dedication towards the community and contribution to social harmony and stability.

PROSPECTS

Looking forward to 2021, the global pandemic will enter into a new normal, the resumption of work and production will continue, and the ultra-loose monetary policy and fiscal policy will help economic recovery, and the gradual recovery of the global economy will continue. Meanwhile, the general macro-economic outlook remains complicated and volatile, and the risk of recurrence of the pandemic still exists. In the post-pandemic era, the PRC promoted the resumption of production and work in an orderly manner, and further implemented the policies of continuous expansion of domestic demand, economic transformation and upgrading and structural adjustment, the economic growth momentum and potential in the PRC gradually recover.

The impact on the economy was obvious due to the continued deterioration of the U.S. pandemic, and the construction market in North America was sluggish due to the economic downturn. Hong Kong has entered the normalization of the pandemic with stiffer competition. The economy in Macau will start to recover. The continual construction of Guangdong-Hong Kong-Macau Bay Area will usher in ample opportunities for the construction industry in Hong Kong and Macau. There is huge potential in the curtain wall market in Mainland China. The imbalance between demand and supply in the curtain wall market in the Mainland manifests itself, resulting in more disordered competition.

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. It will further dive into the Hong Kong and Macau markets and participate in the competition in the Mainland China markets with stability. At the same time, it will prudently explore other overseas markets such as the North America, Australia, the UK and Asia-Pacific region. The Group will further utilise and integrate existing resources and production capacity, continue to focus on the work schedule, quality, safety, capital and cost management of projects and production restructuring plan while improving the synergies created during design, production and installation processes. The Group will strengthen research and development and innovation capabilities and 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 and coordinating resources to ensure the design standards of key projects in Hong Kong, Macau and overseas markets. 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 evaluation. 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, the Group will actively leverage the rich experience of China State Construction International Holdings Limited, our controlling shareholder, in project management, and utilize the synergy with China State Construction Engineering (Hong Kong) Limited to actively expand its client base in target markets and secure premium projects.

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 feasibility of injecting quality operation assets from its system. The Group will also proactively seek for opportunities of merger and acquisition of quality assets, promote industry-finance integration, and strive to increase the contribution of its operating management business in order to achieve its dual-core-driven strategic objective.

The board of directors is able to discern and face various risks 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 general employees as well as customers to promote the sustainable growth of the Group's revenue and profitability.

FINAL DIVIDEND

The Board recommends a final dividend of HK3 cents per share (2019 final dividend: nil), payable on Tuesday, 6 July 2021, to shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021. As no interim dividend was paid during the year, the full year dividend amounts to HK3 cents per share (2019 full year dividend: HK1.2 cents per share).

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company ("AGM") will be held on Wednesday, 9 June 2021. The notice of the AGM, which constitutes part of the circular to the shareholders of the Company, will be sent together with the 2020 Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 4 June 2021 to Wednesday, 9 June 2021 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 3 June 2021.
- (b) For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 17 June 2021 and Friday, 18 June 2021 (both days inclusive). In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 16 June 2021.

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

During the year ended 31 December 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 year ended 31 December 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 (the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2020.

REVIEW OF ACCOUNTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures on page 2 to page 14 of this announcement have been agreed by the Company's external auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by Ernst & Young on this announcement.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all shareholders and customers 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, 18 March 2021

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.