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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 2021**

**FINANCIAL HIGHLIGHTS**

	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>RESULTS (HK\$'000)</b>			
Revenue	<b>6,294,827</b>	4,535,657	38.8%
Profit attributable to owners of the Company	<b>291,976</b>	194,344	50.2%
<b>FINANCIAL INFORMATION PER SHARE</b>			
Earnings – basic (HK cents)	<b>13.55</b>	9.02	50.2%

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 2021, together with the comparative figures for 2020 as follows:

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Revenue</b>	3	<b>6,294,827</b>	4,535,657
Costs of sales	5	<u>(5,617,973)</u>	<u>(4,047,197)</u>
<b>Gross profit</b>		<b>676,854</b>	488,460
Other income and gains, net	4	<b>22,622</b>	21,864
Administrative, selling and other operating expenses	5	<b>(273,993)</b>	(222,463)
Share of profit of an associate		<b>44</b>	-
Finance costs	6	<u>(29,554)</u>	<u>(31,569)</u>
<b>Profit before tax</b>		<b>395,973</b>	256,292
Income tax charge	7	<u>(112,066)</u>	<u>(73,432)</u>
<b>Profit for the year</b>		<b><u>283,907</u></b>	<b><u>182,860</u></b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>291,976</b>	194,344
Non-controlling interests		<u>(8,069)</u>	<u>(11,484)</u>
		<b><u>283,907</u></b>	<b><u>182,860</u></b>
<b>Earnings per share attributable to owners of the Company</b>			
Earnings per share			
Basic and diluted	9	<b><u>HK13.55 cents</u></b>	<b><u>HK9.02 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>283,907</b>	182,860
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	99,172	82,910
Exchange differences arising on translation of an associate	(211)	-
Other comprehensive income for the year, net of tax	98,961	82,910
<b>Total comprehensive income for the year, net of tax</b>	<b>382,868</b>	265,770
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Owners of the Company	390,402	277,101
Non-controlling interests	(7,534)	(11,331)
	<b>382,868</b>	265,770

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>2,269,207</b>	2,107,754
Interests in infrastructure project investments	<i>10</i>	<b>64,539</b>	132,892
Interests in an associate		<b>5,375</b>	-
Goodwill		<b>112,649</b>	129,649
Deferred tax assets		<b>169,302</b>	175,119
		<b>2,621,072</b>	2,545,414
<b>Current Assets</b>			
Interests in infrastructure project investments	<i>10</i>	<b>68,390</b>	61,080
Inventories		<b>154,153</b>	137,186
Contract assets		<b>2,449,554</b>	1,451,792
Trade and other receivables	<i>11</i>	<b>1,499,030</b>	1,321,016
Deposits and prepayments		<b>210,356</b>	127,518
Tax recoverable		<b>1,190</b>	2,326
Amounts due from fellow subsidiaries		<b>877,780</b>	864,074
Amounts due from related companies		-	20,338
Cash and cash equivalents		<b>928,104</b>	858,154
		<b>6,188,557</b>	4,843,484
<b>Current Liabilities</b>			
Bank borrowings	<i>12</i>	<b>824,563</b>	650,710
Contract liabilities		<b>911,443</b>	778,041
Trade payables, other payables and accruals	<i>13</i>	<b>2,072,159</b>	1,464,870
Lease liabilities		<b>24,786</b>	12,088
Deposits received		<b>41,480</b>	37,695
Current tax payables		<b>178,775</b>	148,733
Amount due to an intermediate holding company		<b>6,992</b>	2,755
Amounts due to fellow subsidiaries		<b>1,690,967</b>	1,550,247
Amount due to a related company		-	1,547
Loan from an intermediate holding company		<b>170,000</b>	-
		<b>5,921,165</b>	4,646,686
Net current assets		<b>267,392</b>	196,798
Total Assets less Current Liabilities		<b>2,888,464</b>	2,742,212

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

31 December 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Capital and Reserves</b>			
Share capital	14	<b>21,555</b>	21,555
Share premium and reserves		<b>1,649,180</b>	1,381,464
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,670,735</b>	1,403,019
Non-controlling interests		<b>(85,677)</b>	(78,143)
		<hr/>	<hr/>
		<b>1,585,058</b>	1,324,876
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Contract liabilities		<b>766,736</b>	755,970
Bank borrowings	12	<b>508,593</b>	411,456
Loan from an intermediate holding company		-	230,000
Lease liabilities		<b>24,557</b>	15,709
Deferred tax liabilities		<b>3,520</b>	4,201
		<hr/>	<hr/>
		<b>1,303,406</b>	1,417,336
		<hr/>	<hr/>
		<b>2,888,464</b>	2,742,212
		<hr/>	<hr/>

## 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 following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings and loan from an intermediate holding company denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate (“HIBOR”) and various Interbank Offered Rates as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

## (2.1) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## (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> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2,5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2,4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> <sup>1</sup>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41</i> <sup>1</sup>

1 Effective for annual periods beginning on or after 1 June 2022

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

3 No mandatory effective date yet determined but available for adoption

4 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

5 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

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 2021 and 2020 are as follows:

	Revenue		Gross profit		Segment result	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Facade Contracting Works	<b>4,478,100</b>	2,564,630	<b>356,339</b>	131,294	<b>249,345</b>	34,597
General Contracting Works	<b>806,592</b>	1,055,353	<b>99,161</b>	101,571	<b>96,659</b>	97,706
Operating Management	<b>1,010,135</b>	915,674	<b>221,354</b>	255,595	<b>181,442</b>	218,148
Total	<b>6,294,827</b>	4,535,657	<b>676,854</b>	488,460	<b>527,446</b>	350,451
Unallocated corporate expenses					<b>(106,014)</b>	(67,701)
Other income and gains, net					<b>4,051</b>	5,111
Share of profit of an associate					<b>44</b>	-
Finance costs					<b>(29,554)</b>	(31,569)
Profit before tax					<b>395,973</b>	256,292

Segment revenue of Facade Contracting Works comprises revenue from Hong Kong, Mainland China and other region amounting to HK\$3,956,043,000 (2020: HK\$2,226,210,000) and revenue from North America region amounting to HK\$522,057,000 (2020: HK\$338,420,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Hong Kong and Mainland China.



### (3) REVENUE AND SEGMENT INFORMATION (continued)

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 items of property, plant and equipment	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Facade Contracting Works	16,154	13,768	(214)	(50)
General Contracting Works	117	384	-	-
Operating Management	3,385	583	(60)	44
	<u>19,656</u>	<u>14,735</u>	<u>(274)</u>	<u>(6)</u>

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

	Non-current assets*		Addition to property, plant and equipment	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong, Mainland China and Others	1,746,180	1,738,819	68,868	55,264
North America	641,051	498,584	162,020	143,434
	<u>2,387,231</u>	<u>2,237,403</u>	<u>230,888</u>	<u>198,698</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 2021, two customers each contributed revenue more than 10 per cent of the Group's total revenue (2020: no customer contributed revenue more than 10 per cent of the Group's total revenue).

### (4) OTHER INCOME AND GAINS, NET

	For the year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Bank interest income	4,760	3,024
Exchange gain, net	8,990	3,495
Insurance claim received	305	1,942
Rental income	284	2,602
Service income	5,477	3,388
Sundry income	2,532	7,407
Gain on disposal of items of property, plant and equipment	274	6
	<u>22,622</u>	<u>21,864</u>

(5) EXPENSES BY NATURE

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
<b>Costs of sales</b>		
Costs of contracting works performed	5,030,810	3,539,396
Costs of supply of heat, steam and electricity	569,138	481,075
Warranty provisions, net	18,025	26,726
	<u>5,617,973</u>	<u>4,047,197</u>
<b>Administrative, selling and other operating expenses</b>		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances *	1,042,858	797,327
Retirement benefits scheme contributions **	74,703	26,427
Less: Amounts included in costs of sales	(945,880)	(699,514)
	171,681	124,240
Depreciation of property, plant and equipment, excluding right-of-use assets	146,370	126,195
Less: Amounts included in costs of sales	(137,094)	(120,101)
	9,276	6,094
Depreciation of right-of-use assets	28,486	18,683
Less: Amounts included in costs of sales	(18,106)	(10,042)
	10,380	8,641
Expenses relating to short-term leases	24,925	28,423
Less: Amounts included in costs of sales	(23,767)	(27,351)
	1,158	1,072
Auditor's remuneration		
Audit services	2,614	2,510
Non-audit services	291	70
	2,905	2,580
Provision of trade and other receivables, net	628	10,721
Impairment of goodwill	17,000	8,500
Others	60,965	60,615
	<u>273,993</u>	<u>222,463</u>

Note:

\* Wage subsidies of HK\$Nil and HK\$3,163,000 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 2021 (2020: 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). The amounts were recognised in costs 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.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(6) FINANCE COSTS

	For the year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Interest on bank loans and overdrafts	25,920	28,097
Interest on lease liabilities	1,920	2,967
Interest on loan from an intermediate holding company	4,205	2,755
	<u>32,045</u>	<u>33,819</u>
Less : Amounts capitalised in property, plant and equipment	<u>(2,491)</u>	<u>(2,250)</u>
	<u>29,554</u>	<u>31,569</u>

(7) INCOME TAX CHARGE

	For the year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
The amount of taxation charged to the consolidated income statement represents:		
Current tax — Hong Kong profits tax		
Provision for the year	43,846	20,669
Under/(over)provision in prior years	85	(2,873)
	<u>43,931</u>	<u>17,796</u>
Current tax — Mainland China and overseas		
Provision for the year	58,575	65,098
Overprovision in prior years	-	(11,119)
	<u>58,575</u>	<u>53,979</u>
Deferred tax		
Write-down of deferred tax assets	13,000	10,920
Credit for the year	(3,440)	(9,263)
	<u>9,560</u>	<u>1,657</u>
Income tax charge for the year	<u>112,066</u>	<u>73,432</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	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend paid of HK3 cents per ordinary share (2020: No interim dividend paid)	64,666	-
Proposed final dividend of HK1.7 cents per ordinary share (2020: HK3 cents per ordinary share)	<u>36,644</u>	<u>64,666</u>
	<u>101,310</u>	<u>64,666</u>

The final dividend proposed after 31 December 2021 was not recognised as a liability at 31 December 2021 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	
	2021	2020
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>291,976</u>	<u>194,344</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	<u>2,155,545</u>	<u>2,155,545</u>
Basic and diluted earnings per share (HK cents)	<u>13.55</u>	<u>9.02</u>

The Company did not have any dilutive potential ordinary shares during the year ended 31 December 2021 (2020: Nil).

## (10) INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	At 31 December	
	2021	2020
	HK\$'000	HK\$'000
Interests in infrastructure project investments	132,929	193,972
Less: Portion due within one year included in current assets	<u>(68,390)</u>	<u>(61,080)</u>
Portion due after one year	<u>64,539</u>	<u>132,892</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 at a total consideration of HK\$295,000,000.

Interests in infrastructure project investments represent funding denominated in Renminbi ("RMB") for 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% (2020: 10.2% to 10.7%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2021.

The directors of the Company reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2021 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	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables:		
0 to 30 days	379,758	500,862
31 to 60 days	100,951	28,305
61 to 90 days	17,082	30,393
More than 90 days	<u>307,254</u>	<u>135,070</u>
	805,045	694,630
Retention receivables	<u>608,145</u>	<u>570,131</u>
	1,413,190	1,264,761
Other receivables	<u>85,840</u>	<u>56,255</u>
Trade and other receivables	<u>1,499,030</u>	<u>1,321,016</u>

Except for the receivables 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 (2020: 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**

	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank loan, secured	11,561	11,958
Bank loans, unsecured	<u>1,321,595</u>	<u>1,050,208</u>
	<b><u>1,333,156</u></b>	<b><u>1,062,166</u></b>
The borrowings are repayable as follows:		
On demand or within one year	824,563	650,710
In the second year	551	400,524
In the third to fifth years, inclusive	<u>508,042</u>	<u>10,932</u>
	<b>1,333,156</b>	<b>1,062,166</b>
Less: Current portion	<u>(824,563)</u>	<u>(650,710)</u>
Non-current portion	<b><u>508,593</u></b>	<b><u>411,456</u></b>

At 31 December 2021, a bank loan of HK\$11,561,000 (2020: HK\$11,958,000) is secured by the Group's land and buildings of HK\$16,418,000 (2020: HK\$16,664,000).

**(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:

	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables:		
0 to 30 days	1,206,687	827,777
31 to 60 days	53,254	26,273
More than 60 days	<u>209,390</u>	<u>139,579</u>
	<b>1,469,331</b>	<b>993,629</b>
Retention payables	<u>323,384</u>	<u>276,518</u>
	<b>1,792,715</b>	<b>1,270,147</b>
Other payables and accruals	<u>279,444</u>	<u>194,723</u>
Trade payables, other payables and accruals	<b><u>2,072,159</u></b>	<b><u>1,464,870</u></b>

**(14) SHARE CAPITAL**

	<b>Issued and fully paid</b>	
	<b>Number of</b>	<b>Share capital</b>
	<b>shares</b>	<b>amount</b>
	<b>'000</b>	<b>HK\$'000</b>
Ordinary shares of HK\$0.01 each		
At 1 January 2020, 1 January 2021 and 31 December 2021	<u>2,155,545</u>	<u>21,555</u>

## **BUSINESS REVIEW**

2021 was the first year of the “14th Five-Year Plan”. The Group focused on the principle business of curtain wall and anchored the business strategy of “Expanding Hong Kong and Macau, Developing Mainland China and Shrinking Overseas”, precisely seized market opportunities and enhanced its brand influence of “Far East Facade” and technology development. These actions help us overcome the pandemic to resume work and production, achieved remarkable results in production and operation and brought rapid growth to core performance indicators.

### **Market Conditions**

Despite the continuous recovery of the global economy in 2021, the unstable situation of the pandemic posed increasing challenges and led to mixed economic performance in different countries. The widening gap between supply and demand brought about by the unbalanced recovery, coupled with the loose monetary policies of developed countries such as the US, has led to sharp fluctuations in global commodity prices. China has effectively pushed forward epidemic prevention and control and economic development, leading the world in economic growth. After experiencing a severe recession, the Hong Kong economy showed a significant recovery in 2021, and the Hong Kong construction market continued to recover. Rooted in Hong Kong and Macau, facing the Mainland China, the Group adheres to the operational strategy of “big markets, big landlords, big projects” and persisted with its prudent bidding strategy, drew on internal synergy, and proactively developed high-end curtain wall projects that could magnify the brand effect. During the year, the local leading advantage of Hong Kong curtain wall was further expanded, the newly awarded contract value of the curtain wall businesses in Hong Kong and the Mainland China hit record high, the general contracting business progressed steadily, and the Mainland China operating business was pushed forward with high quality.

#### **1. Contracting Engineering Business**

##### **Curtain Wall Business**

Hong Kong and Macau are the long-established key markets of the Group. Seizing the opportunities from the recovery of Hong Kong’s construction industry, the Group continued to strengthen its brand influence and competitive edge, and further enhanced its leading position in the curtain wall market of the city. As a recognised premium provider of complete high-end curtain wall solutions 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 intra-group coordination. The Group achieved outstanding performance in the Hong Kong and Macau markets, successively securing large-scale residential and commercial projects. In 2021, the Group’s newly awarded curtain wall projects in the regions included two residential projects at Kai Tak (New Kowloon Inland Lot No. 6568 and 6576), Wong Sun Hing Group’s residential project at 53–55A Kwun Tong Road, Kai Tak Sports Park, and a project of Hong Kong Baptist University, etc. The Group carefully organizes the internal design, procurement, production and installation resources, vigorously implement incentive schemes for projects and enhance safety control to ensure, quality, safety and efficiency of its projects.

There is huge potential in the curtain wall market in Mainland China, but disordered price competition in the industry is yet to be improved. In 2021, the Group adhered to the competitive strategy of differentiation, leveraged its brand effect and performance capabilities to focus on high-end curtain wall projects, and the newly awarded contract value reached a record high again. The Group was awarded a number of premium iconic projects in Mainland China during the year, including the curtain wall subcontracting project of OPPO's second headquarters, the curtain wall project of Guangzhou City of Design, and the curtain wall subcontracting project of Huawei's Zone G Flagship Store, etc. The diverse combination of the newly awarded projects covers commercial complexes, boutique stores, hospitals, office buildings, residential buildings and large-scale facilities, highlighting the all-round capabilities of the curtain wall business.

The Group attached great importance to technological innovation to empower its curtain wall business and continued to enhance its core competitiveness of its curtain wall business. Boasting the world's leading technologies in the glass curtain wall of super-tall skyscrapers and the complex hyperbolic special-shaped curtain wall, the Group introduced industry-leading automated production lines and equipment, as well as the intelligent manufacturing information system of the entire industry chain. This significantly enhanced the Group's capabilities in refined management, resulting in a notable improvement in both project efficiency and performance quality. During the year, the Group signed a strategic cooperation agreement with Longyan Energy Technology to jointly promote the integrated development of the construction and photovoltaic industries, supporting China to achieve the targets of carbon peak and carbon neutrality.

#### General Contracting Business

The development of the contracting business of construction work was stable. The Group actively participated in the bidding of small and medium housing projects in Hong Kong, and deepened internal cooperation. During the year, the Group was awarded the bid for the mixed-use development (phase three) at Wong Chuk Hang. Meanwhile, its projects in progress have been carried out smoothly, with the residential project at 128 Wong Ma Kok Road, Stanley and Hong Kong Henderson Land's residential project in Ma Tau Wai running in an orderly manner.

## **2. Operating Management Business**

China Overseas Supervision of the Group achieved breakthroughs in the full-process consultation business during the year. While reinforcing and optimising the existing supervision business, China Overseas Supervision proactively built its full-process consultation business, securing the bids for the renovation consultation of the Graduate School of the Harbin Institute of Technology and the full-process consultation of Shenzhen Longhua Middle School.

Proactively expanding its heat supply market, Huanggu Thermoelectricity, a subsidiary of the Group, continued to strengthen safe operations and explore the possibilities for energy saving and consumption reduction, which consistently provided a stable cash flow for the Company during the year.



## **Overall Results**

The Group's principal markets saw post-COVID-19 pandemic recovery of their economies. Hong Kong and the Mainland China are on the path to recovery. Our facade contracting business in Hong Kong continued to benefit from the strong order book and the good progress being made on existing project delivery, and achieved record-high revenue and profit. For the year ended 31 December 2021, the Group recorded aggregate revenue of HK\$6,295 million (2020: HK\$4,536 million), an increase of 38.8% as compared to last year. The profit attributable to owners of the Company was HK\$292 million (2020: HK\$194 million), an increase of 50.2% as compared to last year. The basic earnings per share was HK13.55 cents (2020: HK9.02 cents), an increase of 50.2% 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 HK1.7cents per share.

## **Segment analysis**

### **Facade Contracting Business**

As a result of accelerated progress on curtain wall projects in Hong Kong and Mainland China, the segment's revenue increased to HK\$4,478 million for the year ended 31 December 2021 (2020: HK\$2,565 million), representing an increase of 74.6% as compared to last year. The gross profit increased to HK\$356 million for the year ended 31 December 2021 (2020: HK\$131 million), representing an increase of 171.8% as compared to last year. The operating profit increased by 6.1 times to HK\$249 million for the year ended 31 December 2021 (2020: HK\$35 million) as compared to last year.

### **General Contracting Business**

Due to the fact that the certain project substantially completed in 2020 has made less contribution in 2021, segment's revenue decreased to HK\$807 million for the year ended 31 December 2021 (2020: HK\$1,055 million). The operating profit slightly decreased to HK\$97 million for the year ended 31 December 2021 (2020: HK\$98 million).

### **Operating Management Business**

The segment recorded a steady growth in revenue during the year. The segment's revenue increased to HK\$1,010 million for the year ended 31 December 2021 (2020: HK\$916 million). The operating profit decreased to HK\$181 million for the year ended 31 December 2021 (2020: HK\$218 million) as a result of the increase of cost of coal of Shenyang Huanggu thermoelectric plant.

### **Administrative, selling and other operating expenses**

With the expansion of facade contracting business, administrative expenses increased by 23.4% to HK\$274 million (2020: HK\$222 million).

### **Finance costs**

For the year ended 31 December 2021, the cost of borrowings has been reduced by optimizing the portfolio of bank loans and striving to reduce interest rates from banks through our efforts. The Group's finance costs decreased to HK\$30 million (2020: HK\$32 million).

## New Contracts Awarded and Project in Progress

The Group recorded an accumulated new contract value of HK\$8,208 million for the year ended 31 December 2021 and achieved the full year target of 2021.

As of 31 December 2021, the on-hand contract value amounted to approximately HK\$18,715 million, among which the backlog was approximately HK\$10,850 million.

Business Segments	New Contract Awarded (HK\$ million)	Project in Progress	
		Total Value (HK\$ million)	Backlog (HK\$ million)
Curtain Wall	6,248	13,547	8,043
Building Works	917	3,585	2,176
Operating Management	1,043	1,583	631
<b>Total</b>	<b>8,208</b>	<b>18,715</b>	<b>10,850</b>

## Financial Management

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 31 December 2021, the Group had cash and cash equivalents of HK\$928 million (31 December 2020: HK\$858 million), total borrowings of the Group were HK\$1,333 million (31 December 2020: HK\$1,062 million). The Group's net gearing ratio (net debt to total net assets) as at 31 December 2021 was approximately 25.6% (31 December 2020: 15.4%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK\$2,928 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 2021 and 31 December 2020 are set out as follows:

	<b>31 December 2021</b>	31 December 2020
	<b>HK\$'000</b>	HK\$'000
On demand or within one year	<b>824,563</b>	650,710
In the second year	<b>551</b>	400,524
In the third to fifth years, inclusive	<b>508,042</b>	10,932
	<b><u>1,333,156</u></b>	<b><u>1,062,166</u></b>

As at 31 December 2021, the Group's equity attributable to owners of the Company amounted to HK\$1,671 million (31 December 2020: HK\$1,403 million), comprising issued capital of HK\$22 million (31 December 2020: HK\$22 million) and reserves of HK\$1,649 million (31 December 2020: HK\$1,381 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.

In 2021, the net cash inflow from operating activities was HK\$185 million.

### **Human Resource Management**

At 31 December 2021, the Group employed a total of 4,434 (31 December 2020: 3,344) 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**

The Group has co-organised inclusion activities with the charitable organisation TREATS for many consecutive years. Winning the titles of "Green Office 5+", "Eco-Healthy Workplace" and HKCSS's "Caring Company", the Group demonstrates its commitment to the community and contributes to social harmony and stability.

### **PROSPECTS**

Looking forward to 2022, although the global economy is expected to continue to pick up, downside risks still remain due to the rapid spread of the COVID-19 mutant strain in the community, the worldwide reduction in financial support and the existing supply bottlenecks. After launching the development strategy which prioritises stability while pursuing progress, Mainland China is expected to maintain the high-quality growth momentum through various prudent yet effective fiscal and monetary policies. In the post-pandemic era, both Hong Kong and Macau are expected to see continuous economic growth as the control measures are normalized, which will further drive the construction demand. The continuous development of the Guangdong-Hong Kong-Macau Greater Bay Area will also create tremendous opportunities for the construction industry in Hong Kong and Macau. The U.S. will face higher economic uncertainty in light of the changing development of the pandemic, leading to a slowdown in the North American construction market.

## **Business and Development Strategies**

The curtain wall business is the Group's core business. The Group will continue to adopt the marketing strategy of "big markets, big landlords, and 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 develop the Hong Kong and Macau markets and steadily explore the Mainland China market. At the same time, it will shrink overseas markets in an orderly manner. The Group will further utilise and integrate existing resources and production capacity, and continue to focus on the work schedule, quality, safety, capital and cost management of projects while improving the synergies created during the design, production and installation processes. The Group will strengthen its capabilities in research and development as well as innovation, sharpening its comprehensive competitive edge in the curtain wall business. To maintain a favourable profitability, efforts will be made to further improve the Group's branding and market development, strengthen the management of projects on hand, consolidate its core competitiveness in design, procurement, production and construction, and exercise rigorous control over project risks.

Committed to building its design teams, the Group will strengthen such function in Hong Kong and North America while expanding the design teams in Mainland China. To achieve this, the Group will continuously recruit professional talents to meet the personnel demand at the peak of projects. Meanwhile, the Group will provide stronger support to its overseas staff members through measures such as setting up an overseas core management team and establishing a basic welfare system for the remuneration and benefits of its employees serving overseas. This can maintain the stability of overseas teams and enhance the Group's cohesiveness and performance capability.

Through constant exploration and tireless practices, the board of directors and the management wish to establish and maintain a healthy system that is jointly driven by shareholders, the board of directors, the management, employees and other stakeholders such as customers and suppliers, promoting the sustainable growth of the Group's revenue and profitability.

## **FINAL DIVIDEND**

The Board recommends a final dividend of HK1.7 cents per share (2020 final dividend: HK3 cents per share), payable on Wednesday, 6 July 2022, to shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022. Together with the interim dividend of HK3 cents per share, the full year dividend will amount to HK4.7 cents per share (2020 full year dividend: HK3 cents per share). The proposed final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

## **ANNUAL GENERAL MEETING**

The 2022 annual general meeting of the Company ("AGM") will be held on Wednesday, 8 June 2022. The notice of the AGM, which constitutes part of the circular to the shareholders of the Company, will be sent together with the 2021 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 Thursday, 2 June 2022 to Wednesday, 8 June 2022 (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 Wednesday, 1 June 2022.
- (b) For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 16 June 2022 and Friday, 17 June 2022 (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, 15 June 2022.

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

During the year ended 31 December 2021, 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 2021 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 2021.

## **REVIEW OF ACCOUNTS**

The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

## **SCOPE OF WORK OF ERNST & YOUNG**

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 consolidated financial statements for the year ended 31 December 2021. 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, 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, 23 March 2022

*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.*