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中國建築業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

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

The board of directors (the “Board”) of China State Construction Development Holdings Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	3,806,036	2,703,455
Costs of sales		<u>(3,270,377)</u>	<u>(2,322,367)</u>
Gross profit		535,659	381,088
Other income and gains, net	4	11,464	9,122
Administrative, selling and other operating expenses		(162,097)	(92,300)
Share of profit of an associate		23	-
Finance costs	5	<u>(11,956)</u>	<u>(12,872)</u>
Profit before tax	6	373,093	285,038
Income tax charge	7	<u>(55,278)</u>	<u>(63,450)</u>
Profit for the period		<u>317,815</u>	<u>221,588</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		321,763	225,803
Non-controlling interests		<u>(3,948)</u>	<u>(4,215)</u>
		<u>317,815</u>	<u>221,588</u>
Earnings per share attributable to owners of the Company			
Earnings per share			
Basic and diluted	9	<u>HK14.90 cents</u>	<u>HK10.48 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	317,815	221,588
Other comprehensive (loss)/income		
<i>Items that may be reclassified to consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	(35,575)	70,764
Exchange differences arising on translation of an associate	53	-
<i>Items that will not be reclassified to consolidated income statement:</i>		
Gain on fair value changes of investment properties transferred from property, plant and equipment, net of tax	10,943	-
Other comprehensive (loss)/income for the period, net of tax	(24,579)	70,764
Total comprehensive income for the period, net of tax	293,236	292,352
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	296,946	295,538
Non-controlling interests	(3,710)	(3,186)
	293,236	292,352

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		2,139,255	2,269,207
Investment properties		18,954	-
Interests in infrastructure project investments	10	52,312	64,539
Interests in an associate		5,451	5,375
Goodwill	11	112,649	112,649
Deferred tax assets		139,669	169,302
		2,468,290	2,621,072
Current Assets			
Interests in infrastructure project investments	10	46,410	68,390
Inventories		183,002	154,153
Contract assets		3,720,074	2,449,554
Trade and other receivables	12	1,382,337	1,499,030
Deposits and prepayments		168,722	210,356
Tax recoverable		1,878	1,190
Amounts due from fellow subsidiaries		917,837	877,780
Cash and cash equivalents		810,621	928,104
		7,230,881	6,188,557
Current Liabilities			
Bank borrowings	13	950,107	824,563
Contract liabilities		873,145	911,443
Trade payables, other payables and accruals	14	2,624,968	2,072,159
Lease liabilities		22,528	24,786
Deposits received		38,212	41,480
Current tax payables		165,543	178,775
Dividend payables		36,644	-
Amount due to an intermediate holding company		313	6,992
Amounts due to fellow subsidiaries		1,686,810	1,690,967
Loan from an intermediate holding company		-	170,000
		6,398,270	5,921,165
Net Current Assets		832,611	267,392
Total Assets less Current Liabilities		3,300,901	2,888,464

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and Reserves			
Share capital	15	22,555	21,555
Share premium and reserves		<u>2,129,533</u>	<u>1,649,180</u>
Equity attributable to owners of the Company		2,152,088	1,670,735
Non-controlling interests		<u>(89,387)</u>	<u>(85,677)</u>
		<u>2,062,701</u>	<u>1,585,058</u>
Non-current Liabilities			
Contract liabilities		701,543	766,736
Bank borrowings	13	508,714	508,593
Lease liabilities		20,313	24,557
Deferred tax liabilities		<u>7,630</u>	<u>3,520</u>
		<u>1,238,200</u>	<u>1,303,406</u>
		<u>3,300,901</u>	<u>2,888,464</u>

NOTES

(1) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties which have been measured at fair value.

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

(2) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(3) REVENUE 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.

(3) REVENUE AND SEGMENT INFORMATION (continued)

Unaudited segment results for the six months ended 30 June 2022 and 2021 are as follows:

	Revenue		Gross profit		Segment result	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Facade Contracting Works	2,899,023	1,851,965	388,142	180,182	317,780	149,891
General Contracting Works	305,098	290,281	4,817	25,420	3,872	24,876
Operating Management	601,915	561,209	142,700	175,486	105,206	160,387
Total	<u>3,806,036</u>	<u>2,703,455</u>	<u>535,659</u>	<u>381,088</u>	<u>426,858</u>	<u>335,154</u>
Unallocated corporate expenses					(45,138)	(37,574)
Other income and gains, net					3,306	330
Share of profit of an associate					23	-
Finance costs					(11,956)	(12,872)
Profit before tax					<u>373,093</u>	<u>285,038</u>

For the six months ended 30 June 2022, segment revenue of Facade Contracting Works comprises revenue from Hong Kong, Mainland China and other region amounting to HK\$2,675,523,000 (30 June 2021: HK\$1,602,143,000) and revenue from North America region amounting to HK\$223,500,000 (30 June 2021: HK\$249,822,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Hong Kong and Mainland China.

For the six months ended 30 June 2022, revenue amounting to HK\$3,784,916,000 (30 June 2021: HK\$2,679,610,000) are recognised over time and revenue amounting to HK\$21,120,000 (30 June 2021: HK\$23,845,000) are recognised at a point in time.

(4) OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Bank interest income	2,484	2,918
Sundry income	8,980	6,204
	<u>11,464</u>	<u>9,122</u>

(5) FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	9,753	12,464
Interest on lease liabilities	940	508
Interest on loan from an intermediate holding company	1,263	2,112
	11,956	15,084
Less : Amounts capitalised in property, plant and equipment	-	(2,212)
	11,956	12,872

(6) PROFIT BEFORE TAX

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment, excluding right-of-use assets	69,323	66,319
Less: Amounts included in costs of sales	(60,688)	(62,641)
	8,635	3,678
Depreciation of right-of-use assets	16,888	11,057
Less: Amounts included in costs of sales	(11,816)	(7,329)
	5,072	3,728
	13,707	7,406

(7) INCOME TAX CHARGE

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax Provision for the period	<u>28,552</u>	<u>11,724</u>
	28,552	11,724
Current tax — Mainland China and overseas Provision for the period	<u>3,421</u>	<u>20,466</u>
	3,421	20,466
Deferred tax, net	<u>23,305</u>	<u>31,260</u>
Income tax charge for the period	<u>55,278</u>	<u>63,450</u>

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

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 six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Dividends recognised as distributions during the period	<u>36,644</u>	<u>64,666</u>
	<u>36,644</u>	<u>64,666</u>

In July 2022, the Company distributed 2021 final dividends of HK1.7 cents per ordinary share (30 June 2021: HK3 cents per ordinary share) amounting to approximately HK\$36,644,000 (30 June 2021: HK\$64,666,000).

The Board has declared the payment of an interim dividend of HK4.1 cents per ordinary share (30 June 2021: HK3 cents per ordinary share), amounting to approximately HK\$92,477,000 (30 June 2021: HK\$64,666,000) payable on 11 November 2022. This interim dividend has not been recognised as a liability at the end of the reporting period.

(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 six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>321,763</u>	<u>225,803</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	<u>2,159,412</u>	<u>2,155,545</u>
Basic and diluted earnings per share (HK cents)	<u>14.90</u>	<u>10.48</u>

The Company did not have any dilutive potential ordinary shares during the periods ended 30 June 2022 and 30 June 2021.

(10) INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
Interests in infrastructure project investments	98,722	132,929
Less: Portion due within one year included in current assets	<u>(46,410)</u>	<u>(68,390)</u>
Portion due after one year	<u>52,312</u>	<u>64,539</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") 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% (31 December 2021: 10.2% to 10.7%) per annum. The interests in infrastructure project investments were not past due as at 30 June 2022.

The directors of the Company reviewed individually the infrastructure projects' operations and financial positions as at 30 June 2022 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

(11) GOODWILL

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Cost		
At 30 June 2022 and 31 December 2021	<u>159,707</u>	<u>159,707</u>
Accumulated impairment		
At 1 January	47,058	30,058
Impairment during the period/year	-	17,000
At 30 June 2022 and 31 December 2021	<u>47,058</u>	<u>47,058</u>
Net carrying amount		
At 30 June 2022 and 31 December 2021	<u>112,649</u>	<u>112,649</u>

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

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

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations of market development. The key assumptions used are consistent with the annual consolidated financial statements for the year ended 31 December 2021.

(12) 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:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade receivables:		
0 to 30 days	109,230	379,758
31 to 60 days	60,745	100,951
61 to 90 days	52,418	17,082
More than 90 days	<u>447,724</u>	<u>307,254</u>
	670,117	805,045
Retention receivables	<u>627,502</u>	<u>608,145</u>
	1,297,619	1,413,190
Other receivables	<u>84,718</u>	<u>85,840</u>
Trade and other receivables	<u>1,382,337</u>	<u>1,499,030</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 (31 December 2021: 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.

(13) BANK BORROWINGS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Bank loan, secured	376,369	11,561
Bank loans, unsecured	1,082,452	1,321,595
	<u>1,458,821</u>	<u>1,333,156</u>
The borrowings are repayable as follows:		
On demand or within one year	950,107	824,563
In the second year	559	551
In the third to fifth years, inclusive	508,155	508,042
	1,458,821	1,333,156
Less: Current portion	(950,107)	(824,563)
Non-current portion	<u>508,714</u>	<u>508,593</u>

At 30 June 2022, bank loans of HK\$376,369,000 (31 December 2021: HK\$11,561,000) are secured by a mortgage on the Group's land and buildings of HK\$15,938,000 (31 December 2021: HK\$16,418,000) and a charge over the Group's land and buildings of HK\$431,982,000 (31 December 2021: Nil) and construction in progress of HK\$17,599,000 (31 December 2021: Nil), respectively.

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

	Hong Kong dollar <u>HK\$'000</u>	Canadian dollar <u>HK\$'000</u>	Total <u>HK\$'000</u>
30 June 2022	<u>996,832</u>	<u>461,989</u>	<u>1,458,821</u>
31 December 2021	<u>896,362</u>	<u>436,794</u>	<u>1,333,156</u>

The average bank loan interest rate at 30 June 2022 was 2.45% (31 December 2021: 2.03%) per annum.

(14) 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:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade payables:		
0 to 30 days	1,660,450	1,206,687
31 to 60 days	26,415	53,254
More than 60 days	416,029	209,390
	2,102,894	1,469,331
Retention payables	303,501	323,384
	2,406,395	1,792,715
Other payables and accruals	218,573	279,444
Trade payables, other payables and accruals	2,624,968	2,072,159

(15) SHARE CAPITAL

	Issued and fully paid Number of shares '000	Share capital Amount HK\$'000
Ordinary shares of HK\$0.01 each At 1 January 2021, 31 December 2021 and 1 January 2022	2,155,545	21,555
Issue of ordinary shares (Note)	100,000	1,000
Ordinary shares of HK\$0.01 each At 30 June 2022	2,255,545	22,555

Note: On 24 June 2022, an aggregate of 100,000,000 ordinary shares were issued at the price of HK\$2.20 per share pursuant to the placing and subscription agreement dated 20 June 2022 and net proceeds of approximately HK\$219,000,000 (after deducting relevant expenses) were raised.

BUSINESS REVIEW

Since 2022, anchoring the business strategy of “Expanding Hong Kong and Macau, and Developing Mainland China”, and adhering to the general keynote of “Seeking progress while maintaining stability”, the Group has focused on the principle business of facade contracting, given full play to its brand influence of “Far East Facade”, and accurately judged and precisely seized market opportunities. Technology and innovation empower production and operation while refined management leading to the continuous improvement of quality and efficiency, and the core performance indicators also continued to maintain rapid growth.

Market Conditions

Since 2022, the Russia-Ukraine conflict has broken out, the impact of the pandemic on the economy has been amplified, and the global economic growth has slowed down. Bottlenecks in the global supply chain continued, commodity prices ran high, and inflation remained upwards, followed by US Federal Reserve’s raising interest rate, which drove the world into a policy tightening cycle and intensified the challenges of global economic growth. China’s economic growth slowed down due to the pandemic prevention and control measures in some areas from March to May this year. Fortunately, with the improvement of the domestic pandemic situation, the implementation of fiscal and monetary policies has been strengthened, and the economy has begun to recover strongly. In the first half of 2022, the Group continued to consolidate its leading position in Hong Kong’s facade market and was awarded the facade contract of Galaxy (phase 4) in the Macau market, which is expected to be the largest contract for single facade project in the world. Meanwhile, the differentiation strategy of the facade business in Mainland China has achieved remarkable results, which promoted the high-end facade market. The general contracting business progressed steadily, and the overall operating business was pushed forward with high quality.

1. Contracting Engineering Business

Facade Contracting

Hong Kong and Macau are the key markets of the Group. The Group continued to strengthen its brand influence and competitive edge, expand its market share, and further consolidate its leading position in the Hong Kong’s facade market. As a recognised premium provider of complete high-end facade solutions in Hong Kong and Macau, the Group focused on deepening the strategic cooperation with its major clients and actively expanded the high-end market while strengthening the intra-group management. Since 2022, the Group has achieved outstanding performance in the Hong Kong and Macau markets, successively securing a number of large-scale residential and commercial projects, including the large-scale facade projects such as Macau Galaxy (phase 4) theatre and dome, Hong Kong Kai Tak No.6551, Kai Tak No.6554 and LOHAS Park (phase 12). The Group carefully organizes the internal design, procurement, production and installation procedures, allocate resources to vigorously implement incentive schemes for projects and enhance safety control so as to ensure construction period, quality, safety and efficiency of the projects.

There is huge potential in the facade market in Mainland China. The Group adhered to the competitive strategy of differentiation, fully leveraged its high-end brand of “Far East Facade”, high-difficulty technology, project experience and excellent project quality to focus on high-end facade projects, and promote the expansion of the market in Mainland China. Since 2022, the Group was successfully awarded a number of premium projects in Mainland China, including the facade project of No.2&5 building of OPPO’s Chang’an R & D Centre and the facade project of World Meteorological Centre.

The Group attached great importance to technological innovation and continued to enhance its core competitiveness and promote the sustainable development of the Group. Boasting the world’s leading technologies in the facade of super-tall skyscrapers and the complex hyperbolic special-shaped facade, 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. Meanwhile, the Group actively responded to the targets of carbon peak and carbon neutrality by developing and designing the Building Integrated Photovoltaic (BIPV) and Modular Integrated Construction (MIC) facade system to support the development of green buildings.

General Contracting

The development of the general 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 synergy. Since 2022, the Group has newly awarded the bid for the mixed-use development (phase four) at Wong Chuk Hang. Meanwhile, its projects in progress have been carried out smoothly, including the residential project at 128 Wong Ma Kok Road, Stanley and the mixed-use development (phase three) at Wong Chuk Hang.

2. Operating Management Business

While reinforcing and optimising the existing supervision business, China Overseas Supervision of the Group proactively built its full-process consultation business. In the first half of the year, the whole-process management and control capabilities of supervision projects continued to improve, and project performance was continuously praised by client.

Proactively expanding its heat supply market, Huanggu Thermoelectricity, a subsidiary of the Group, continued to strengthen safe operations, invested resources in researching the possibilities for energy saving and consumption reduction, and optimised pollution prevention facilities to improve environmental performance.

Overall Results

Benefiting from the accelerated construction progress and the commencement of works on new contracts awarded, the Group recorded aggregate revenue of HK\$3,806 million (30 June 2021: HK\$2,703 million) for the six months ended 30 June 2022, an increase of 40.8% as compared with the corresponding period of last year. The profit attributable to owners of the Company was HK\$322 million (30 June 2021: HK\$226 million), an increase of 42.5% as compared with the corresponding period of last year. The basic earnings per share was HK14.90 cents (30 June 2021: HK10.48 cents), an increase of 42.2% as compared with the corresponding period of last year. In consideration of the Company's profitability, cash flow level and capital requirements for future development, the Board declares an interim dividend of HK4.1 cents per share.

Segment analysis

Facade Contracting Business

As a result of progress acceleration on facade projects in Hong Kong and Mainland China, the segment's revenue recorded an increase to HK\$2,899 million for the six months ended 30 June 2022 (30 June 2021: HK\$1,852 million), representing an increase of 56.5% as compared with the corresponding period of last year. The gross profit increased to HK\$388 million for the six months ended 30 June 2022 (30 June 2021: HK\$180 million), representing an increase of 115.6% as compared with the corresponding period of last year. The operating profit increased by 1.1 times to HK\$318 million for the six months ended 30 June 2022 (30 June 2021: HK\$150 million) as compared with the corresponding period of last year.

General Contracting Business

As a result of the commencement of construction works of the new project awarded in 2021, the segment's revenue recorded an increase to HK\$305 million for the six months ended 30 June 2022 (30 June 2021: HK\$290 million). The operating profit decreased to HK\$4 million for the six months ended 30 June 2022 (30 June 2021: HK\$25 million) due to the fact that the certain profitable projects substantially completed in 2021 have made less contribution in 2022.

Operating Management Business

The segment recorded a steady growth in revenue during the period. The segment's revenue increased to HK\$602 million for the six months ended 30 June 2022 (30 June 2021: HK\$561 million). The operating profit decreased to HK\$105 million for the six months ended 30 June 2022 (30 June 2021: HK\$160 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 the facade contracting business, administrative, selling and other operating expenses increased to HK\$162 million for the six months ended 30 June 2022 (30 June 2021: HK\$92 million).

Finance costs

For the six months ended 30 June 2022, 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\$12 million (30 June 2021: HK\$13 million).

New Contracts Awarded and Project in Progress

The Group recorded an accumulated new contract value of HK\$6,009 million in the six months ended 30 June 2022 and achieved a 60.1% completion of the full year target of 2022, which is not less than HK\$10,000 million.

As of 30 June 2022, the on-hand total contract value amounted to approximately HK\$23,911 million, among which the backlog was approximately HK\$13,013 million.

Business Segments	New Contract Awarded (HK\$ million)	Project in Progress	
		Total Value (HK\$ million)	Backlog (HK\$ million)
Facade Contracting	5,246	18,932	10,401
General Contracting	200	3,785	1,982
Operating Management	563	1,194	630
Total	6,009	23,911	13,013

Financial Management

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. As of 30 June 2022, the Group had bank balances and cash of HK\$811 million (31 December 2021: HK\$928 million), total bank borrowings of the Group were HK\$1,459 million (31 December 2021: HK\$1,333 million). The Group's net gearing ratio (net bank borrowings to total net assets) as at 30 June 2022 was approximately 31.4% (31 December 2021: 25.6%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK\$2,991 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total bank borrowings as at 30 June 2022 and 31 December 2021 are set out as follows:

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
On demand or within one year	950,107	824,563
More than one year but not exceeding two years	559	551
More than two years but not more than five years	508,155	508,042
Total bank borrowings	1,458,821	1,333,156

Top-up placing of shares of the Company

In order to raise further capital for the Company, on 20 June 2022, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited (together, the “Placing Agents”), Add Treasure Holdings Limited (“Add Treasure”) and the Company entered into a placing and subscription agreement pursuant to which the Placing Agents agreed to place, up to 100,000,000 ordinary shares of the Company held by Add Treasure to six or more independent placees, being professional, institutional and/or other investors, at a price of HK\$2.20 per share (the “Placing”) and Add Treasure agreed to subscribe for, and the Company agreed to allot and issue to Add Treasure, ordinary shares of the Company at a price of HK\$2.20 per share, in the same amount as the total number of ordinary shares actually placed (the “Subscription”). The Placing was completed on 22 June 2022 and an aggregate of 100,000,000 ordinary shares were issued to Add Treasure at the price of HK\$2.20 per share on 24 June 2022. The closing price of the shares was HK\$2.16 per share as quoted on the Stock Exchange on 17 June 2022, being the date of the last trading day immediately prior to the date of the placing and subscription agreement. The net proceeds from the Subscription (after deducting related expenses) were approximately HK\$219,000,000, representing a net price of HK\$2.19 per share and approximately 70.78% and 29.22% of which would be used as general working capital for material and contracting payments for facade projects in Macau and Hong Kong, respectively. None of the proceeds were utilised as at 30 June 2022. It is expected that the net proceeds will be fully utilised as intended on or before 31 December 2022.

As at 30 June 2022, the Group’s equity attributable to owners of the Company amounted to HK\$2,152 million (31 December 2021: HK\$1,671 million), comprising issued capital of HK\$23 million (31 December 2021: HK\$22 million) and reserves of HK\$2,129 million (31 December 2021: HK\$1,649 million).

Treasury Policy

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

Employees and Remuneration Policy

At 30 June 2022, the Group employed a total of 5,018 (31 December 2021: 4,434) 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.

PROSPECTS

Looking forward to the second half of the year, the global economic growth rate is expected to decline to a large extent due to the impact of the recurring pandemic, political shocks in various regions and tightened monetary policies. With the stable control of the pandemic across the country and the strong support of macro policies, China's economy is expected to experience a rapid recovery. Although Hong Kong's economy has suffered heavy losses from the fifth wave of the pandemic, it is expected that the economy will gradually achieve a solid, ongoing resurgence through the pandemic prevention and control measures, which will further increase construction demand. At the same time, the development of the Guangdong-Hong Kong-Macau Greater Bay Area is expected to create tremendous opportunities for the construction industry in Hong Kong and Macau.

Business and Development Strategies

The facade contracting 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. The Group will further utilise and integrate existing resources and production capacity, and continue to focus on the construction period, 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 facade contracting 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.

Attaching importance to talent recruitment and training, the Group will strengthen its design teams building 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 satisfy 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 working overseas. This can maintain the stability of overseas teams and enhance the teams' cohesiveness and professional capability.

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

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK4.1 cents per share (30 June 2021: HK3 cents), payable on Friday, 11 November 2022 to shareholders whose names appear on the register of members of the Company on Friday, 9 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 September 2022 to Friday, 9 September 2022, both days inclusive, for the purpose of determining shareholders' entitlement to the interim dividend.

In order to qualify for the interim 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 7 September 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout the six months to 30 June 2022 with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF ACCOUNTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all shareholders, customers and suppliers for their strong support and to all employees for their hard work and commitment.

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

Hong Kong, 16 August 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), Mr. Wang Hai and Mr. Wong Man Cheung as Executive Directors; Mr. Huang Jiang as Non-executive Director; and Mr. Zhou Jinsong, Ms. Chan Man Ki Maggie and Mr. Zhang Xinyu as Independent Non-executive Directors.