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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020,
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2020	2019	Change %
RESULTS (HK\$'000)			
Revenue	62,458,009	61,669,678	1.3
Gross profit margin	14.9%	15.0%	-0.7
Profit attributable to owners of the Company	6,015,368	5,413,208	11.1
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	119.14	107.21	11.1
Net assets (HK\$)	11.54	10.08	14.5

DIVIDEND

The Board proposed a final dividend of HK19.00 cents per share. Together with the interim dividend of HK17.00 cents per share, total cash dividends for the year were HK36.00 cents (2019: HK32.00 cents) per share.

China State Construction International Holdings Limited

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020. The Group’s audited profit attributable to the owners of the Company for the year ended 31 December 2020 was HK\$6,015 million, representing an increase of 11.1% as compared to last year while basic earnings per share increased by 11.1% to HK119.14 cents.

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 December	
		2020 HK\$’000	2019 HK\$’000
Revenue	3	62,458,009	61,669,678
Costs of sales		(53,173,850)	(52,433,975)
Gross profit		9,284,159	9,235,703
Investment income, other income and other gains, net	5	979,166	636,756
Administrative, selling and other operating expenses		(1,920,393)	(1,681,800)
Share of profits of			
Joint ventures		701,944	452,654
Associates		1,879,577	920,143
Finance costs	6	(2,679,977)	(2,278,985)
Profit before tax		8,244,476	7,284,471
Income tax expenses, net	7	(1,760,302)	(1,560,891)
Profit for the year	8	6,484,174	5,723,580
Profit for the year attributable to:			
Owners of the Company		6,015,368	5,413,208
Holders of perpetual capital securities		407,246	260,166
Non-controlling interests		61,560	50,206
		6,484,174	5,723,580
Earnings per share (HK cents)	10		
Basic		119.14	107.21
Diluted		119.14	107.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Profit for the year	6,484,174	<u>5,723,580</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified to consolidated income statement</i>		
(Loss)/gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(38,168)	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	-	9,376
Exchange differences on translation of subsidiaries	1,973,947	(256,901)
Exchange differences on translation of joint ventures	606,150	(101,074)
Exchange differences on translation of associates	25,217	(5,827)
<i>Items that will not be reclassified to consolidated income statement</i>		
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	69,595	492
Other comprehensive income/(loss) for the year, net of tax	2,636,741	<u>(328,944)</u>
Total comprehensive income for the year, net of tax	9,120,915	<u><u>5,394,636</u></u>
Total comprehensive income for the year attributable to:		
Owners of the Company	8,597,603	5,090,668
Holders of perpetual capital securities	407,246	260,166
Non-controlling interests	116,066	43,802
Total comprehensive income for the year, net of tax	9,120,915	<u><u>5,394,636</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
Note		HK\$'000	HK\$'000
Non-current Assets			
	Property, plant and equipment	5,390,547	4,726,378
	Investment properties	4,643,331	5,067,333
	Interests in infrastructure project investments	5,713,846	4,747,131
	Interests in joint ventures	16,453,237	14,012,737
	Interests in associates	6,829,830	6,300,683
	Concession operating rights	3,812,526	3,837,846
	Deferred tax assets	177,691	157,833
	Trademark, project backlogs and licences	278,416	289,117
	Goodwill	577,664	577,664
	Financial assets at fair value through other comprehensive income	689,958	658,355
	Amounts due from investee companies	211,806	211,806
	Trade and other receivables	53,729,653	44,317,072
11	Loans to joint ventures	295,761	1,020,307
		98,804,266	85,924,262
Current Assets			
	Interests in infrastructure project investments	62,142	52,053
	Inventories	410,072	259,811
	Properties under development	4,311,691	1,810,383
	Properties held for sale	1,431,447	1,716,919
	Contract assets	11,981,742	12,115,947
	Trade and other receivables	38,160,276	30,601,279
11	Deposits and prepayments	1,536,738	500,604
	Loans to joint ventures	342,222	327,883
	Amounts due from joint ventures	6,421,303	5,105,117
	Amounts due from associates	846,103	373,897
	Tax recoverable	47,943	12,127
	Bank balances and cash	22,455,362	22,623,621
		88,007,041	75,499,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 31 December	
		2020	2019
		HK\$'000	HK\$'000
	Notes		
Current Liabilities			
Contract liabilities		8,547,294	7,830,567
Trade payables, other payables and accruals	12	51,288,246	44,699,248
Deposits received		61,326	34,352
Amounts due to joint ventures		1,481,867	1,353,803
Amounts due to associates		311,097	86
Amount due to a related company		137,222	-
Current tax payables		5,326,550	4,781,892
Borrowings	13	9,707,491	10,040,968
Loans from fellow subsidiaries		3,050,900	2,340,000
Lease liabilities		27,499	24,854
		79,939,492	71,105,770
Net Current Assets		8,067,549	4,393,871
Total Assets less Current Liabilities		106,871,815	90,318,133
Capital and Reserves			
Share capital		126,229	126,229
Share premium and reserves		48,967,545	42,021,941
Equity attributable to owners of the Company		49,093,774	42,148,170
Perpetual capital securities		7,799,208	7,781,962
Non-controlling interests		1,386,565	977,433
		58,279,547	50,907,565
Non-current Liabilities			
Borrowings	13	35,488,761	29,347,618
Guaranteed notes payables and corporate bonds		9,179,000	6,216,049
Contract liabilities		656,125	688,210
Deferred tax liabilities		399,898	403,675
Loan from a joint venture		2,843,602	2,711,864
Lease liabilities		24,882	43,152
		48,592,268	39,410,568
		106,871,815	90,318,133

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

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. APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS

(a) The adoption of amendments to existing standards

In the current year, the Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following amendments to existing standards (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA.

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 application of the *Conceptual Framework for Financial Reporting 2018* and the above revised HKFRSs in the current year has had no material impact on the Group’s results and financial position.

2. APPLICATION OF NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS (*continued*)

(b) New standards, amendments and improvements to existing standards not yet effective

The Group has not early adopted the following new standards, amendments and improvements to existing standards that have been issued but are not yet effective.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to HKFRS 9, HKAS 39, 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 Contract</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
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 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, amendments and improvements to existing standards and interpretation 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

Revenue represents the revenue arising from construction contracts, infrastructure investment projects, façade contracting business, infrastructure operation, project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

An analysis of the revenue is as follows:

	2020	2019
	HK\$'000	HK\$'000
Revenue from construction contracts	26,754,732	26,286,314
Revenue from infrastructure investment projects (note (a))	31,512,242	31,031,737
Revenue from façade contracting business	2,294,968	2,678,001
Revenue from infrastructure operation (note (b))	764,313	834,113
Others (note (c))	1,131,754	839,513
	62,458,009	61,669,678
Revenue from contracts with customers (note (d))		
Timing of revenue recognition		
- Over time	58,540,054	58,245,355
- At a point in time	750,909	572,790
	59,290,963	58,818,145
Revenue from other sources		
- Interest income generated from infrastructure investment projects	2,949,763	2,372,168
- Others (note (e))	217,283	479,365
	3,167,046	2,851,533
	62,458,009	61,669,678

Notes:

- (a) Revenue from infrastructure investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership (“PPP”) model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

3. REVENUE (continued)

Notes: (continued)

- (d) The revenue recognised for the years ended 31 December 2020 and 2019 are recognised over time, except for toll road operation and sales of building materials of approximately HK\$149,895,000 (2019: HK\$166,099,000) and HK\$601,014,000 (2019: HK\$406,691,000) respectively which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

4. SEGMENT INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates).

China State Construction Development Holdings Limited, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together the "CSC Development Group") is currently managed by a separate business team. The chief operating decision maker regards the CSC Development Group as a distinct reportable segment and assesses its performance based on its overall result.

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

	Segment revenue		Gross profit		Segment results	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Reportable segments						
Mainland China	32,349,676	31,935,556	7,087,353	6,832,238	6,503,313	6,307,058
Hong Kong and Macau	26,907,360	26,114,820	1,708,128	1,794,256	1,499,626	1,825,626
Hong Kong	22,403,905	21,421,172	1,171,498	1,307,090	990,025	1,352,802
Macau	4,503,455	4,693,648	536,630	487,166	509,601	472,824
Overseas	-	-	-	-	(5,869)	(14,209)
CSC Development Group	3,200,973	3,619,302	488,678	609,209	316,112	384,308
	62,458,009	61,669,678	9,284,159	9,235,703	8,313,182	8,502,783
Share of revenue/results of joint ventures	1,552,509	1,721,811			701,944	452,654
Total	64,010,518	63,391,489			9,015,126	8,955,437
Unallocated corporate expenses, net					(540,285)	(312,124)
Gain on disposal of a joint venture					570,035	-
Share of profits of associates					1,879,577	920,143
Finance costs					(2,679,977)	(2,278,985)
Profit before tax					8,244,476	7,284,471

China State Construction International Holdings Limited

5. INVESTMENT INCOME, OTHER INCOME AND OTHER GAINS, NET

	2020 HK\$'000	2019 HK\$'000
Interest income on:		
Bank deposits	247,891	225,704
Debt securities at FVOCI	28,659	22,820
Loans to joint ventures	26,377	83,179
Loans to associates	96,977	112,333
Dividend income from:		
Equity securities at FVOCI	35,384	31,154
Gain on disposal of:		
Debt securities at FVOCI, net of tax	-	7,376
Property, plant and equipment, net	5,242	9,138
Investment properties	-	4,028
A joint venture	570,035	-
Loss on fair value changes of investment properties, net	(186,302)	-
Service income	55,650	65,241
Others	99,253	75,783
	979,166	636,756

6. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	2,060,710	1,810,332
Interest on guaranteed notes payables and corporate bonds	263,181	225,329
Interest on loan from a joint venture	210,634	179,823
Interest on loan from an immediate holding company	-	4,080
Interest on loans from fellow subsidiaries	92,322	1,502
Interest on lease liabilities	3,664	3,020
Others	49,466	54,899
	2,679,977	2,278,985

7. INCOME TAX EXPENSES, NET

	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	239,023	195,459
Other jurisdictions	1,641,242	1,489,586
	1,880,265	1,685,045
Overprovision in prior years:		
Hong Kong	(45,712)	(91,855)
Other jurisdictions	(50,421)	(51,022)
	(96,133)	(142,877)
Deferred tax, net	(23,830)	18,723
Income tax expenses for the year, net	1,760,302	1,560,891

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

8. PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging/ (crediting):		
Employee benefits expense including directors' emoluments:		
Staff costs	4,322,931	4,354,331
Contributions to retirement benefit plans	214,962	209,623
	4,537,893	4,563,954
Less: Amounts capitalised in contract assets	(3,664,316)	(3,468,909)
	873,577	1,095,045
Depreciation of property, plant and equipment	359,628	344,395
Less: Amounts capitalised in contract assets	(162,590)	(151,133)
	197,038	193,262
Amortisation of concession operating rights (included in costs of sales)	201,028	270,065
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	17,454	17,598
Short-term lease expense in respect of:		
Plant and machinery	367,378	359,119
Land and buildings	29,625	12,714
	397,003	371,833
Less: Amounts capitalised in contract assets	(376,093)	(370,373)
	20,910	1,460
Rental income from investment properties, net of direct outgoings	(116,854)	(101,756)

9. DIVIDENDS

	2020	2019
	HK\$'000	HK\$'000
Dividends recognised as distributions during the year:		
2019 Final, paid – HK16.00 cents (2019: 2018 Final HK12.00 cents) per share	807,865	605,899
2020 Interim, paid – HK17.00 cents (2019: 2019 Interim HK16.00 cents) per share	858,357	807,865
	<u>1,666,222</u>	<u>1,413,764</u>

The final dividend of HK19.00 cents (2019: HK16.00 cents) per share amounting to approximately HK\$957,525,000 (2019: HK\$807,865,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2020	2019
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>6,015,368</u>	<u>5,413,208</u>
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>5,049,157</u>	<u>5,049,157</u>

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

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

	2020	2019
	HK\$'000	HK\$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	7,989,334	8,772,473
31-90 days	6,662,752	4,432,206
Over 90 days	64,554,824	52,903,487
	79,206,910	66,108,166
Retention receivables	4,023,954	4,175,107
Other receivables	8,659,065	4,635,078
Trade and other receivables	91,889,929	74,918,351
Less: Current portion	(38,160,276)	(30,601,279)
Non-current portion (Note)	53,729,653	44,317,072

Note: The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2022 to 2030, with approximately HK\$15,654,501,000 in 2022, HK\$18,185,337,000 in 2023, HK\$8,849,031,000 in 2024, HK\$11,040,784,000 in 2025 to 2030. As a result, they are classified as non-current.

Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to HK\$57,081,750,000 (2019: HK\$46,833,730,000).

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2020, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$2,102,585,000 (2019: HK\$1,863,217,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 (2019: 90) days to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	2020 HK\$'000	2019 HK\$'000
Trade payables, aged:		
0-30 days	15,236,908	16,145,643
31-90 days	7,711,229	5,076,280
Over 90 days	16,652,246	14,047,633
	39,600,383	35,269,556
Retention payables	5,859,313	6,013,667
Other payables and accruals	5,828,550	3,416,025
	51,288,246	44,699,248

The average credit period on trade and construction cost payables is 60 (2019: 60) days.

13. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Bank loans, secured	16,042,864	10,239,022
Bank loans, unsecured	29,153,388	29,149,564
	45,196,252	39,388,586
Less: Current portion	(9,707,491)	(10,040,968)
Non-current portion	35,488,761	29,347,618
Carrying amount repayable:		
Within one year or on demand	9,707,491	10,040,968
More than one year but not exceeding two years	10,712,508	5,071,472
More than two years but not more than five years	18,331,144	13,553,622
More than five years	6,445,109	10,722,524
	45,196,252	39,388,586

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

Borrowings are mainly denominated in Hong Kong dollar and Renminbi.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK19.00 cents per share (2019: HK16.00 cents per share) to shareholders whose names appear on the register of members of the Company on 21 June 2021. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting of the Company (the "AGM") to be held on 9 June 2021, dividend warrants will be despatched on or about 6 July 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the final dividend, the register of members will be closed as set out below:

- (i) For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 pm on 3 June 2021
Closure of register of members	4 June 2021 to 9 June 2021 (both days inclusive)
Record date	9 June 2021

- (ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 18 June 2021
Closure of register of members	21 June 2021
Record date	21 June 2021

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than the aforementioned latest time.

REVIEW OF OPERATION

In 2020, the COVID-19 pandemic has brought upon huge impact on the world, the global economy experienced the worst recession since the Great Depression in the 1930s, and many countries continued to struggle against the pandemic and maintaining economic activities, and the volatility of the pandemic caused difficulties in economic recovery. At the same time, unilateralism and trade protectionism have intensified, and man-made obstacles have further cast shadow over the global economy against the backdrop of the epidemic.

It is obvious that China has performed brilliantly in battling the pandemic. Being the first to control the pandemic and achieve economic recovery, with the annual economic growth of 2.3%, China has become the only major economy in the world that achieved positive economic growth, and the total economic output has reached a new record of trillion yuan. The outbreak of the pandemic in Hong Kong is volatile and the economy is exposed to further recession risk. On one hand, the HKSAR Government has adopted various measures to strengthen the prevention and control of the pandemic, and on the other hand, it has also implemented expansionary fiscal policies to drive economic development and promote employment. In addition, Hong Kong's financial market remains prosperous, with new market focus on events such as the return of offshore-listed Chinese stocks and the capital influx from the mainland to Hong Kong, which helped Hong Kong to continuously attract capital and consolidate its position as an international financial center. The tourism and gambling industries in Macau were also impacted by the pandemic. However, after the pandemic has been under control, there is a distinctive momentum of economic rebound. The construction of the Guangdong-Macao "intensive cooperation zone" in Hengqin and the continuous integration into the development and construction of the Greater Bay Area brought more momentum to the long-term growth of Macau.

Facing the challenges of the pandemic and the complicated economic landscape, the Group continued to adhere to its strategy of balancing between scale growth and leverage level, to fight against the pandemic and expand business with joint effort. While ensuring the safety of epidemic prevention, we optimized operating structure and achieved sound business development. In Mainland China, the Group will continue to focus on expanding investment projects with faster turnover and higher yield rate. As for Hong Kong and Macau markets, the Group further consolidated its market-leading position. Since the second quarter, all operating indicators have rebounded significantly, and the development continued to accelerate, successfully accomplishing the annual target plan.

For the year ended 31 December 2020, the audited revenue of the Group amounted to HK\$62.46 billion, with an operating profit of HK\$9.02 billion. The profit attributable to the shareholders slightly increased by 11.1% to HK\$6.02 billion, representing net profit ratio of 10.4%, basic earnings per share of HK119.14 cents and net asset value per share of HK\$11.54. The Board recommended the distribution of final dividend of HK19.00 cents per share for the year of 2020. The total dividend distributed throughout the year amounted to HK36.00 cents, representing a year-on-year growth of 12.5%.

Mainland China Market

In early 2020, the central and local governments mainly focused on pandemic prevention and control therefore the infrastructure market of Mainland China experienced a significant slowdown. Subsequently, with the pandemic gradually under control, infrastructure investment continued to rebound and the growth rate gradually recovered. At the same time, moderately loose monetary policies relatively lowered the financial costs, which also brought more market opportunities to the infrastructure investment industry. The Group further optimized the order structure from the strategy of balancing scale growth, and leverage and cash flow. New contracts signed in Mainland China for the year amounted to HK\$65.58 billion, representing a year-on-year increase of 18.3%, the proportion of projects with long cycle was further reduced, the structure of orders on hand was continuously optimized, and the turnover was gradually accelerated, laying a solid foundation for subsequent accelerated development.

Hong Kong and Macau Markets

In response to the economic downward pressure under the COVID-19 pandemic, the HKSAR Government has launched a number of supportive policies, especially from the perspective of securing employment, to actively promote the implementation of government construction projects to further attract the employed population. According to the needs of epidemic prevention, the HKSAR Government has made urgent arrangements for a number of projects such as quarantine centers and temporary hospitals. The Group took full advantage of the competitive advantages and brand value in the professional field, seized market opportunities, and successively won the tender of a number of pandemic prevention and other official and semi-official construction projects. New contracts signed in the Hong Kong market amounted to HK\$27.10 billion, and continued to maintain its market-leading position.

The Macau economy has experienced a slowdown, but the construction market is still steadily in progress. With the continuous launch of government projects and licensed gambling projects, the Group grasped the opportunity and won the tender of large-scale projects such as Studio City Macau Phase 2. The Group became the only contractor in Macau to undertake projects for six licensed gambling enterprises and the new contract value reached HK\$13.28 billion, representing a year-on-year increase of 10.6%.

Curtain Wall Market

China State Construction Development continued to maintain its leading position in the curtain wall market in Hong Kong and won the tender of large curtain wall projects. The curtain wall business in Mainland China has gradually entered the mainstream market with a record high turnover. New contract value for the year reached HK\$5.12 billion, representing a year-on-year increase of 1.4%.

Corporate Governance

While pursuing economic growth, the Group also considers the sustainable development of environment, society and governance. During the year, the Group amended the Articles of Association to better align with the latest legal and regulatory requirements in the Cayman Islands and Hong Kong, and further optimized the governance structure and information technology to improve management efficiency.

China State Construction International Holdings Limited

In order to adhere to the philosophy of sustainable development, the Group has set up a dedicated sustainability committee, which was upgraded to the Board level in early 2020, so as to strengthen the direct participation of the Board, comprehensively control sustainable development related matters, and maintain close cooperation with external professional consultants to further enhance the disclosure standards of its sustainability report and strive to maintain the leading position in the industry. In terms of business management, the Group continued to improve its organizational structure, strengthened its investment management and market expansion functions to better promote its business development.

Not only does the Group's well-established governance structure ensure the efficiency of operation and management, but it also empowers the Group to respond in a scientific and timely manner under the challenges of COVID-19 and promote its business development as planned while ensuring the safety of epidemic prevention.

Risk Management

To constantly identify and manage the Group's strategic risk, financial risk, market risk and operational risk, the Group has established the Risk Management Control Committee. The committee is chaired by the Chief Executive Officer and its members include the executive Directors and senior management. The Audit Department and the Risk Management Control Committee continuously and independently assess the risks and manage the risks to an acceptable level.

During the year, based on the classification of project risk, the Group further improved the risk forecast and prevention of projects on hand and new projects, while studying the risks brought by information security to the operation and protection measures to improve the comprehensive risk prevention and control level. Particularly, in response to the development of COVID-19, the Group established and improved the "four-level risk" grading system to strengthen the prevention and control of epidemic risk.

Financial Management

During the year, the Group continued to maintain a stable financial structure. Leveraging on the highest AAA credit rating granted by two institutions, namely, China Chengxin International Credit Rating and China Lianhe Credit Rating, in Mainland China in 2019, the Group actively expanded the RMB financing channels in the Mainland China and completed its first-ever issuance of Panda corporate bonds at an amount of RMB2 billion. China State Construction International Investments Limited, the Group's business platform in the Mainland China, also obtained AAA rating for the first time during the year and completed its first-ever issuance of medium-term notes at an amount of RMB0.5 billion. The Group completed a milestone breakthrough in the expansion of the PRC capital market, and the matching between the financing currency and the business currency was further enhanced, effectively achieving a natural hedge against exchange rate risk.

Following the established operational objectives, the Group steadily controlled leverage and strengthened cash flow to step up its efforts in fund recovery. As of 31 December 2020, the cash in hand amounted to HK\$22.46 billion, accounting for 12.0% of total assets. The net gearing ratio was controlled at 54.8%. The unutilized bank credit facilities of the Group was HK\$65.60 billion, representing an increase of 31.0% as compared with that of the corresponding period in the previous year and effectively securing the liquidity.

Human Resources

The Group's business covers multiple regions and the Group has many employees. It is necessary to continuously improve its human resources policies and systems to respect and protect the rights and interests of every employee, and to provide them with a broad development space to grow together with the Group.

In 2020, in face of COVID-19, the Group promptly deployed the united procurement of epidemic prevention supplies before the Spring Festival and distributed them to employees and site workers. Through the establishment of a professional team by China State Construction International Medical Industry Development Co., Limited, a subsidiary of the Group, consultation with professionals and reference to various epidemic prevention and control data, the Group has established an epidemic prevention mechanism covering all employees, and dynamically mastered the epidemic prevention and control situation of the whole Group, the physical condition of employees and the epidemic handling measures on a daily basis. In addition, the Group actively aided employees who are subject to compulsory quarantine to ensure the epidemic prevention safety as well as physical and mental health of all employees.

Technological innovation

During the year, the Group continued to improve and strengthen its technology management system, set up a construction technology research institute and a technology development fund, and continued to increase its investment in technology. Focusing on the core technologies of construction, the Group improved the facilities of the research center and obtained 93 national patents, including 12 invention patents, and 12 software copyrights. It has also obtained a number of science and technology awards, such as the CSCEC Major Technical Achievement Award (中建集團重大科技成果), the first prize of the Huaxia Construction Science and Technology Award, the second prize of the CSCEC Science and Technology Award, and the NCE Tunnelling Construction Award of the Institution of Civil Engineers.

As the scientific research giants of the Group, China State Hailong Construction Technology Company Limited and China State Construction Development Holdings Limited have promoted and applied Modular Integrated Construction (MiC), their newly developed technology in the past two years, in various hospital projects for epidemic prevention in Hong Kong with a total of more than 2000 MiC quarantine units delivered. In particular, the Hong Kong Infection Control Centre of North Lantau Hospital, which was built by the Group, is the first hospital in Hong Kong with negative-pressure wards supported with MiC technology and the first smart hospital in Hong Kong (E-Hospital). In respect of MiC business, the Group continues to be the leader in the market and in terms of technology, and has successfully expanded the Macau market during the year, laying a solid foundation for the Group's development in prefabricated construction and the enhancement of its level of construction technology in Macau.

Social responsibility

The Group continues to deepen its corporate philosophy of "Good Quality and Value Creation" so as to deliver positive impacts to its employees, customers, partners and the public, aiming at achieving a harmonious win-win situation by building a livable and suitable living environment. The Group widely listens to and accepts stakeholders' opinions, and integrates sustainability concepts such as integrity operation, human orientation, social care and environmental protection into daily operations. The Group has been included in the FTSE4Good Index for four consecutive years, and its overall performance on sustainability has been recognized by authorities once again.

REVIEW OF FINANCIAL PERFORMANCE

Profit attributable to owners of the Company was HK\$6,015 million, represents a year-on-year increase of 11.1%.

Against the impact of COVID-19 pandemic, the Group maintained stable revenue of HK\$62,458 million, a year-on-year rise of 1.3%. Basic earnings per share was HK119.14 cents, a year-on-year rise of 11.1%. With a proposed final dividend per share of HK19.00 cents, an interim dividend per share of HK17.00 cents per share paid in the year, the total dividends for the year amount to HK36.00 cents per share, representing an increase of 12.5% as compared to last year.

Segment Analysis

1. Hong Kong and Macau—Construction and related business

In response to the economic downward pressure under the COVID-19 pandemic, Hong Kong SAR Government actively promoted the implementation of government construction projects, including quarantine centers and infection control hospitals. The Group makes full use of its competitive advantages and brand value of the professional sector, seized market opportunities, and successively won the tender of a number of government related construction projects. Besides, the Group also actively participated in the private housing work. Hong Kong segment recorded a new high of its revenue to HK\$22,404 million, up by about 4.6% as compared to HK\$21,421 million in last year, segment result amounted to HK\$990 million, dropped by about 26.8% as compared to HK\$1,353 million in last year. This is because profit of several large-sized projects have not been accrued as they were still in the preliminary stage, while additional cost was incurred for the pandemic prevention period.

Macau economy also experienced a slowdown under the COVID-19 pandemic, but the construction market still recorded a steady increase in progress, with the continuous launch of government projects and licensed gambling projects. The Group grasped the opportunity and won several large-scale projects. Macau segment maintained stable revenue of HK\$4,503 million compared with HK\$4,694 million in last year, but reported a higher segment result of HK\$510 million as compared with HK\$473 million in last year.

2. Mainland China—Infrastructure investment projects and construction related businesses

In early 2020, the central and local governments mainly focused on pandemic prevention and control, therefore the infrastructure market of Mainland China experienced some significant impact. Subsequently, with the pandemic gradually under control from the second quarter, infrastructure investment continued to rebound and the growth rate gradually recovered.

Mainland China's segment recorded stable revenue and result amounted to HK\$32,350 million (2019: HK\$31,936 million) and HK\$6,503 million (2019: HK\$6,307 million), representing a growth of 1.3% and 3.1% year-on-year respectively.

(a) Infrastructure investment projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and school. The Group continued to optimize the structure of orders on hand, the proportion of projects with long cycle was further reduced, and the turnover was gradually accelerated. During the year, the Group increased efforts on cash collection and received buy-back payment of HK\$18,383 million (2019 : HK\$11,797 million) from infrastructure investment project, including the attributable share of such payment received by our joint venture investments, up by about 55.8%.

Infrastructure Investment Projects remained the core business and the major contributor of Mainland China. Revenue and result were up 1.6% and 7.4% over last year to HK\$31,485 million and HK\$6,472 million respectively.

(b) Operating infrastructure projects

Operation Infrastructure Projects representing toll roads operation. Excluding the contribution from joint venture, revenue from operation infrastructure projects was HK\$150 million, dropped about 9.8% as compared to the year of 2019 due to the impact of pandemic.

(c) Construction related business

Construction related business mainly represents contribution from prefabricated construction industrialization factories and other business such as project management services. This sector recorded stable revenue of HK\$715 million as compared to HK\$780 million for the last year.

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

CSC Development Group focused on the facade contracting business, general contracting business and operating management business. CSC Development Group further solidified its leading position in the market of Hong Kong and Macau and continues to expand its market in Mainland China and other regional markets.

Cash Flows Analysis

As some infrastructure project were operated in Public-Private-Partnership (“PPP”) model, the buy-back period of PPP projects was comparatively longer than that of traditional Build-transfer model. Further, the Group has been optimizing the structure of orders on hand to accelerate the turnover by increasing the proportion of investment in government targeted repurchase of resettlement housing, which incurs large investment in preliminary stage but has a shorter payback period than PPP projects. The net cash used in operating activities for the year was HK\$4,532 million (2019: HK\$2,704 million), included the net expenditure for infrastructure project amounting HK\$5,651 million (2019: HK\$3,013 million). The net cash inflow from investing activities was HK\$325 million (2019: net cash outflow HK\$3,090 million), and the net cash inflow from financing activities was HK\$2,881 million (2019: HK\$10,507 million).

UNAUDITED OPERATING INFORMATION

For the twelve months ended 31 December 2020, the Group recorded an accumulated new contract value of HK\$111.08 billion.

As of 31 December 2020, the on-hand contract value of the Group amounted to approximately HK\$450.28 billion, among which the backlog was approximately HK\$252.37 billion.

New Contracts Awarded & Project in Progress in 2020

Market	New Contract Awarded (HK\$ Billion)	Project in Progress as of 31 December	
		Total Value (HK\$ Billion)	Backlog (HK\$ Billion)
Mainland China	65.58	299.92	172.78
Hong Kong	27.10	88.23	53.00
Macau	13.28	43.66	17.71
China State Construction Development Holdings Limited	5.12	18.47	8.88
Total	111.08	450.28	252.37

BUSINESS PROSPECTS

During the period for the “13th Five-Year Plan”, the Group achieved a contract value of HK\$528,760 million, a turnover of HK\$276,114 million and a profit attributable to shareholders of HK\$26,549 million, which exceeded the planned target, with indicators such as gearing ratio and net gearing ratio maintained stable and financial structure maintained healthy. The Group continued to expand its business scale and its geographical coverage, diversify its business model and pay more attention to the sustainability of its business structure. The Group actively adjusted its business structure, optimized its investment portfolio which comprised short-term, medium-term and long-term business, and made a balance among its scale, profit margin, turnover rate and cash flow to pursue quality and sustainable growth. Great importance was attached to innovation-based operations with technology services and fostered core competitiveness through technology, while the Group continued to improve the management and control system, to optimize the allocation of business resources, to improve the level of customer service, and to strengthen the risk classification management for stable and long-term development.

Looking forward to the “14th Five-Year Plan”, the Group will focus on the goal of “becoming the top investment, construction and operation group through differentiated competitive advantages”, and will coordinate and promote steady growth, structural adjustments, reforms procurements, strong innovations and risk preventions. In the past few years, the Group’s development model was a dual-wheel drive of “investment + construction”. Based on our understanding of the differentiated competitive advantages in the market and its own construction business, we have established and gradually moved towards the “tomorrow” strategy of “technology + investment + construction” and have further progressed towards the “day-after-tomorrow” strategy of “technology + investment + construction + asset operation and management” for further growth and optimization, aiming at the achievement of drastic development during the “14th Five-Year” period.

China State Construction International Holdings Limited

At the beginning of 2021, the COVID-19 epidemic remains complicated, and the market faces many challenges. The Group will take a prudent approach as it usually takes for constant prevention and control of the epidemic, to effectively protect the lives, safety and health of employees, and will safeguard its targets of development and safety concurrently. In the Hong Kong market, the Group will seek progress while maintaining stability to expand our scale, and promote “large-scaled housing projects, professional civil engineering works, refined foundation engineering works and diversified electrical and mechanical engineering works”, with a view to becoming the best in terms of strength apart from being the largest in size. In the Macau market, the Group will consolidate its market share of construction business, adhere to its brand direction, maintain differentiated competitiveness with high quality, and strengthen its core competitiveness; it will enhance its investment planning capability and strive to expand its investment share in accordance with the directions of large markets, big landlords and large projects. In Mainland China, the Group will strengthen the replication and promotion of its existing advantageous business models, actively explore new business models, strategically select investment regions with reference to the blueprint for investment, optimize resources allocation such as use of capital and management, and actively improve the project cash flow and debt level; it will further integrate into the market of the Greater Bay Area and increase its market share by leveraging on the Group’s advantages such as engineering technology, management and talents which have been accumulated over years in Hong Kong and Macau, and actively promote the continuous implementation of the models used in Hong Kong and Macau and the pilot projects in the Greater Bay Area. In terms of asset operation, the Group will further improve its business model for asset operation, monitor the asset operation quality and asset valuation in real time and carry out acquisition and disposal properly, so as to accelerate the turnover of capital and effectively improve the overall operation quality.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 9 June 2021. The notice of the AGM, which constitutes part of a circular to shareholders of the Company, will be sent together with the 2020 annual report.

All shareholders of the Company are encouraged to attend the AGM and exercise their right to vote. Shareholders will be able to meet with directors of the Company and will be invited to ask questions relating to the business of the meeting.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group’s listed securities during the year ended 31 December 2020 and up to the date of this announcement.

On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of Renminbi 2 billion to professional investors in the People’s Republic of China. The corporate bonds have a maturity of 3 years and the coupon rate is 3.48%. The corporate bonds were listed on the Shanghai Stock Exchange.

On 26 October 2020, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of Renminbi 500 million in the People’s Republic of China. The medium-term notes have a maturity of 3 years and the coupon rate is 3.45%. The medium-term notes were listed on the National Association of Financial Market Institutional Investors.

China State Construction International Holdings Limited

During the period between 26 January 2021 and 5 February 2021 (both days inclusive), the Company repurchased a total of 9,552,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at an aggregate consideration (before expenses) of HK\$43,749,400.00. All shares of the Company repurchased were subsequently cancelled on 23 February 2021.

Details of the shares of the Company repurchased during the period are as follows:

Month	Number of shares repurchased	Price paid per share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2021	4,322,000	4.60	4.46	19,537,760.00
February 2021	5,230,000	4.77	4.52	24,211,640.00

CORPORATE GOVERNANCE

During the year, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a model code for securities transactions by directors and relevant employees (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Directors and relevant employees of the Company are required to comply with the Securities Code. Reminders are sent to directors and relevant employees that they should not deal in the shares of the Company during the “black-out-period” specified in the Securities Code and before publishing any inside information announcement. Directors and relevant employees are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company’s securities. After making enquiries by the Company, all directors and relevant employees confirmed that they have complied with the Securities Code during the year ended 31 December 2020.

REVIEW OF ACCOUNTS

The Company’s Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY 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 EY on this announcement.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

By Order of the Board

**China State Construction
International Holdings Limited**

Yan Jianguo

Chairman and Non-executive Director

Hong Kong, 24 March 2021

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