



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)

(於開曼群島註冊成立之有限公司)



2019 Annual Results

25th March 2020



CONTENTS

- 01** | 2019 ANNUAL RESULTS
- 02** | BUSINESS HIGHLIGHTS
- 03** | OUTLOOK AND STRATEGIES
- 04** | APPENDIX



2019 ANNUAL RESULTS



Steady growth in earnings Creating shareholder value

Net Profit ▲ 20.3%

Steady growth of net profit
and improvement of profitability

- Revenue HK\$ 61.67 billion ▲ **10.9%**
- Gross Profit HK\$ 9.24 billion ▲ **6.2%**
- Net Profit HK\$ 5.41 billion ▲ **20.3%**

DPS ▲ 18.5%

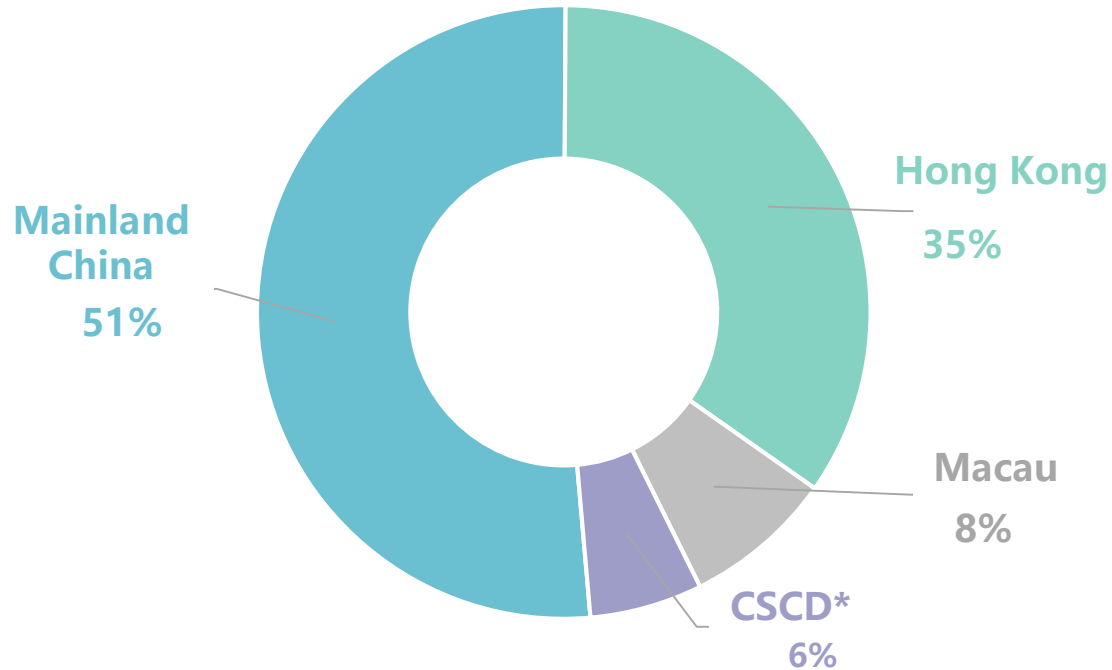
Creating value for shareholders

- EPS HK\$ 107.2 cents ▲ **20.3%**
- DPS HK\$ 32 cents ▲ **18.5%**

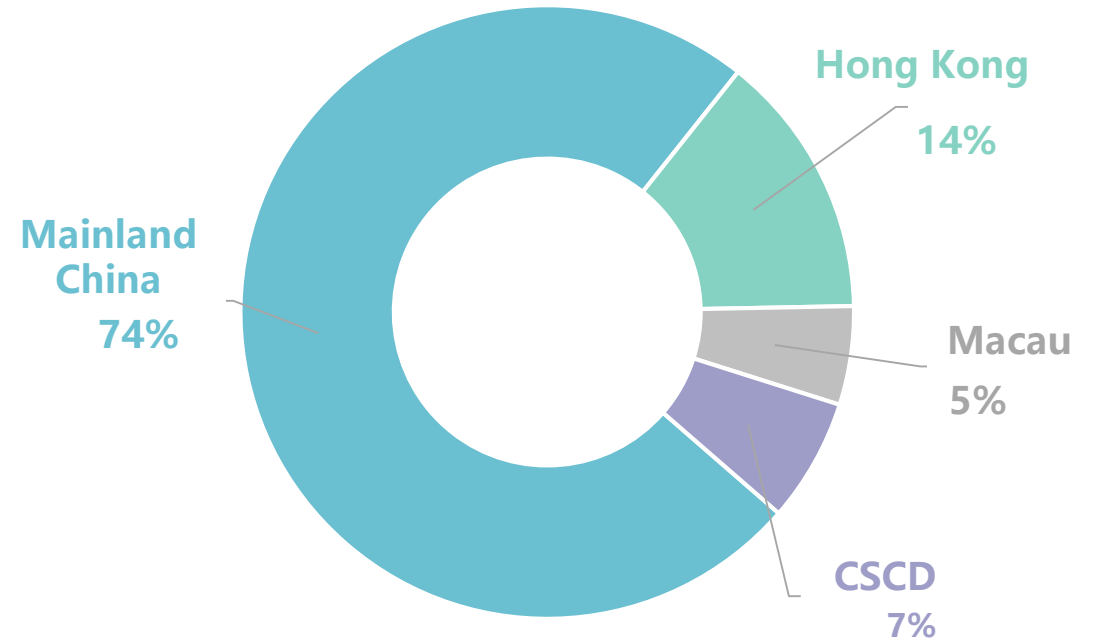


Balanced distribution and optimized structure

Breakdown of Revenue



Breakdown of Gross Profit



* China State Construction Development Holdings Limited

■ For comparison purposes, the revenue and gross profit from Mainland China contributed 55.0% and 73.4% in 2018 respectively.



Stable financial position with strengthened operating cash flow in mainland China

Net Gearing Ratio ▼ 8.6 pps

Alleviated leverage with lower gearing ratio

- Net Gearing Ratio 45.1% ▼ 8.6pps
- Cash HK\$ 22.62 billion ▲ 26.2%

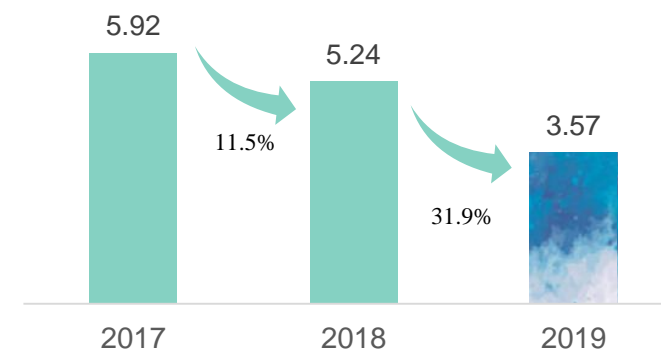
Net Cash Outflow from Mainland China ▼ 31.9%

Strengthened cash flow in mainland China

- Net Cash Outflow from Mainland HK\$ -3.57 billion ▼ 31.9%
- Operating Cash Collected from Infrastructure Investment Projects in Mainland China HK\$ 11.80 billion ▲ 6.5%

OCF (HK\$ million)	2018	2019
Cash Inflow from Mainland China	21,565	21,732
- Cash Outflow from Mainland China	26,809	25,300
= Net Cash Inflow/Outflow from Mainland China	-5,244	-3,568
+ Net Cash Inflow/Outflow from Hong Kong & Macau	3,319	864
= Operating Cash Flow	-1,925	-2,704

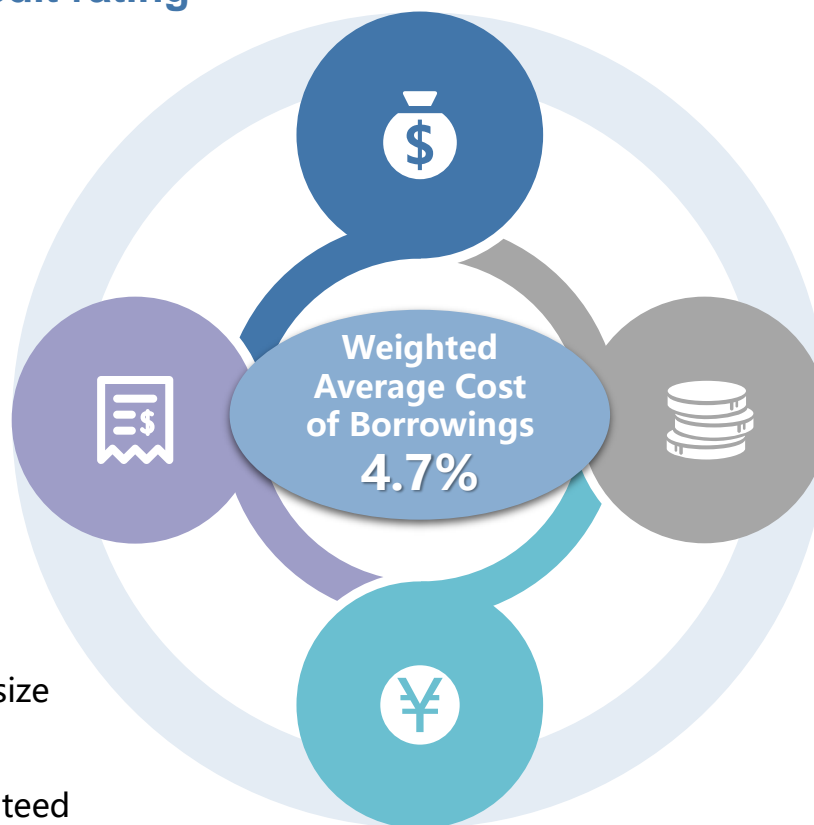
Net Cash Outflow from Mainland (HK\$ billion)



Leading credit rating with widen financing channels

01 Newly obtained domestic credit rating

 中诚信国际 CCXI	AAA
 联合评级 United Ratings	AAA
MOODY'S	Baa2
FitchRatings	BBB+
S&P Global	BBB

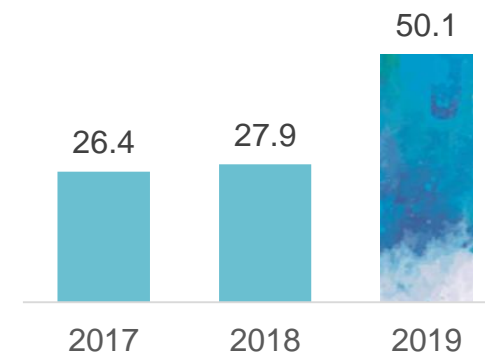


02 Expanding financing channels

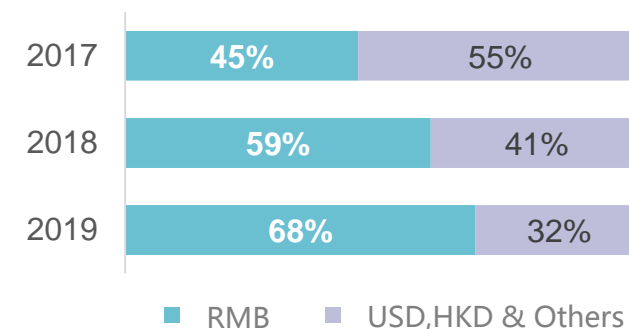
- Completed an ABS transaction with a total size of US\$500 million in March 2019.
- Issued US\$500 million subordinated guaranteed perpetual capital securities in December 2019.

03 Sufficient credit line

Committed but Unutilized Credit Facilities and Other Banking Facilities (HK\$ billion)



04 Currency Proportion of Borrowings

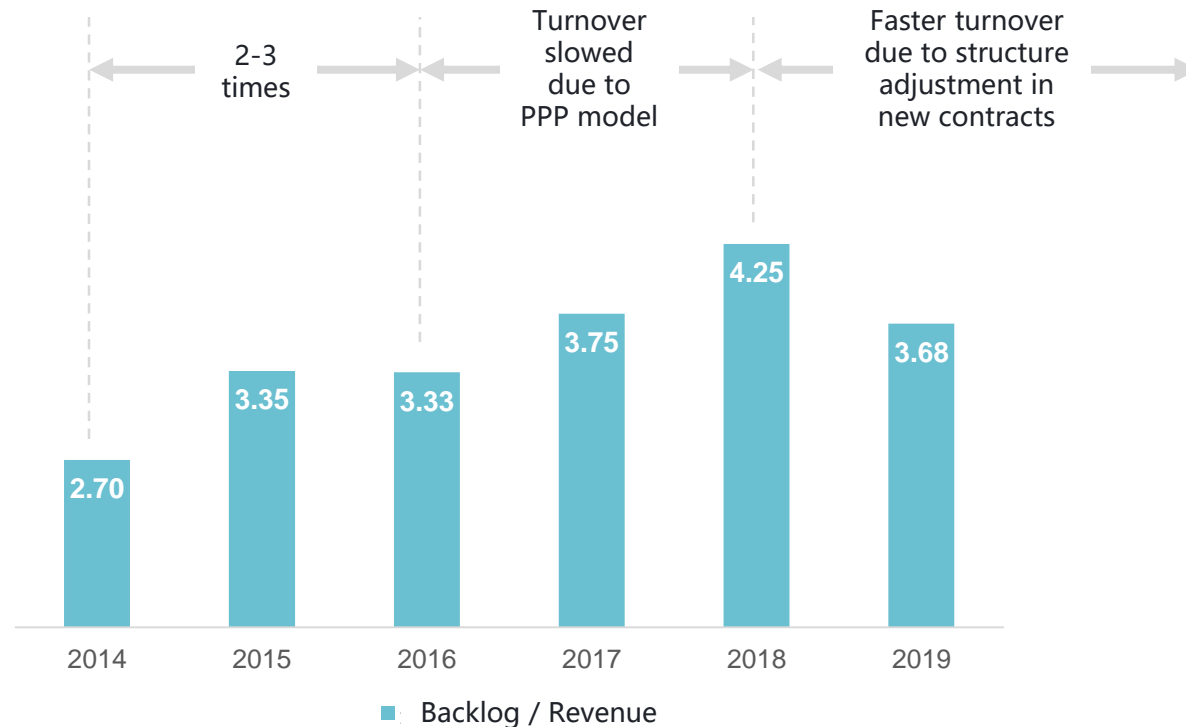


Optimized structure in new contracts Abundant backlog with faster turnover

(HK\$ billion)	2018	2019	Change(%)
Mainland China	81.94	55.43	▼32.3
<i>* Proportion of GTR and other new model projects</i>	0%	43.4%	▲43.4pps
Hong Kong	26.32	38.13	▲44.9
Macau	7.10	12.01	▲69.2
CSCD	4.79	5.05	▲5.4
Total	120.15	110.62	▼7.9

* GTR, Government Targeted Repurchase model

(HK\$ billion)	31/12/2018		31/12/2019	
	Total Value	Backlog	Total Value	Backlog
Mainland China	272.60	189.54	263.28	157.43
Hong Kong	61.80	34.51	87.08	52.18
Macau	19.24	5.78	31.07	9.61
CSCD	11.67	6.73	15.14	7.85
Total	365.31	236.56	396.57	227.07



- In 2017-2018, changes in PPP policy and financing restrictions led to an extended project cycle and a slower turnover, leading to an increase in the ratio of backlog to revenue.
- In 2019, an optimized structure in new contracts helped to accelerate turnover, adjusting the ratio of backlog to revenue to an acceptable range.



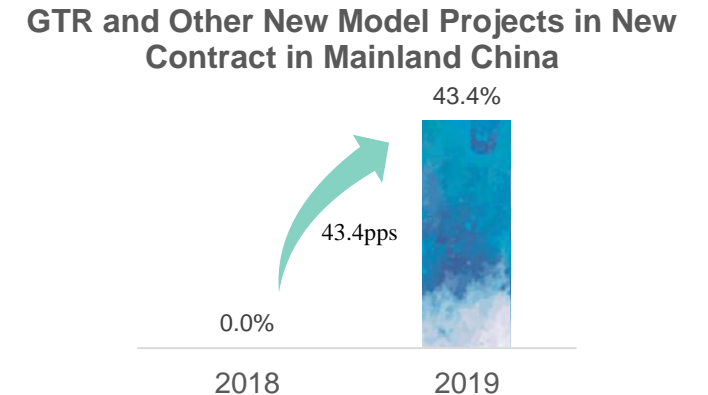
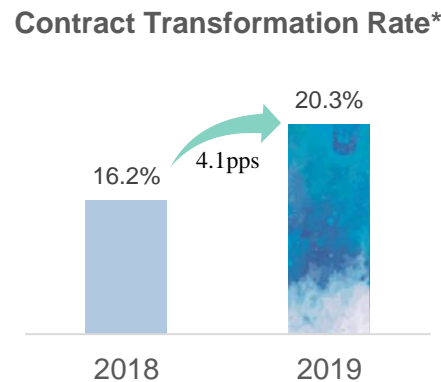
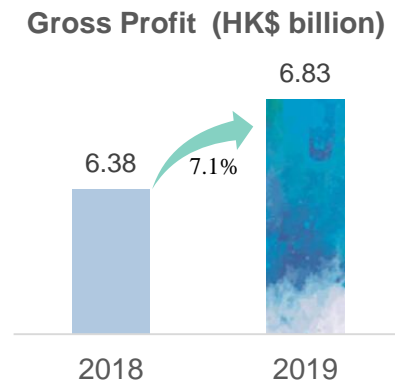
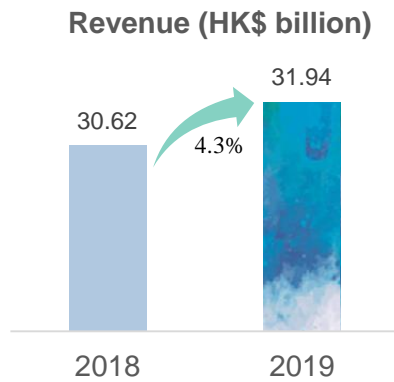
BUSINESS HIGHLIGHTS





Business transformation in stable growth

- The Group adhered to the **strategy of balancing its scale of growth, leverage and cash flow**.
- Measures were taken to lower the contribution of long-term projects and acquire projects with faster turnover and high return.
- Adjustments in scale and structure of new contracts were achieved while maintaining the scale growth in revenue and gross profit.
- The increasing contribution of new model projects has been accelerating turnover, assisting the business transformation.



* Contract Transformation Rate
= Revenue / Backlog *100%



Mainland China



Model innovation with faster turnover and better cash flow

- The Group promoted new business models such as Government Targeted Repurchase (GTR) model to accelerate turnover and strengthen cash flow.
- GTR model:** 4-year project cycle (including 2-year construction) . The company participates in open land bidding and is responsible for design, investment and construction. The government purchases all houses after completion. Different from PPP model, GTR model, though with a relatively lower margin, accelerates project turnover and cash return, therefore increases IRR significantly.

Statement of Cash – GTR Project in Wenzhou, Zhejiang Province (RMB million)

Year	2019	2020				2021				2022				Total
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Expense	-390	-170				-160				-80				-800
Income	0	380	0	0	160	0	0	0	0	325	0	0	215	1,080
Net Cash Flow	-390	370				-160				460				280
Accumulated Net Cash	-390	-20				-180				280				280

Statement of Cash – PPP Project in Taizhou, Zhejiang Province (RMB million)

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Expense	-265	-210	-245	0	0	0	0	0	0	0	0	0	-720
Income	0	0	0	130	104	102	102	102	102	102	102	102	1,050
Net Cash Flow	-265	-210	-245	130	104	102	102	102	102	102	102	102	330
Accumulated Net Cash	-265	-475	-720	-590	-486	-384	-282	-180	-78	24	126	228	330



Projects



GTR project in Wenzhou, Zhejiang (HK\$ 3.7 billion)



GTR project in Xuancheng, Anhui (HK\$ 1.2 billion)



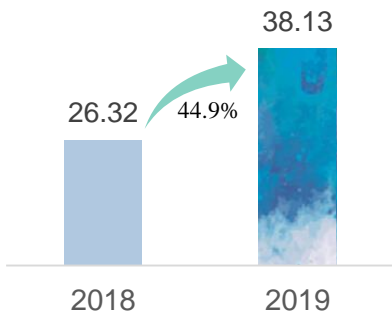
GTR project in Fuzhou, Fujian (HK\$ 0.5 billion)



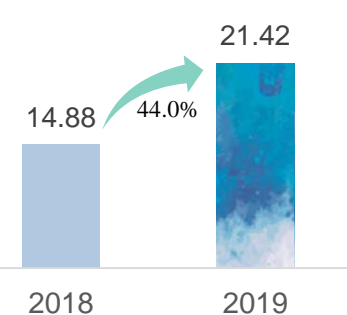
Breakthroughs in both traditional and new construction markets

- With advantages in talents and technology, the Group has been competitive and awarded new projects in all construction market segments in 2019.
- The Group has established technological advantages in design and construction of large hospitals, sewage treatment plants and tunnel crossings and immersed tube tunnel, which enabled the Group to award numerous of **large-scale landmark projects**.
- The Group constantly promoted innovation in technology (e.g. Modular Integrated Construction) and business model(e.g. EPC + Operation in Tseung Kwan O Desalination Plant Project).

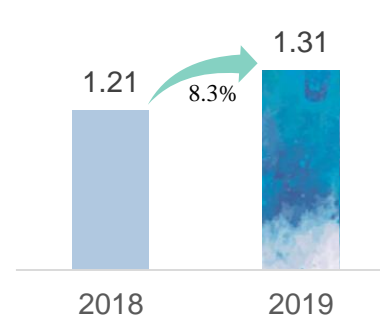
New contracts (HK\$ billion)



Revenue (HK\$ billion)



Gross Profit * (HK\$ billion)



* Most of the projects recognized in 2019 were awarded in 2018-2019, some of which have not reached 30% progress, therefore temporarily no profit has been recognized and the gross profit margin has been lowered due to international accounting policy.



Projects



The Hong Kong Palace Museum Project (HK\$ 2.2 billion)



Kwong Wah Hospital Reconstruction Project (HK\$ 5.7 billion)



Tseung Kwan O Desalination Plant Project (HK\$ 2.8 billion)

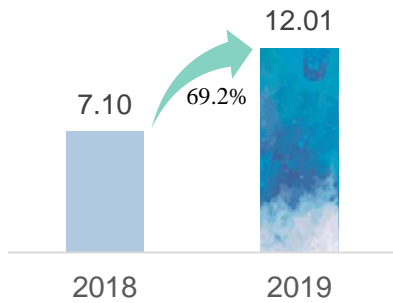




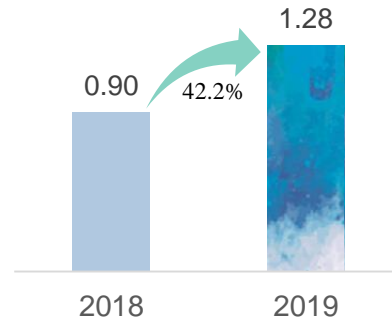
Leading contractor with increasing profit from investment-driven projects

- Macau's economy took a step backward following years of growth, therefore the government launched more projects to expand domestic demand.
- The Group utilized its competitive advantages in large scale construction and seized the market opportunity. **New contracts awarded in Macau reached a record high in 2019.**
- The Group continued to focus on investment-driven contracting projects. Although revenue in Macau fluctuated in 2019, investment return from early committed associated companies contributed significantly.

New Contracts (HK\$ billion)



Net Profit * (HK\$ billion)



* Nova City Phase V in Macau contributed a profit of HK\$866 million, boosting overall net profit in Macau.



Projects



Islands Hospital Complex Project (HK\$ 7.1 billion)



Theme Park Resort Hotel Complex Development Project (HK\$ 3.4 billion)



Macau LRT Depot Project (HK\$ 1.1 billion)



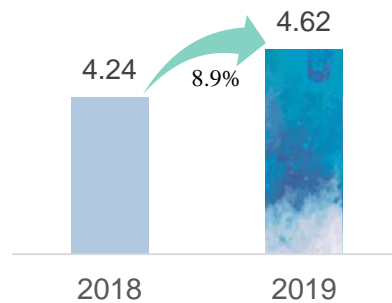
China State Construction Development



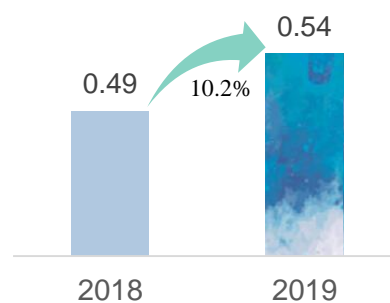
Market expansion with optimized business structure

- Several large-scale commercial and residential projects were launched in the market of curtain wall in Hong Kong, Macau, and Greater Bay Area in 2019.
- China State Construction Development solidified its **leading position in the market of Hong Kong and Macau**, and meanwhile expanded mainland market, deepening efforts in Greater Bay Area and other regional markets.
- After asset injections from parent company, CSCD's operation of infrastructure assets business continued to operate steadily and kept cash flow contribution actively.

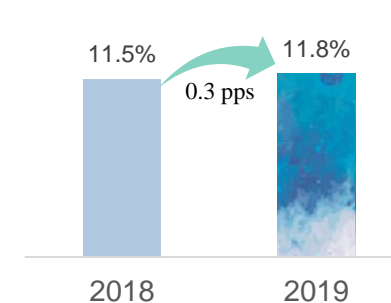
Revenue (HK\$ billion)



Gross Profit (HK\$ billion)



Gross Margin



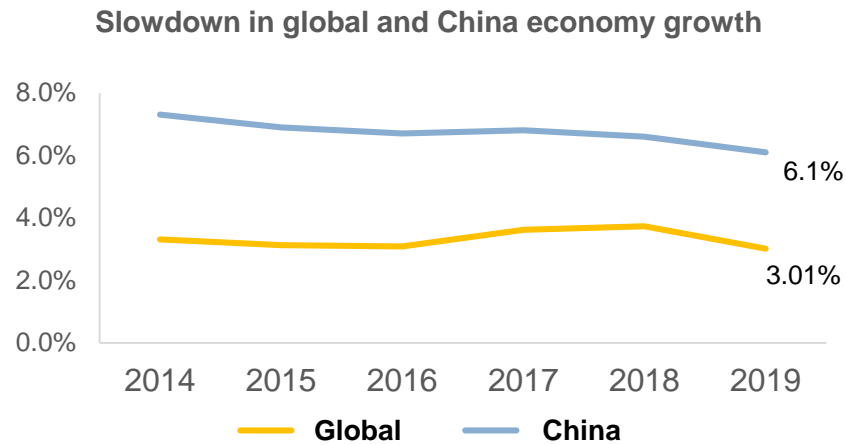


OUTLOOK AND STRATEGIES



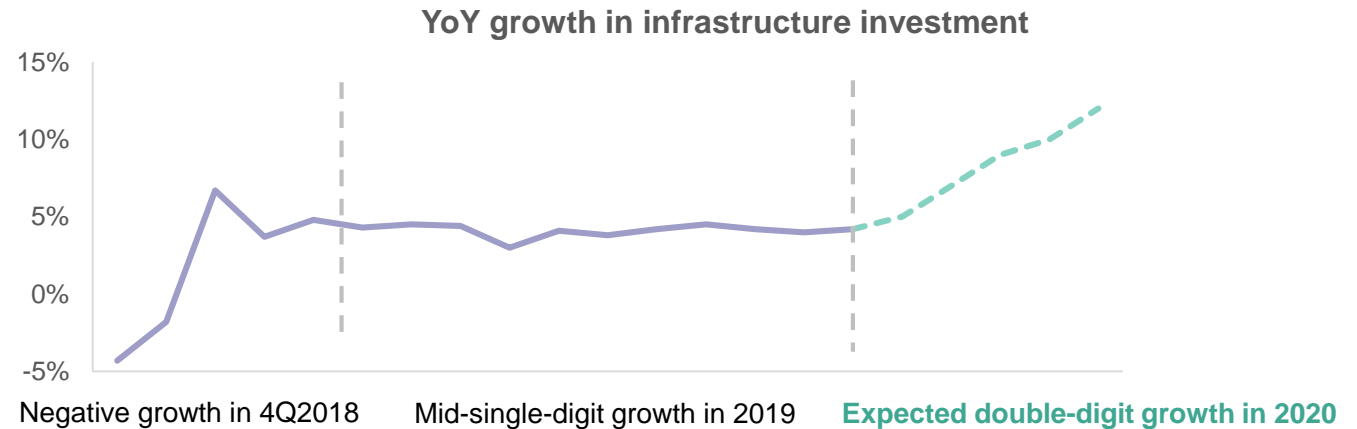
Economic and Industrial Outlook

Global economic downturn with challenges from COVID-19



- In 2019, the global economic growth rate dropped to 3%, while China's was 6.1%, showing strong resilience.
- The Global economic recovery is facing challenges due to COVID-19, and major global economic forecasts for 2020 have been constantly lowered.

Infrastructure investment in 2020 is expected to realize a double-digit growth



- Since consumption and exports have been frustrated by COVID-19, government will strongly support infrastructure investment to maintain macro economic development.
- Supportive policies and capital supply have been offered to strengthen counter cyclical adjustment. A special bonds issuance quota as large as RMB1.29 trillion has been released in advance with an increased proportion in infrastructure. Therefore the infrastructure investment in 2020 is expected to realize a double-digit growth.
- In response to the economic impact from COVID-19, more construction projects such as medical facilities will be launched in Hong Kong and Macau, bringing new market opportunities.





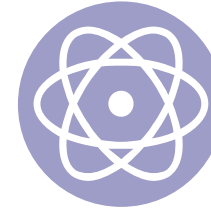
Transformation in business model

- Based on the strategy of faster turnover, shorter cycle and higher return, explore new business models such as GTR in mainland China.
- Consolidate the leading position in construction market and participate in diversified investment business to improve profitability.



Regional focus and synergy

- Based on investment map, concentrate resources and invest in key areas such as Yangtze River Delta and Greater Bay Area.
- Promote the pilot of Hong Kong and Macau construction mode in mainland China and acquire high-quality projects by differentiated advantages.
- Explore overseas markets prudently.



Development driven by technological innovation

- Promote technological innovation such as technology of Modular Integrated Construction, prefabricated construction, and large hospital construction.
- Establish differentiated competitive advantage in project bidding and further improve profitability.



Systematic management

- Establish standardized investment evaluation system guided by financial model and investment map.
- Strengthen the fine management system by conducting project risk classification and control.
- With the goal of improving the profitability of assets, accelerate the construction of the operation management system.



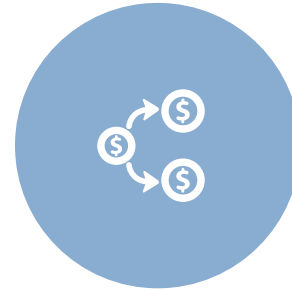
2020 Guidance

Double Digit Growth



Net Profit Growth

30%



Dividend Payout

HK\$ 110 billion



New Order

The Group is expected to overfulfil the net profit target of HK\$ 25 billion in its 13th five year plan, and is fully confident with all the targets in the coming 14th five year plan.





APPENDIX



Summary of P&L

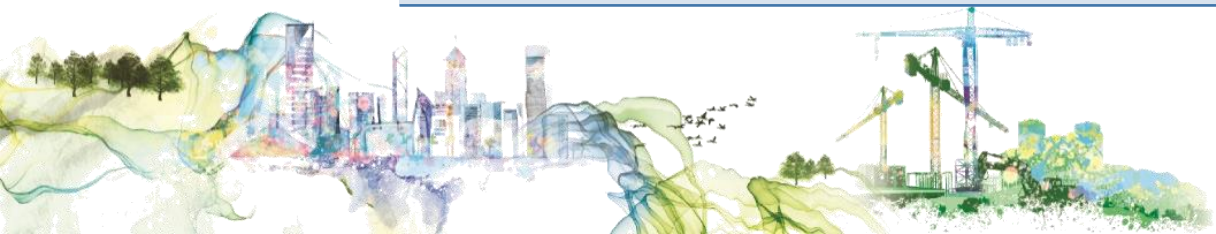


P&L(HK\$ million)	2018	2019	Change (%)
Revenue	55,626	61,670	▲ 10.9
Gross Profit	8,696	9,236	▲ 6.2
Gross Margin (%)	15.6	15.0	▼ 0.6 pps
Net Profit	4,500	5,413	▲ 20.3
EPS (HK\$ cents)	89.1	107.2	▲ 20.3
DPS (HK\$ cents)	27	32	▲ 18.5



Summary of B/S

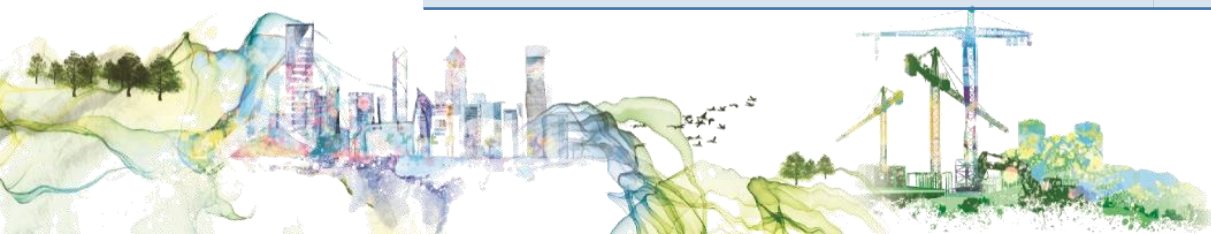
B/S (HK\$ million)	31/12/2018	31/12/2019	Change (%)	
Total Assets	136,122	161,424	▲	18.6
Total Liabilities	93,044	110,516	▲	18.8
Equity	43,078	50,908	▲	18.2
Cash	17,926	22,624	▲	26.2
Net Gearing Ratio (%)	53.7	45.1	▼	8.6pps



Summary of OCF



OCF (HK\$ million)	2017	2018	2019
Cash Inflow from Mainland China	12,985	21,565	21,732
- Cash Outflow from Mainland China	18,905	26,809	25,300
= Net Cash Inflow/Outflow from Mainland China	-5,920	-5,244	-3,568
+ Net Cash Inflow/Outflow from Hong Kong & Macau	1,075	3,319	864
= Operating Cash Flow	-4,845	-1,925	-2,704

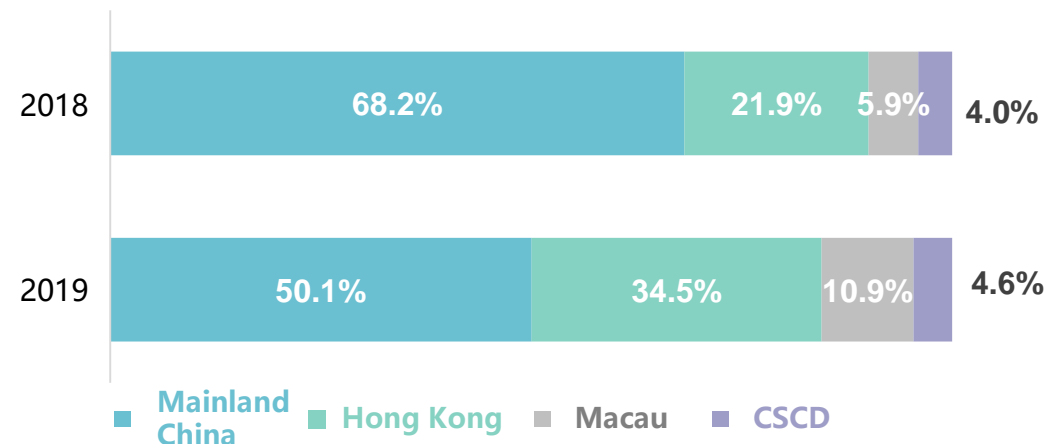


New Contracts Awarded & Projects in Progress

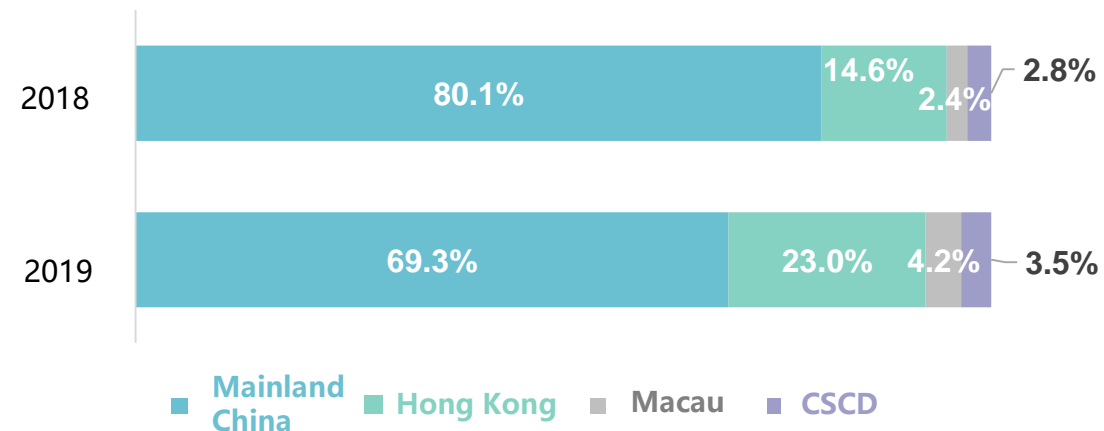
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Total	120.15	110.62

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Total	365.31	236.56	396.57	227.07

New Contracts by Business



Backlog by Business by the end of 2019



Company Profile

Stock Info

- ◆ Listed on the HKEx in July, 2005;
- ◆ Outstanding Shares: 5,049million ordinary shares;
- ◆ Total Market Cap: Approximately US\$ 3 billion;
- ◆ Average Daily Volume: Approximately US\$ 8 million

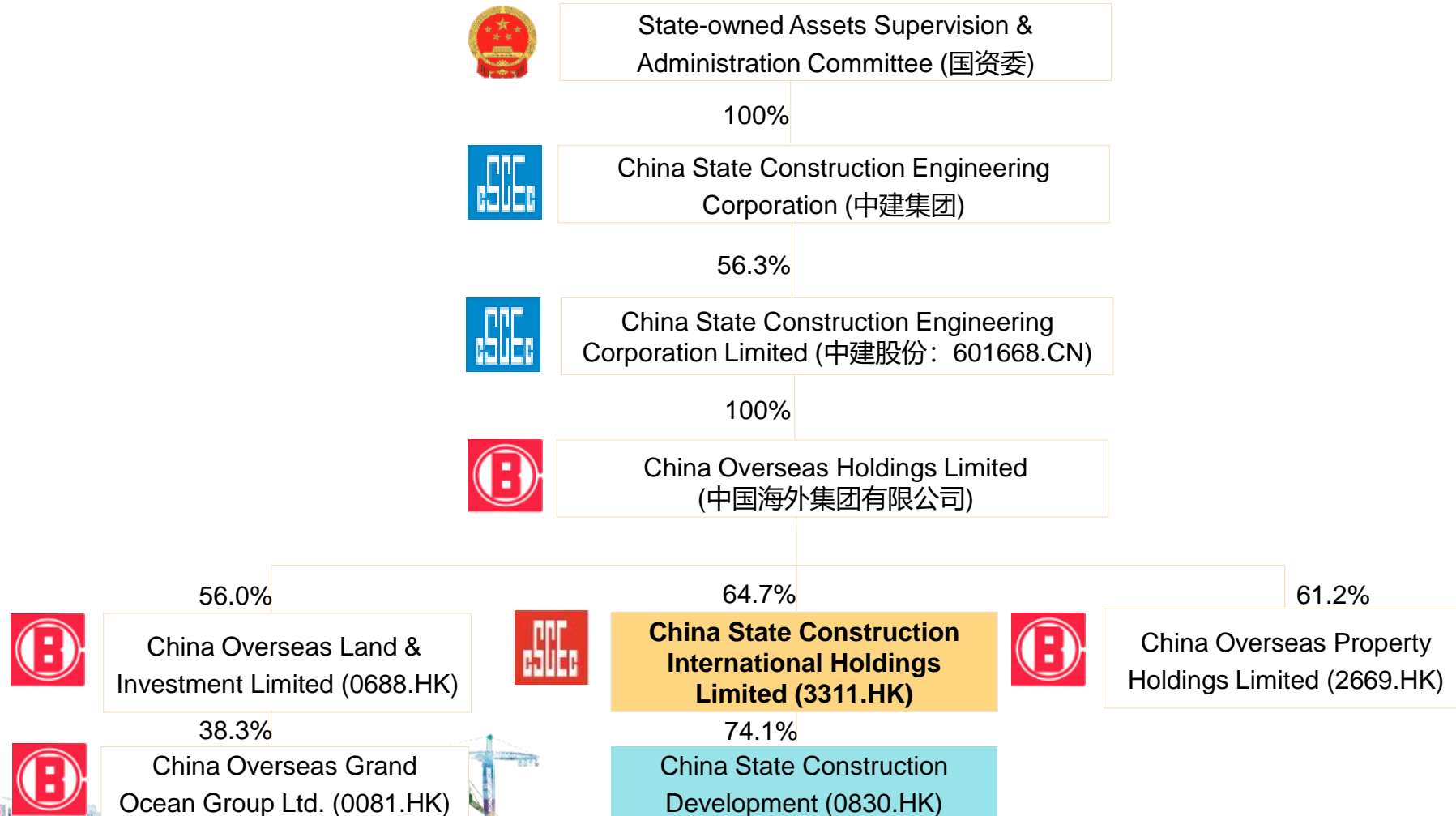
Company Info

- ◆ Fully licensed construction company with long track record and strong market recognition;
- ◆ Over 1,000 cross-regional construction projects completed, including many iconic projects;
- ◆ The largest contractor for HK & Macau government projects for 10 consecutive years;
- ◆ Extensive international contracting experience and outstanding track record;
- ◆ Focused on the development of infrastructure investment business with the accumulated investment of more than RMB390 billion and business coverage of over 60 cities in Mainland China in recent years.

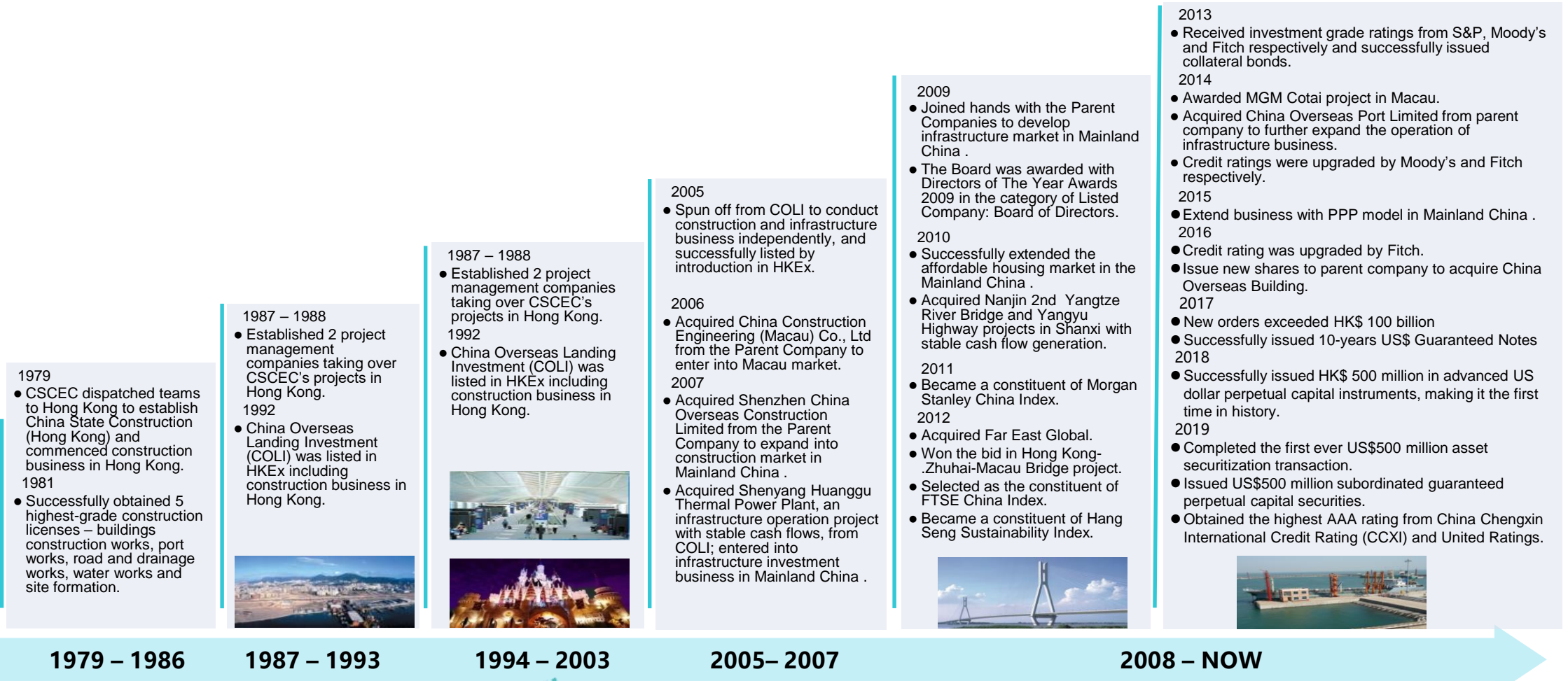
Construction License Held

Region	Category	License
HK	5 Major Categories (Building, Waterworks, Road & Drainage, Port, and Site Formation)	Group C
Macau	All Categories	Qualified Contractor
India	All Categories	Qualified Contractor
UAE	All Categories	Qualified Contractor
Mainland China	Building, Foundation, Municipal Construction	Class I
Mainland China	Supervisory Consultancy	Class A in 9 Categories
Mainland China	Pre-cast Production	“National High-Tech Enterprise”

Shareholder Structure



Corporate Milestone



1979

- CSCEC dispatched teams to Hong Kong to establish China State Construction (Hong Kong) and commenced construction business in Hong Kong. 1981
- Successfully obtained 5 highest-grade construction licenses – buildings construction works, port works, road and drainage works, water works and site formation.

1987 – 1988

- Established 2 project management companies taking over CSCEC's projects in Hong Kong. 1992
- China Overseas Landing Investment (COLI) was listed in HKEx including construction business in Hong Kong.

1987 – 1988

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2005

- Spun off from COLI to conduct construction and infrastructure business independently, and successfully listed by introduction in HKEx.

2006

- Acquired China Construction Engineering (Macau) Co., Ltd from the Parent Company to enter into Macau market.

2007

- Acquired Shenzhen China Overseas Construction Limited from the Parent Company to expand into construction market in Mainland China .
- Acquired Shenyang Huanggu Thermal Power Plant, an infrastructure operation project with stable cash flows, from COLI; entered into infrastructure investment business in Mainland China .

2009

- Joined hands with the Parent Companies to develop infrastructure market in Mainland China .
- The Board was awarded with Directors of The Year Awards 2009 in the category of Listed Company: Board of Directors.

2010

- Successfully extended the affordable housing market in the Mainland China .
- Acquired Nanjin 2nd Yangtze River Bridge and Yangyu Highway projects in Shanxi with stable cash flow generation.

2011

- Became a constituent of Morgan Stanley China Index.

2012

- Acquired Far East Global.
- Won the bid in Hong Kong-Zhuhai-Macau Bridge project.
- Selected as the constituent of FTSE China Index.
- Became a constituent of Hang Seng Sustainability Index.

2013

- Received investment grade ratings from S&P, Moody's and Fitch respectively and successfully issued collateral bonds.

2014

- Awarded MGM Cotai project in Macau.
- Acquired China Overseas Port Limited from parent company to further expand the operation of infrastructure business.
- Credit ratings were upgraded by Moody's and Fitch respectively.

2015

- Extend business with PPP model in Mainland China .

2016

- Credit rating was upgraded by Fitch.
- Issue new shares to parent company to acquire China Overseas Building.

2017

- New orders exceeded HK\$ 100 billion
- Successfully issued 10-years US\$ Guaranteed Notes

2018

- Successfully issued HK\$ 500 million in advanced US dollar perpetual capital instruments, making it the first time in history.

2019

- Completed the first ever US\$500 million asset securitization transaction.
- Issued US\$500 million subordinated guaranteed perpetual capital securities.
- Obtained the highest AAA rating from China Chengxin International Credit Rating (CCXI) and United Ratings.

Market Entrance **Initial Development** **Scale Expansion, Stable Development** **Gained Strong Recognition as a Top-tier Contractor and Infrastructure Developer**



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THANK YOU



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