



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 : 03311

EXERCISE CAUTION IN  
**DETAILS AND IMPLEMENTATION**

BUILD A STRONG FOUNDATION TO SEEK  
**GREATER SUCCESS**

ANNUAL REPORT 2021





# VISION

The Group is dedicated to its core value of **Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success.**

In strict compliance with the industry standard and dedicating to contribute to the industry, the Group will strive for growth and continuous innovation under China State's principle of "Good Quality and Value Creation". With the development of individual staff and strengths of teamwork, the Group will achieve a win-win situation with the shareholders, employees and society and become a new role model in the new era. The Group will insist on developing into a leading corporation with competitive international complex construction and infrastructure investment.





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# Corporate Structure



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED



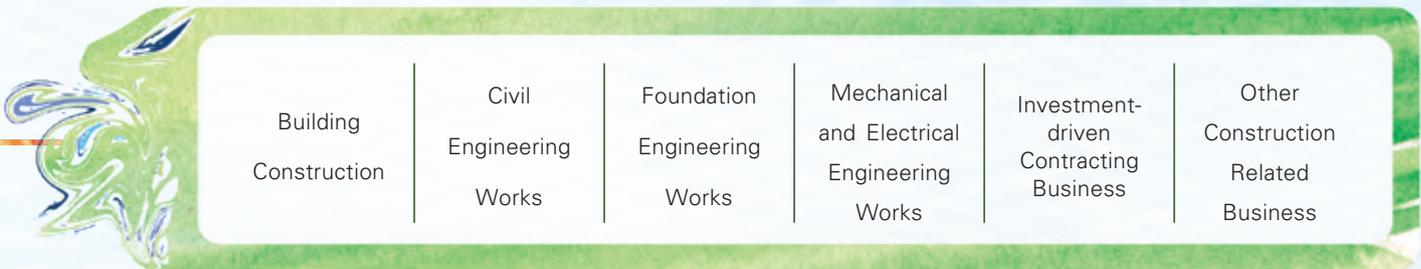
# Corporate Structure (continued)



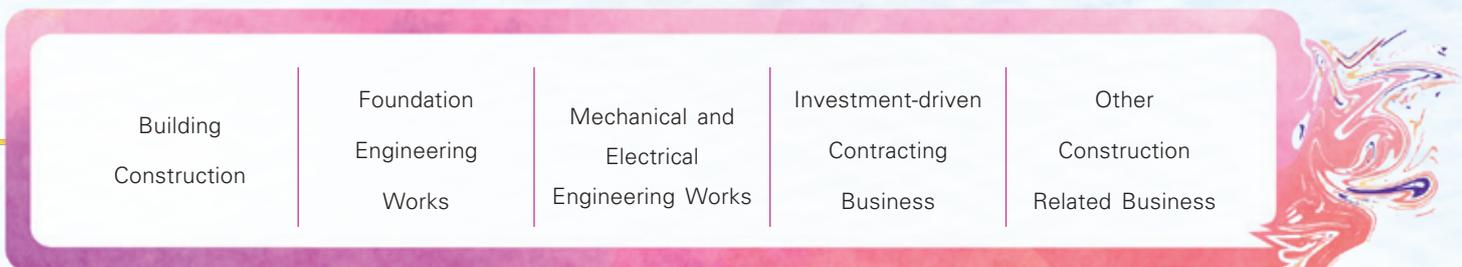
## MAINLAND CHINA



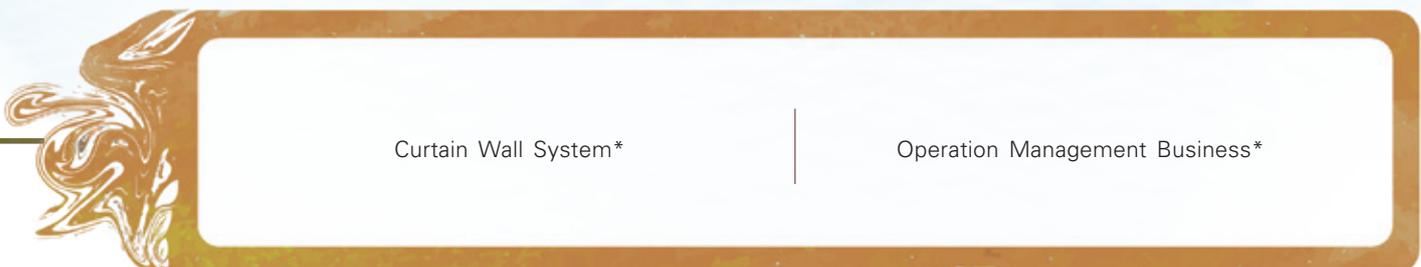
## HONG KONG



## MACAU



## OTHERS



\* Operate through a listed subsidiary, China State Construction Development Holdings Limited (Stock Code: 00830)

# Board of Directors and Committees

## BOARD OF DIRECTORS

### Non-executive Directors

Yan Jianguo (*Chairman*)  
Chen Xiaofeng

### Executive Directors

Zhang Haipeng (*Chief Executive Officer*)  
Zhou Hancheng  
Hung Cheung Shew

### Independent Non-executive Directors

Adrian David Li Man Kiu  
Raymond Leung Hai Ming  
Lee Shing See  
Wong Wai Ching\*

## COMMITTEES

### Audit Committee

Lee Shing See (*Chairman*)  
Adrian David Li Man Kiu  
Raymond Leung Hai Ming  
Wong Wai Ching\*

### Remuneration Committee

Adrian David Li Man Kiu (*Chairman*)  
Raymond Leung Hai Ming  
Lee Shing See  
Wong Wai Ching\*

### Nomination Committee

Lee Shing See (*Chairman*)  
Adrian David Li Man Kiu  
Raymond Leung Hai Ming  
Wong Wai Ching\*

### Sustainability Committee

Zhou Hancheng (*Chairman*)  
Zhang Haipeng  
Adrian David Li Man Kiu  
Raymond Leung Hai Ming  
Lee Shing See  
Wong Wai Ching\*

\* Wong Wai Ching has been appointed on 25 March 2022

# Corporate Information

## Authorised Representatives

Yan Jianguo  
Zhang Haipeng  
Zhou Hancheng (Alternate to Yan Jianguo)

## Company Secretary

Ko Hiu Fung

## Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1333  
Facsimile: (852) 2810 8185  
E-mail: is-enquiries@hk.tricorglobal.com

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Head Office and Principal Place of Business in Hong Kong

28th Floor, China Overseas Building  
139 Hennessy Road, Wanchai  
Hong Kong

## Investor Relations

Telephone : (852) 2823 7888  
Facsimile : (852) 2671 9477  
E-mail : csci.ir@cohl.com

## Public Relations

Telephone : (852) 2823 7888  
Facsimile : (852) 2671 9477  
E-mail : csci.pr@cohl.com

## Auditor

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Principal Bankers

Agricultural Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
BNP Paribas Hong Kong Branch  
China Construction Bank Corporation  
China Development Bank Corporation  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China Ltd.  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited

## Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and certain debt securities issued by the Company and/or its subsidiaries are listed on the Stock Exchange and/or other stock exchange.

## Stock Code

### Shares

Stock Exchange: 03311  
Bloomberg: 3311:HK  
Reuters: 3311.HK

## Website

[www.csci.com.hk](http://www.csci.com.hk)

# Corporate Information (continued)

## Financial Calendar

### **Interim Results Announcement**

17 August 2021

### **Closure of Register of Members – Interim Dividend**

17 September 2021

### **2021 Interim Dividend Payable**

5 October 2021

### **Final Results Announcement**

25 March 2022

### **Closure of Register of Members – Annual General Meeting**

6 June 2022 to 9 June 2022 (both days inclusive)

### **Annual General Meeting**

9 June 2022

### **Closure of Register of Members – Final Dividend**

22 June 2022

### **Payment of Proposed Final Dividend**

7 July 2022



# Financial Highlights

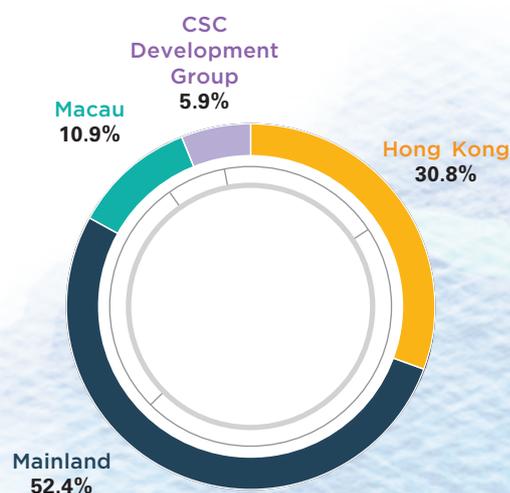
	For the year ended 31 December				
	2017	2018	2019	2020	2021
<b>Results (HK\$'000)</b>					
Revenue	50,152,524	55,626,304	61,669,678	62,458,009	<b>77,309,614</b>
EBITDA (Note a)	8,223,304	8,369,258	10,044,381	11,339,973	<b>12,485,168</b>
Profit attributable to owners of the Company	5,490,091	4,500,148	5,413,208	6,015,368	<b>6,800,879</b>
<b>Financial Ratios</b>					
Net margin (%)	11.0	8.1	8.8	9.6	<b>8.8</b>
Current ratio (times)	1.07	1.12	1.06	1.10	<b>1.23</b>
<b>Financial Information Per share</b>					
Earnings (HK cents) (Note b)	118.85	89.13	107.21	119.14	<b>134.94</b>
Dividend (HK cents)	35.00	27.00	32.00	36.00	<b>40.50</b>
Net assets (HK\$)	7.62	8.53	10.08	11.54	<b>13.14</b>
<b>Other Information</b>					
Value of incomplete contracts at 31 December (HK\$ billion)	188.01	236.56	227.07	252.37	<b>281.36</b>

Notes:

- (a) EBITDA represents profit before tax, interest expenses, depreciation and amortisation charged to the consolidated income statement during the year.
- (b) The weighted average number of ordinary share used in the calculation of earnings per share for the year ended 31 December 2017 has accounted for the bonus element of the rights issue which was completed on 12 October 2017.

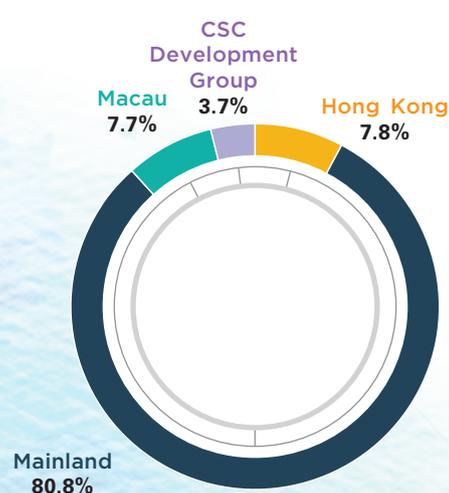
## Breakdown of Segment Revenue

for the year ended 31 December 2021



## Breakdown of Segment Results

for the year ended 31 December 2021



# Major Events of the Year



On 20 January, the completion and handover ceremony of North Lantau Hospital Hong Kong Infection Control Centre supported by the Central Government was held. Government officials, including Mrs. Carrie Lam, the Chief Executive of the HKSAR Government, attended the ceremony, while Mr. Ma Xingrui, the Governor of Guangdong Province, Mr. Wang Weizhong, the Secretary of the Communist Party of China ("CPC") Shenzhen Municipal Committee and Mr. Huang Liuquan, the Deputy Director of the Hong Kong and Macao Affairs Office of the State Council virtually attended the event and delivered speeches. During the ceremony, all attendees pressed the button at the same time and jointly unveiled the plaque for the project, marking the official completion and handover of the temporary hospital.

JANUARY

FEBRUARY

On 19 February, China Construction Engineering (Macau) Company Limited ("CCE Macau"), which is under CSCI, entered into a legally binding letter of intent with Galaxy Cotai Project Management Limited, a wholly owned subsidiary of Galaxy Entertainment Group Limited. The project has the highest contract value among all the projects the Company has ever undertaken independently.

On 25 February, the opening ceremony of North Lantau Hospital Hong Kong Infection Control Centre supported by the Central Government was held in Hong Kong. Guests, including Mrs. Carrie Lam, the Chief Executive of the HKSAR Government and other government officials, together with the officials from offices set up by the Central People's Government in Hong Kong, attended the ceremony and visited the wards.



## Major Events of the Year (continued)



On 4 March, the Group won the tender for its first “transfer of Hong Kong standards to Mainland (港標內移)” project — Medical Complex of Shekou Hospital.

On the same day, China State Construction Engineering (Hong Kong) Limited (“CSHK”), which is under CSCI, initiated the “Thousands of People Across the River Project” and sent the first group of staff to station in Qianhai, Shenzhen.

MARCH

MAY



In May, practice filings for professional institution from Hong Kong’s engineering and construction sector in Qianhai, Shenzhen have been completed for the four engineering companies of CSHK, which is under CSCI, namely China Overseas Building Construction Limited, Alchmex International Construction Limited, China State Foundation Engineering Limited and China State Mechanical & Electrical Engineering Limited. After the completion of practice filing of CSHK mid-December 2020, it becomes the first professional institution from Hong Kong’s engineering and construction sector to complete the practice filing in Qianhai, Shenzhen. Following that, China State Foundation Engineering Limited and China State Mechanical & Electrical Engineering Limited, which are under CSHK, become the first two professional institutions from Hong Kong’s engineering and construction sector who receive the “Qualification of Professional Contractor for Foundation Engineering” (地基基礎工程專業承包資質), the “Qualification of Main Contractor for Electrical and Mechanical Engineering” (機電工程施工總承包企業資質), the “Qualification of Air-conditioning Repair and Installation Enterprise” (製冷空調設備維修安裝企業資質) and the “Qualification of Professional Contractor for Fire Prevention and Control Facilities Engineering” (消防設施工程專業承包資質). In parallel, another 19 employees from CSHK and its subsidiaries have completed practice filing for professionals from Hong Kong’s engineering and construction sector in Qianhai, Shenzhen.



## Major Events of the Year (continued)



From 10 to 12 May, National Development and Reform Commission, Publicity Department of the Central Government, Ministry of Industry and Information Technology, Ministry of Agriculture and Rural Affairs, Ministry of Commerce, State Administration for Market Regulation, State Intellectual Property Office and Shanghai Municipal People's Government co-hosted "China Brand Day" for 2021 in Shanghai. CSCEC's key exhibition settings were two exhibition items namely "Huolei Spirit" Emergency Hospitals for Pandemic ("火雷精神"抗疫醫院) and "Expanding a Happy Living Environment" CWCEC Happy Home ("拓展幸福空間"中建幸福城), and three exhibition halls namely "Aspiration and Mission" (初心使命), "The Key State-owned Enterprise" (央企擔當) and "The Best in the World" (世界一流). The North Lantau Hospital Hong Kong Infection Control Centre, Hong Kong Palace Museum and Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road — Section between Scenic Hill and Hong Kong Boundary Crossing Facilities project constructed by CSCI were honored to be displayed at the China State Construction Exhibition Zone, telling the brand story of "China State Construction Witness Happiness" ("中國建築 • 建證幸福") to the visitors.

MAY

On 15 May, Mr. Ho Iat-seng, the Chief Executive of Macau SAR Government, Mr. Raimundo Arrais do Rosário, the Secretary for Transport and Public Works, Ms. Ao Ieong-u, the Secretary for Social Affairs and Culture of Macau and Mr. Lam Wai-hou, the Director of the Infrastructure Development Office visited the construction sites of the Complexo de Cuidados de Saúde das Ilhas project, Macau Senior Apartment Housing and Mong-Ha Villas.

On 29 May, the roof construction project of MGM Cotai (general contracting) in Macau was announced as one of the second batch awardee of the "14th China's Steel Structure Gold Award".

On 31 May, China State Construction International Investment (China) Limited ("CSCIICL") successfully issued RMB1 billion medium-term notes with a maturity of 3 years and a coupon rate of 3.52%, which was oversubscribed by 3.45 times.



## Major Events of the Year (continued)

JUNE



On 2 June, the award presentation ceremony of the Hong Kong “Quality Building Award 2020” was held in Hong Kong. The award was jointly organized by nine authoritative organizations from Hong Kong’s construction sector. Mrs. Carrie Lam, the Chief Executive of the HKSAR Government, and Mr. Michael Wong, the Secretary for Development, attended the ceremony as the prize presenters. The Hong Kong Children’s Hospital won two awards, namely the “Hong Kong Non-Residential” Grand Awards and the Quality Excellence Award.



On 30 June, Institutional Investor, an international authoritative financial magazine, announced its list of “2021 All-Asia Executive Team”, on which CSCI was honored as the “Most Honored Companies” of the industrials sector. It also ranked top 3 among the nominated companies of five awards, namely “Best ESG”, “Best IR Team”, “Best CEO”, “Best CFO”, and “Best IR Professional”.

In June, the annual “Hong Kong’s Most Outstanding Business Awards” presentation ceremony organized by CorpHub, an independent media in Hong Kong, was successfully held. CSHK, which is under CSCI, received the “Hong Kong’s Most Outstanding Business Awards 2021 — Asia’s Most Outstanding Contractors of the Year” for its outstanding contributions to the industry.

## Major Events of the Year (continued)

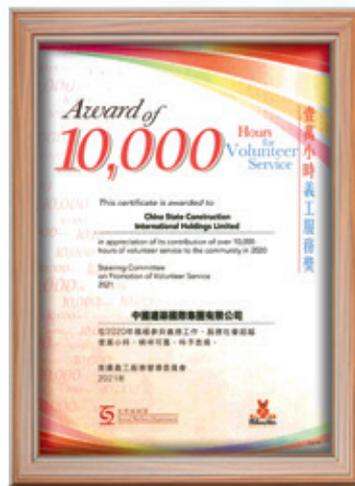


On 1 July, the PPP project of Dejiang-Xishui Expressway (Zheng'an-Xishui Section) in Guizhou Province, which was invested and constructed by CSCICL, which is under CSCI was opened to traffic for trial operation. On 3 July, it was reported on the front page of People's Daily. With a total investment of RMB17.8 billion and a total length of about 130 kilometers, the Zhengxi Expressway has removed the barrier for logistics and economic development between the Wuling Mountain and the Dalou Mountains, providing more convenient access for the 2.1 million people along the routes of 57 villages in 13 towns located in the mountain areas of QianBei.



On 12 July, the 7-storey hotel prototype building built at the production base in Zhuhai of China State Construction Hailong under CSCI was successfully topped out. The project was completed in only 12 days and met the standards for permanent buildings, setting a record for the fastest construction period of similar buildings.

On 27 July, CSCI was awarded the "Award of 10,000 Hours for Volunteer Service in 2020" and the "Gold Award for Volunteer Service (Organization)" certificate by the Social Welfare Department.



## Major Events of the Year (continued)

AUGUST

On 15 August, the Xiushan (Guizhou-Chongqing border) — Yinjiang Expressway (Guizhou section), which was invested and constructed by CSCIICL under CSCI, was officially opened to traffic. Xiuyin Expressway is an important part of the “13th Five-Year Plan” expressway planning network of Guizhou Province, and an important expressway connecting Chongqing and the northeastern part of Guizhou Province.



On 16 August, China Overseas Construction Limited under CSCI, successfully won the tender of the general contracting for Section II of Shenzhen International Hotel EPC Project.



On 30 August, S&P upgraded its outlook on CSCI from “negative” to “stable”. S&P believed that profit growth and slower debt growth would help improve CSCI’s financial position during its journey of business transformation.

On 19 August, “Macao University Professional Practice Base for Architecture University Students” (澳門大學生建築專業實習基地) and “Training Base for Assembled Construction Talents” (装配式建築人才培訓基地) were officially inaugurated in the new neighbourhood project in Hengqin.

On 23 August, the delivery ceremony of “China Overseas Wen Jia He Hope Primary School” (中國海外溫家河希望小學), which was supported and constructed by China Overseas Charity Fund, together with China Overseas Land & Investment Limited (COLI), CSCI, China Overseas Property Holdings Limited (COPL) and China Overseas Grand Oceans Group Limited (COGO), was successfully held in Wen Jia He Village, Jinggu Town, Kangle County.



## Major Events of the Year (continued)

### SEPTEMBER

On 9 September, the opening ceremony of the CUHK Medical Centre, which was constructed by CSHK under CSCI, was held. Mrs. Carrie Lam, the Chief Executive of the HKSAR Government, Ms. Sophia Chan, the Secretary for Food and Health of HKSAR, and Mr. Hung Cheung Shew, the Executive Director and Vice President of CSCI were invited to attend the ceremony.



On 21 September, the opening ceremony of C-SMART Smart Site R&D Centre of CSHK, which is under CSCI, was held in Hong Kong Science Park. The Centre also served as a technology exchange platform for industry peers' visits.



On 17 September, Mr. Han Zheng, a member of the Standing Committee of the CPC Central Committee Political Bureau and Vice-premier of the State Council, visited the new neighborhood project in Hengqin.

On 24 September, CSCIICL successfully issued its first final payment ABS for construction project with a size of RMB425 million, a maturity of 3 years and a senior coupon rate of 3.4%.



On 23 September, the presentation ceremony of "Hong Kong Star Brand Award 2020-2021", organized by the Hong Kong Small and Medium Enterprises Association, co-organized by the Hong Kong Trade Development Council and the Hong Kong Productivity Council, and fully supported by the Hong

Kong Trade and Industry Department and over 50 chambers of commerce and supporting organizations, was successfully held in Hong Kong. CSHK, which is under CSCI, was awarded the "Hong Kong Star Brand 2020-2021 — Enterprise Award", which was attributable to its solid corporate foundation and continuous business growth, excellent corporate management and staff development, good social reputation and brand image. It became the only Chinese enterprise to win the Enterprise Award this year, as well as the only construction company to receive this award.

On 27 September, China State Construction Development Holdings Limited ("CSC Development"), which is under CSCI, signed a strategic cooperation agreement with Advanced Solar Power (Hangzhou) Inc..



## Major Events of the Year (continued)

During the period from 25 to 30 October, the “Spirit of the Times Shines upon Hong Kong” activity series organized by the HKSAR Government, the Liaison Office of the Central People’s Government in Hong Kong and CSCEC was successfully held. The series activities mainly included the exhibition on remarkable construction in China themed with “Spirit of the Times”, four school seminars themed with “Remarkable Construction in China — Building Dreams” (大國建造•築夢未來), visits to major livelihood projects in Hong Kong relative to remarkable constructions in China, “Internship Program for Chinese Enterprises (中資企業實習計劃)” and the Hong Kong Youth Architectural Painting Competition (香港青少年建築繪畫大賽).



OCTOBER

NOVEMBER



On 1 November, the presentation ceremony of the 9th Hong Kong Volunteer Award, as organized by the Hong Kong Volunteer Development Council, was successfully held at the Hong Kong Convention and Exhibition Centre. CSCIC was awarded the “Hong Kong Volunteer Award — Corporate Award (Category B)” for “its outstanding contributions and achievements in promoting volunteering work”. It is the first batch of Chinese enterprises to win the award.



On 5 November, CSCIC was awarded the Sustainable Finance Certification by the Hong Kong Construction Industry Council, becoming one of the first 16 organizations to receive the certification and receiving two sustainability-linked loans. As a green finance instrument, the interest rate of the loans is linked to the Group’s ESG targets, with preferential interest rates upon completion of the targets.



## Major Events of the Year (continued)

NOVEMBER

In the morning of 5 November, the “9+2” 2nd Greater Bay Area Navigation Award Ceremony and Development Forum, jointly organized by the Hong Kong Ta Kung Wen Wei Media Group, Federation of Hong Kong Guangdong Community Organisations, the Hong Kong Chinese Enterprises Association, the Chinese Banking Association of Hong Kong and the Greater Bay Area Fintech Association, was held in Hong Kong. Political, business and corporate representatives from Guangdong, Hong Kong and Macau gathered at the forum to jointly plan the development blueprint of the Greater Bay Area. Mrs. Carrie Lam, the Chief Executive of HKSAR, officials from the HKSAR Government,

officials from offices set up by the Central People’s Government in Hong Kong and guests from all walks of life attended the event. CSCI won the “Most Valuable Investment in the Guangdong-Hong Kong-Macau Greater Bay Area Award” (粵港澳大灣區最具投資價值獎) of the 2nd Greater Bay Area Navigation Award. Mr. Hung Cheung Shew, the Executive Director and Vice President of CSCI received the award on behalf of the Group. The award ceremony was held on the same day to present awards to enterprises in seven categories in Guangdong-Hong Kong-Macau Greater Bay Area, and a total of approximately 100 enterprises and representatives from 10 award winners attended the ceremony.



On 9 November, the Organic Resources Recovery Centre, Phase II under CSCI released the “Hong Kong Organic Resource Recovery Centre Phase 2 Construction Carbon Neutral Commitment” (《香港有機資源回收中心第二期施工期碳中和承諾書》), pledging to achieve carbon neutrality during the construction period and contribute to the low-carbon transformation of the construction industry. As the first green project in Hong Kong to achieve carbon neutrality during the construction period, this project is a strong initiative by CSCI to implement the national concept of “green development” and an important practice to implement the national goal of “dual carbon targets”.

In November, CSCI’s “Financial Intelligence Analysis System” was launched on a trial basis in its subsidiary, CCE Macau. Jointly developed by the Finance and Treasury Department, Information Technology Department, the Finance and Treasury Department of CCE Macau and the Information Technology Department of CCE Macau, the system is a pioneering work in the transformation of the Company’s overseas financial control technology, laying a solid foundation for the establishment of a “comprehensive budget management system”.



## Major Events of the Year (continued)

On 2 December, BEYOND International Innovation Expo, organized by Macau Technology General Association and co-organized by Trade Development Bureau of the Ministry of Commerce, China Center for International Science and Technology Exchange, Bureau of Planning and Development under the State Council and Chinese Medical Association, was opened in Macao. As the chief strategic partner of this expo, CSCI was invited to set up a booth in the New Infrastructure, Smart City and Life exhibition hall to fully demonstrate the Group's achievements in new technologies and key construction project in the field of construction technology, and to host the Construction Technology Forum and CSCI Group 2021 Technology Conference (建築科技論壇暨中國建築國際集團2021年科技大會) of this international expo.



DECEMBER

**TCFD** | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

On 6 December, CSCI officially became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). According to the official website of TCFD, CSCI is the first supporter of TCFD in China's construction sector.

On 8 December, the presentation ceremony of NCE (New Civil Engineer) Tunnelling Festival Awards 2021, organized by the Institution of Civil Engineers (ICE) of United Kingdom, was held in London, United Kingdom. The Extra-Long Guizhou Zhengxi Expressway tunnels, jointly invested and constructed by CSCECL, CSCIIICL under CSCI, China Construction Fourth Engineering Division Corp. Ltd. and Guizhou Expressway Group Co., Ltd won the 2021 NCE Tunnel Engineering Award from nearly 200 participating tunnel projects worldwide.



## Major Events of the Year (continued)

On 9 December, the “Hong Kong Spirit Ceremony 2021” was held in Wanchai, Hong Kong. The nominations for the awards were made by various sectors of the Hong Kong community to nominate people and organizations that have positive energy and touch people’s hearts in Hong Kong, including those who have made outstanding contributions to the progress of Hong Kong society, those who have demonstrated excellence in self resilience, those who have led the modern society with good values, and those who have heritage traditional Chinese virtues. A total of four “Hong Kong Spirit 2021” Group Awards (2021 感動香江團體), eight “Hong Kong Spirit 2021” People Awards (2021 感動香江人物) and one “Hong Kong Spirit 2021” Special Tribute Award (2021 感動香江特別致敬) were presented to the awarded organizations, individuals and health care workers who were fighting against the pandemic at the frontline in Hong Kong. Among them, the entire construction team of CSHK under CSCI, together with the Hong Kong Police Force and the Hong Kong, China delegation to the 2020 Olympic and Paralympic Games were honored with “Hong Kong Spirit 2021” Group Awards.



DECEMBER

On 15 December, CCE Macau, which is under CSCI, held a commemorative event in Macau to celebrate its 40th anniversary with the theme of “Prosperity of Macau, Service to Society; Leading the Trend, Striving for Excellence”. The event was attended by Mr. Ho Hauwah, Vice Chairman of the National Committee of the Chinese People’s Political Consultative Conference, Mr. Fu Ziying, Director of the Liaison Office of the Central People’s Government in Macau and more than 300 prominent figures from the political, social, economic, education and medical sectors of Macau and partners from the construction industry.



In December, Studio City Phase 2 project, which was constructed jointly by CCE Macau and CSHK, both under CSCI, won two international BIM awards, namely the First Prize of Construction Group under International BIM Competition “Smart BIM” in 2021 and the “Best BIM Entertainment Facilities Award” (最佳娛樂設施項目BIM應用獎) of the 6th International BIM Awards.

## Major Events of the Year (continued)



In December, the North Lantau Hospital Hong Kong Infection Control Centre project designed by China State Construction International Medial Industry Development Co., Ltd., which is under CSCI, was awarded the Grand Award with Special Mention in the 2021 DFA (Design for Asia) Design for Asia Awards.

In December, CSCI released a sustainability roadmap, systematically exploring the paths to realize carbon neutrality in five major areas, namely excellence in environmental management, building a sustainable supply chain, supporting talent development, serving and giving back to the community and strategic development with 29 key objectives.



On 22 December, CSCI was awarded the “CarbonCare® ESG Label” for the sixth consecutive year by Hong Kong CarbonCare InnoLab, and was awarded the label at the LEVEL 4, the highest ranking of the Label for the fourth consecutive year. CSHK, which is under the Company, was awarded the “CarbonCare® ESG Label” for two consecutive years and was awarded the label at LEVEL 3, the only non-listed company to receive the award. In addition, the Organic Resources Recovery Centre, Phase II, the Group’s integrated project encompassing design, construction and transportation, was awarded the

“CarbonCare® Construction (Process) Label” by the Hong Kong CarbonCare InnoLab for the first time and received the only highest rating (Gold) this year.

On 23 December, the 2021 Conference on Outstanding Enterprise with Foreign Investment organized by Shenzhen Association of Enterprises with Foreign Investment was successfully held, with Mr. Ai Xuefeng, Deputy Secretary of the CPC Shenzhen Municipal Committee, attending the meeting and presenting medals to the award-winning enterprises. CSCI, which is under CSCI, was awarded three honorable titles, namely the “National Excellent Enterprise with Foreign Investment — Double Excellent Enterprise Award”, “Shenzhen Top 10 Enterprise with Foreign Investment — Turnover” (深圳市外商投資十大營業額企業) and “Shenzhen Top 10 Enterprise with Foreign Investment — Taxpayment” (深圳市外商投資十大納稅額企業).



# Chairman's Statement



In the year, the Group secured  
**167 NEW CONTRACTS**  
with attributable contract value  
of approximately

HK\$ **140.05** billion



**Mr. Yan Jianguo**  
*Chairman and Non-executive Director*

# Chairman's Statement

## Review of Operation

In 2021, the COVID-19 pandemic continued to hinder the recovery of the global economy amid various virus mutations. The volatile development of the pandemic disrupted the social economy, leading to considerable bottlenecks in supply chains, accelerating inflation, and turbulence in the global financial market. All these posed tremendous difficulty to the economic recovery. With its remarkable achievements in pandemic control and prevention, China has become an indispensable cornerstone of global supply chains, continued to record rapid growth in exports and achieved gradual recovery in investment and consumption. In 2021, China's GDP expanded 8.1% year on year and reached a new milestone. As regards to Hong Kong, despite the resumption of social stability and gradual economic recovery, the recurrent epidemic outbreaks at the end of the year brought about uncertainties to its economic development. In Macau, the number of visitors has yet to recover in 2021, coupled with a relatively weak economic performance and deteriorated performance indicators as compared to the pre-pandemic situation, signaling a challenging road to recovery.

In face of the multiple waves of pandemic outbreaks and complicated economic environment, the Group adhered to its established strategies of seeking business expansion and maintaining healthy growth while implementing stringent pandemic control and prevention measures to safeguard the safety of its employees. In Mainland China, infrastructure investment projects with short duration and fast turnover have become the pillar of our business and continued to register accelerated growth. As for Hong Kong and Macau markets, the Group maintained its sound market-leading position and won the bid of large-scale projects continuously. The Group attained stable growth in its annual results. For the year ended 31 December 2021, the audited revenue of the Group amounted to HK\$77.31 billion, with an operating profit of HK\$11.24 billion. The profit attributable to the shareholders increased by 13.1% to HK\$6.80 billion, with basic earnings per share of HK134.94 cents and net asset value per share of

HK\$13.14. The Board recommended the distribution of final dividend of HK20.5 cents per share for the year of 2021. The total dividend distributed throughout the year amounted to HK40.5 cents, representing a year-on-year growth of 12.5%.

## Mainland China Market

In 2021, the overall economic performance of China got back on track and met its expected growth, whereas the infrastructure market experienced a slower growth of total investments and intensified market competition. Facing challenges in the market, the Group stays persistent to the goal of balancing scale growth, leverage and cash flow. The Group also consolidated the results of the transformation and upgrading of the construction related investment projects by enhancing the efficiency of investments through strict selection of projects and further optimization of business mix. Meanwhile, the Group leveraged on its technological strength to promote the development and application of technologies such as Modular Integrated Construction (MiC), and expanded its featured general contracting business through differentiated competencies. With regards to the operation of the construction related investment projects, the Group enhanced its profitability by optimizing the organizational structure and talent teams, as well as strengthening its professional capabilities and operating efficiency.



## Chairman's Statement (continued)

Throughout 2021, new contracts signed in Mainland China amounted to HK\$81.15 billion, representing a year-on-year increase of 23.7% and an increase in the growth rate of 5.4 percentage points as compared to last year. The proportion of infrastructure investment and featured general contracting projects is reasonable, and the backlog mix is optimized.

### Hong Kong and Macau Markets

In 2021, the Group continued to penetrate into the Hong Kong market by proactively upgrading its own technologies, strengthening the requirements for environmental protection and improving its differentiated competencies based on traditional competitive strengths. The Group won the bid of numerous large-scale projects, in particular in the market of medical buildings and public housing. New contracts signed during the year reached a record high of HK\$36.05 billion, representing a year-on-year increase of 33.0%.

The Group continued to maintain its brand image and reputation in the Macau market. It proactively responded to the call of the local government and promoted the application of technologies such as prefabricated construction, therefore won the tender of significant projects such as elderly apartments. New contracts signed amounted to HK\$14.64 billion, representing a year-on-year increase of 10.2%.

### Façade Market

In 2021, China State Construction Development Holdings Limited, a subsidiary of the Group, focused on the façade business by implementing the operating strategy of "expanding in Hong Kong and Macau, exploring in the Mainland China market and shrinking overseas". It sought to capture market opportunities by giving full play to its technological strengths and consolidate its leading position in the façade market in Hong Kong, and won the tender of large-scale curtain wall projects including Cheung Kong Center II and Wong Chuk Hang Phase 3. Notable results were achieved in the expansion of the Mainland China market. It is the winning bidder of various high-end commercial and residential curtain wall construction works, e.g. flagship store of Huawei. During the year, new contracts signed by China State Construction Development

Holdings Limited amounted to HK\$8.21 billion, representing a year-on-year increase of 60.4%.

### Sustainable Development Management

While energetically creating business value, the Group also attaches great importance to sustainable development management and shoulders corporate social responsibility. After three years of preparation, the Group issued its sustainable development roadmap in December 2021. The roadmap sets out various objectives and actions in five aspects, namely environment, supply chain, talent, society and strategy. In addition to enhancing its corporate governance and strengthening its social responsibility and environmental management, the Group also proposes quantitative goals for key indicators such as carbon emission and long-term commitment to achieve carbon neutrality by 2060.

During 2021, the Group took vigorous moves to respond to the goals of carbon peaking and carbon neutrality in Mainland China and Hong Kong. The Group used the Organic Waste Treatment Facilities Phase 2 project as a pilot unit for carbon neutrality during construction period, and increased investments in carbon neutrality as well as other environmental friendly and energy saving technologies. The Group organized different types of volunteer activities to give back to the community, with 4,278 employees participating in the volunteer works and serving 12,355.5 hours during the year. The outcome of these volunteer works was highly recognized and honored by the society, as evidenced by the grant of the "Gold Award for Volunteer Service (Organization)" by Social Welfare Department and the "Most Supportive Organization" by Construction Industry Council two years in a row. In 2021, the Group was awarded the "Hong Kong Volunteer Award — Corporate Award" by Agency for Volunteer Service for the first time, being the first Chinese-invested enterprise receiving this award. The Group was awarded the "CarbonCare® ESG Label" by CarbonCare InnoLab for six consecutive years and received the highest label level (level 4) for four consecutive years. Moreover, the Group was included in the FTSE4Good Index for five consecutive years.

# Chairman's Statement (continued)

## Risk Management

According to the internal control systems and the risk management framework of the Group, the Risk Management Control Committee is responsible for identifying the major risks of each operating platform, determining and assessing their potential impacts, and formulating effective control measures to mitigate the risks. In 2021, on the basis of the existing assessment system of project risks, the three-level project assessment mechanism was further improved to enhance the risk assessment and coping abilities.

Given the ongoing COVID-19 pandemic, the Group adhered to the comprehensive pandemic risk control system and coordinated pandemic prevention and control work as well as safe production, so as to ensure safe, orderly and effective business operation.

## Financial Management

In 2021, the Group continued to uphold sound financial management and maintain the financial leverage in a reasonable range. The hedging mechanism for foreign exchange rate was further enhanced through the matching between the business currency and the financing currency. During the year, the Group completed the issuance of subordinated secured USD perpetual capital securities by taking advantage of the financing opportunities with relatively favourable interest rate. In the financial market in Mainland China, the Group issued securities backed by the receivables of construction projects for the first time as a new move to revitalize idle assets. In an attempt to incorporate sustainable development management into our operation, the Group secured two sustainability-linked loans whose targets correspond to our sustainable development roadmap. This marks our first step in green finance.

Following the established operational objectives, the Group steadily controlled leverage and improved cash flow. As of 31 December 2021, the cash in hand amounted to HK\$24.41 billion, accounting for 11.1% of total assets. The

net gearing ratio was controlled at 69.4%. The unutilized bank credit facilities of the Group was HK\$82.11 billion, representing an increase of 25.2% as compared with that of the corresponding period in the previous year.

## Human Resources

The Group attaches great importance to attracting and nurturing talents, and is committed to safeguarding the well-being of staff, sharing achievements with staff, and fostering a diverse and inclusive working environment. Adhering to its talent concept of "To assemble the enterprising ones and motivate promising ones", the Group has continuously improved human resources management policies and systems. The Group provides competitive remuneration packages and employee benefits, and establishes a talent echelon in a scientific way. In 2021, following the trend of "transfer of Hong Kong standards to Mainland (港標內移)", the Group seconded dozens of Hong Kong employees to Shenzhen to facilitate the integration of the construction modes of Hong Kong in Mainland China. This enhanced the communication between employees in the two places in the meanwhile. Confronted with recurrent outbreaks of the COVID-19, the Group strived to safeguard the health and safety of its employees. Through implementing stringent pandemic prevention and control measures, distributing anti-pandemic supplies and providing aids to employees who are subject to compulsory quarantine, the Group sought to ensure the safety as well as physical and mental health of all employees.

## Technological innovation

The Group regards technology as its core competitiveness and fundamental development strategy. It has stepped up investments in technology, consolidated its capability of scientific research, facilitated the transformation of achievements and established an expert committee which comprises academicians and industry experts to lead

## Chairman's Statement (continued)

technological innovations. Currently, the committee has 27 experts, including 14 academicians of the Chinese Academy of Engineering and 1 academician of the Chinese Academy of Sciences. The committee has provided guidance as to technology strategies, technology research and development, commercialization of technology achievements and others to the Group, and enable expedited advancement of its level of architectural technology.

In 2021, the Group continued to increase investment in technology to foster a series of technological achievements. During the year, the Group obtained 113 patents, including 19 invention patents. It has also obtained five technology awards, such as the first prize of the Huaxia Construction Science and Technology Award, and also the Gold Award of China's Construction Engineering Steel Structure, the NEC Tunnelling Construction Award, the NEC Contract Innovation Award, and the HKIE Innovation Award 2021. Leveraging on channels such as the architectural technology forum of the

first BEYOND Expo in Macau, the Group proactively promoted its technological achievements.

As the scientific research giants of the Group, China State Hailong Construction Technology Company Limited and China State Construction Development Holdings Limited have attained outstanding achievements. With respect of Modular Integrated Construction (MiC), the Group established a research and development centre jointly with Harbin Institute of Technology. The Group achieved breakthrough in technologies such as rapid construction and contributed to the enhancement of differentiated competencies. As regard to the technology of curtain wall, the Group made groundbreaking progress in the formidable construction technology of hyperbolic curtain wall in the Murray Road Project in Central, Hong Kong and obtained the certification of passive unit glass curtain wall. Moreover, the Group entered into a strategic cooperation agreement with Advanced Solar Power to further explore the field of building-integrated photovoltaics (BIPV).



## Chairman's Statement (continued)

### Business Outlook

2021 marks the start of the "14th Five-Year Plan". The Group has met its growth target successfully, maintained a sound financial structure, consolidated its major operating regions, improved its business structure and project quality constantly, and dedicated in transformation and upgrade. Focusing on scientific research and innovation, the Group produced exquisite work with first-class technology in the industry and enjoyed growing reputation in the society. Meanwhile, the Group has continued to improve its risk control measures to ensure stable development in the long term.

Looking forward, devoted to achieving the goals set out in the "14th Five-Year Plan", the Group will continue to adhere to the "technology+" strategy and persist in

building differentiated competitiveness to enable stable growth. At the beginning of 2022, economic recovery faces enormous challenge because of susceptible global supply chains, divergent policies of global major economies, emerging uncertainties in the real economy and capital markets, as well as the ongoing outbreak of the COVID-19 pandemic. The Group will continue to carry out regular pandemic prevention and control measures to ensure smooth business operation. In the Hong Kong market, the Group will seize opportunities in hospital work and public housing projects while paying attention to the progress of large-scale development plans such as the Northern Metropolis, with an ambition to become the strongest beyond the largest. In the Macau market, the Group will focus on significant public well-being projects and further promote the application of new technologies such as prefabricated construction, so as to reinforce its



## Chairman's Statement (continued)

market leading position. In Mainland China, the Group will continue to expand its business into profitable regions where it has competitive advantages, strictly select high-quality projects, as well as further optimize business mix. Coupled with increasing effort in the development of the featured general contracting business, the Group will further improve the quality of its infrastructure business operation. With the experience of developing the Greater Bay Area in the past years, the Group will continue to promote its business layout in the Greater Bay Area, capture the opportunities arising from the "transfer of Hong Kong and Macau standards to Mainland (港標、澳標內移)", and facilitate the in-depth integration and development of the Greater Bay Area.

### Acknowledgement

With this opportunity, I would like to express my profound gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, to other members of the society for their generous assistance, and to all our staff for their hard work.

By Order of the Board

**China State Construction International Holdings Limited**

**Yan Jianguo**

*Chairman and Non-executive Director*

Hong Kong, 25 March 2022



# Management Discussion and Analysis

Profit attributable to owners of  
the Company was

**HK\$6,801** million,

represents a year-on-year  
increase of 13.1%.  
Continued improvement  
in operating cashflow.



# Management Discussion and Analysis (continued)

## Overall performance

Supported by robust order backlogs and the new contract awarded this year, the Group's revenue increased by 23.8% to HK\$77,310 million. Basic earnings per share was HK134.94 cents, a year-on-year rise of 13.3%. With a proposed final dividend per share of HK20.5 cents, an interim dividend per share of HK20.0 cents per share paid in the year, the total dividends for the year amount to HK40.5 cents per share, representing an increase of 12.5% as compared to last year.

During the year, Hong Kong, Macau and Mainland China remained the core markets and the major contributors of the Group, accounted for 30.8%, 10.9% and 52.4% of the Group's revenue, respectively. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and further consolidated its leading position in the field by our continued strong performance. In Mainland China, the Group mainly focused on construction related investment projects, its sustained scale growth is underpinned by its strong business execution and customer's satisfaction. China State Construction Development Holdings Limited and its subsidiaries (together, the "CSC Development Group") mainly focused on façade contracting business. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.

# Management Discussion and Analysis (continued)

An analysis of major income statement items for the year is set out in the following paragraphs:

## Hong Kong and Macau

### Construction and Related Business

Despite there is some disruption in project execution due to the outbreak of COVID-19 pandemic, Hong Kong segment recorded a flat growth in revenue to HK\$23,844 million, up by 6.4% as compared to HK\$22,404 million in last year. Segment result amounted to HK\$850 million, dropped by about 14.2% as compared to HK\$990 million in last year. The decline was mostly because of additional investment in smart site and increased input costs incurred for the pandemic prevention period.

With the contribution of large-scale projects, such as hospital, Macau's segment recorded an impressive growth in both revenue and segment result. The revenue and segment result of Macau increased 86.6% and 63.3% to HK\$8,405 million (2020: HK\$4,503 million) and HK\$832 million (2020: HK\$510 million) respectively.

## Mainland China

Benefiting from Mainland China's ongoing economic recovery and subsiding disruptions from the pandemic, together with the rebounded in construction industry, Mainland China's segment accelerated its project execution and recorded a sustained revenue expansion during the year. Revenue and segment result from Mainland China rose by 25.3% and 35.1% year-on-year to HK\$40,529 million and HK\$8,784 million, respectively.

### (1) Construction related Investment Projects

Our construction related investments 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, etc. The Group continued to optimize the project mix on hand, increased participation in government targeted repurchase (GTR) projects and other shorter cash payback cycle project in order to accelerate capital turnover. During the year, the Group increased efforts on cash collection and received buy-back payment of HK\$25,508 million (2020 : HK\$18,383 million) from construction related investment project, including the attributable share of such payment received by our joint venture investments, up by about 38.8%.

Construction related Investment Projects remained the core business and the major contributor of Mainland China. Revenue and result grow at 25.4% and 35.9% over last year to HK\$39,489 million (2020 : HK\$31,485 million) and HK\$8,795 million (2020 : HK\$6,472 million) respectively.

### (2) Operation Infrastructure Projects

Operation Infrastructure Projects representing toll roads operation. Excluding the contribution from joint venture, revenue from operation infrastructure projects was HK\$205 million (2020 : HK\$150 million), increased about 36.5% as compared to the year of 2020.

### (3) Other business

Other business mainly represents contribution from industrial plant reconstruction, prefabricated construction industrialization factories and other business such as project management services. This sector recorded stable revenue of HK\$836 million as compared to HK\$715 million for the last year.

## China State Construction Development Holdings Limited

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.

# Management Discussion and Analysis (continued)

## Investment Income, Other Income and Other Gains, net

Investment Income, Other Income and Other Gains increased 22.3% to HK\$1,197 million, the increase was mainly contributed by the gain on fair value of investment properties in Mainland China.

## Share of Profits of Associates

The Group continued to drive the contracting business by its investment in associates and recorded share of profits amounting HK\$783 million, which was mainly attributable to the share of results from the equity investment of several residential projects.

## Share of Profits of Joint Ventures

The Group mainly operates toll bridge and construction related investment projects in the form of joint ventures. The share of profits of joint ventures amounting HK\$369 million.

## Finance Costs

The Group continued improve its debt structure, seek for more stable and lower cost financing. During the year, the finance costs charged to profit maintained at the same level as last year even the total borrowing increased, amounted HK\$2,668 million (2020: HK\$2,680 million).

## Earnings Per Share

Basic earnings per share increased by 13.3% to HK134.94 cents for the year ended 31 December 2021. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$6,801 million and on the weighted average number of 5,039,788,000 ordinary shares in issue during the year.

## CORPORATE FINANCE

### Financial Position of the Group

#### (a) Shareholder's Equity

During the year, the Group issued US\$500 million subordinated perpetual capital securities and raised approximately HK\$3,886 million, net of expenses, for the purpose of refinance the existing perpetual capital securities matured in December 2021.

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK\$66,216 million as at 31 December 2021 (2020: HK\$58,280 million). The increase was mainly attributable to the profit for the year of HK\$6,801 million and the improvement of translation reserve due to the appreciation of RMB.

#### (b) Bank Balances and Cash

At 31 December 2021, the Group had bank balances and cash of HK\$24,407 million (2020: HK\$22,455 million), representing 11.1% of the total assets. The portfolio of the currencies of bank deposits is listed as follow:

	2021	2020
	%	%
Hong Kong Dollars	22	16
Renminbi	69	60
Macao Patacas	7	8
United State Dollars	1	15
Others	1	1

The bank deposits outside Hong Kong are mainly for subsidiaries in various regions. During the year, the Group has no financial instrument for currency hedging purpose.

## Management Discussion and Analysis (continued)

### (c) Borrowings

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. We have good access to bank loans and the capital market, and are committed to stable and low-cost financing, and increasing the flexible use of funds between Mainland China and Hong Kong in order to enhance the effectiveness of capital usage.

During the year, the Group issued RMB\$2,500 million corporate bonds in Mainland China, raised an approximately HK\$3,027 million, net of expenses.

At 31 December 2021, the total borrowings of the Group (including the unsecured guaranteed notes denominated in US dollars and the corporate bonds denominated in RMB issued by the Group) were HK\$70,335 million, of which, 9%, 9% and 81% of the total borrowings were denominated in Hong Kong dollars, US dollars and Renminbi respectively. In view of exchange rate fluctuation in recent years, the Group intended to gradually increase the proportion of Renminbi finance in order to naturally hedge with the currency risk from the receipts of Mainland China business. During the year, the Group increased the proportion of fixed rate borrowing given the low interest rate market environment to lower the cost of financing.

Bank borrowings mainly bore interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate or People's Bank of China Loan Prime Rate (the overall condition was favorable) while the notes and bonds bore fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2021 and 2020:

	2021 HK\$' million	2020 HK\$' million
<b>Bank and other borrowings</b>		
On demand or within one year	<b>10,105</b>	9,707
More than one year but not exceeding two years	<b>18,214</b>	10,713
More than two years but not more than five years	<b>21,217</b>	18,331
More than five years	<b>8,417</b>	6,445
Total bank borrowings	<b>57,953</b>	45,196
Unsecured guaranteed notes payable	<b>6,227</b>	6,221
Corporate bonds	<b>6,155</b>	2,958
Total borrowings	<b>70,335</b>	54,375

At 31 December 2021, the Group had net borrowings of HK\$45,928 million (2020: HK\$31,920 million) and the Group's net gearing ratio was 69.4% (2020: 54.8%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2021, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK\$82,107 million.

# Management Discussion and Analysis (continued)

## (d) Cash Flows Analysis

As more investment projects entered the payback period, together with the successful of our business transformation in Mainland China to focus on project with shorter turnover period, the liquidity of the Group continuous improved. The improvement of operating cash outflow is in a good momentum, the net cash used in operating activities reduced significantly from HK\$4,532 million in 2020 to HK\$551 million during the year, and expected to be positive in the near future. The net cash outflow in investing activities was HK\$4,938 million (2020: net cash inflow of HK\$325 million), and the net cash inflow from financing activities was HK\$6,964 million (2020: HK\$2,881 million).

## Management Policies for Financial Risk

### 1. Interest Rate Risk

The Group's fair value and cash flow interest rate risk mainly related to fixed rate and variable rate borrowings, respectively. In order to exercise prudent management against interest rate risk, the Group has established policies and procedures to assess, book and monitor all such financial risks. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective interest risk management tools.

### 2. Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's trade and other receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. Credit extended to business associates is based on the reputation and financial position of the customers. In connection with projects in progress (whether in Hong Kong, Macau, Mainland China or overseas), the major customers are the local governments, government-related entities and certain institutional organisations and certain reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash must be placed and entered into financial institutions of good reputation so as to minimise the Group's credit risk exposure.

### 3. Foreign Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies, primarily with respect to the Renminbi and United States dollar, hence exposures to foreign exchange risk. The Group manages this risk by closely reviewing the fluctuation of the exchange rate and adjusting the financing structure if needed. In recent years, the Group intended to gradually increase the proportion of Renminbi finance in order to naturally hedge with the currency risk from the receipts of Mainland China business.

# Business Review



A watercolor-style illustration of a city skyline. The background is a mix of soft, blended colors including yellow, orange, blue, and green. In the foreground, there are several palm trees and a body of water reflecting the buildings. The overall style is artistic and modern.

At the end of 2021, the Group has  
376 projects in progress with an  
aggregated attributable contract value of

HK\$ **476.66** billion.

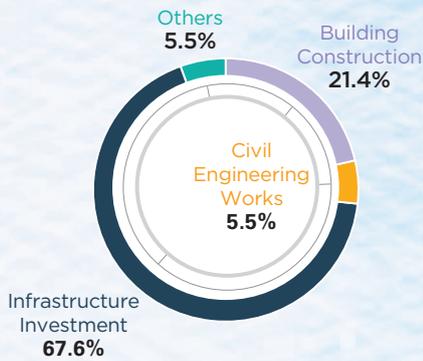
## Business Review (continued)

### Major Completed Projects in 2021

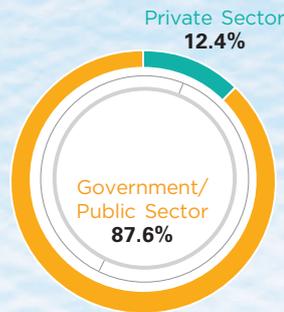
No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
<b>Building Construction</b>				
1	Residential Redevelopment at T.M.T.L. No.500, Kwun Chui Road, Tuen Mun, N.T.			•
2	The Residential Development Project at C Section, John Street, Fai Chi Kei			•
3	Section 1 & 2 of Public Housing in Ilha Verde	•		
4	Cover Project of Light Rail Station	•		
<b>Foundation Works</b>				
1	Proposed Mixed Housing Development at Pak Wo Road, Fanling Design and Construction of Foundations, ELS and Pile Cap Works	•		
2	Foundation for Public Housing Development at Yip Wong Road Phase 1 & Phase 2, Tuen Mun	•		
<b>Infrastructure Investment</b>				
1	Zheng'an-Xishui Expressway PPP Project, Zunyi, Guizhou Province	•		
2	Relocation Housing Project, Pinghu, Jiaying, Zhejiang Province	•		
3	Project for Rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou, Fujian Province	•		
4	Relocation Housing Project, Pingyang, Wenzhou, Zhejiang Province	•		
5	Urban Comprehensive Development PPP Projects, Foshan, Guangdong Province	•		
6	Highway PPP Project from Yinjiang, Guizhou Province to Xiushan, Chongqing	•		
7	Shenzhen International Hotel EPC General Contracting Project Section II (Huanba Road Plot, Baguang Village)	•		
8	Affordable Housing Project in Chengyang District, Qingdao, Shandong Province	•		
9	Investment and Construction Project of Municipal Infrastructure, Zibo, Shandong Province	•		
10	Wuxing District People's Hospital and Infrastructure PPP Project, Huzhou, Zhejiang Province	•		
11	Shanty Town Redevelopment Project, Suzhou, Anhui Province	•		
12	Public Building, Industrial Plant and Infrastructure PPP Project, Huzhou, Zhejiang Province (Phase I)	•		
13	Niutian Unit Culture and Sports Center PPP Project, Hangzhou, Zhejiang Province	•		

## Business Review (continued)

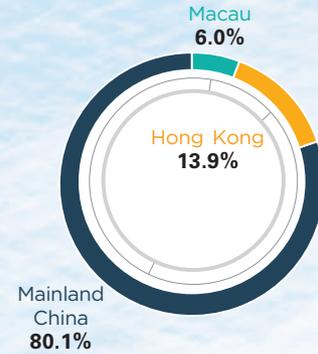
### By Project Categories



### By Customers



### By Markets

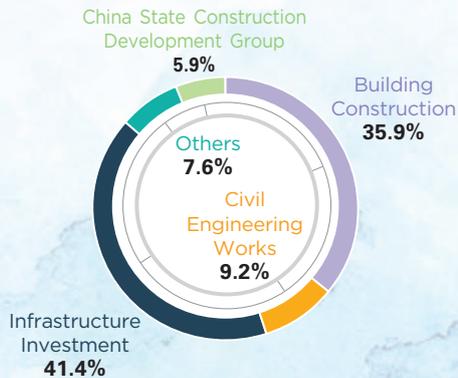


## New Projects Awarded in 2021

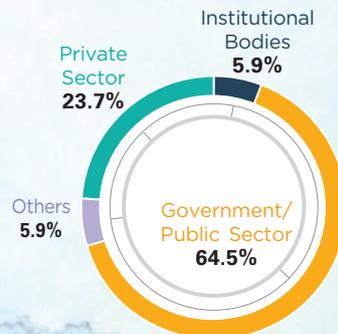
### Summary for the year

- 167 new projects awarded
- Attributable contract value for new projects awarded was HK\$140.05 billion

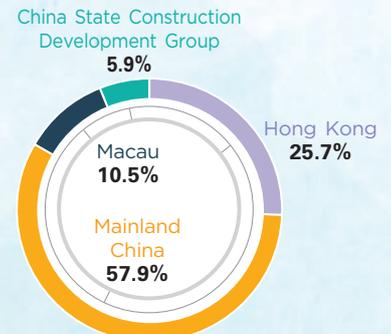
### By Project Categories



### By Customers



### By Markets



## Projects in Progress in 2021

	31 December 2021		
	No.	Attributable contract value HK\$'Million	Value of incompleted contract HK\$'Million
Mainland China	196	294,224	185,449
Hong Kong	154	110,981	60,728
Macau	26	52,741	24,334
China State Construction Development Group	—	18,716	10,849
<b>Total</b>	<b>376</b>	<b>476,662</b>	<b>281,360</b>

# Business Review (continued)

## Major Projects in Progress — Hong Kong & Macau



## Business Review (continued)

### Major Projects in Progress — Hong Kong

No.	Project Name
<b>Building Construction</b>	
1	Contract for Redevelopment of Kwong Wah Hospital (Phase 1)
2	Commercial and Residential Accommodation, Package Three, Wong Chuk Hang Station
3	Residential Redevelopment at Nos 1–11 Au Pui Wan Street, Fo Tan
4	Construction of Hopewell Centre II Development
5	Residential Development at Hing Wah Street, Cheung Sha Wan
6	Lohas Park Package 10 Residential Development Project, Tseung Kwan O
7	Construction of Public Housing Development at Tuen Mun Area 54 Sites 3 & 4 (East)
8	Commercial and Residential Development Accommodation, Package Four, Wong Chuk Hang Station



Construction of Hopewell Centre II Development



Lohas Park Package 10 Residential Development Project, Tseung Kwan O



Residential Development at Hing Wah Street, Cheung Sha Wan

# Business Review (continued)

## Major Projects in Progress — Hong Kong (continued)

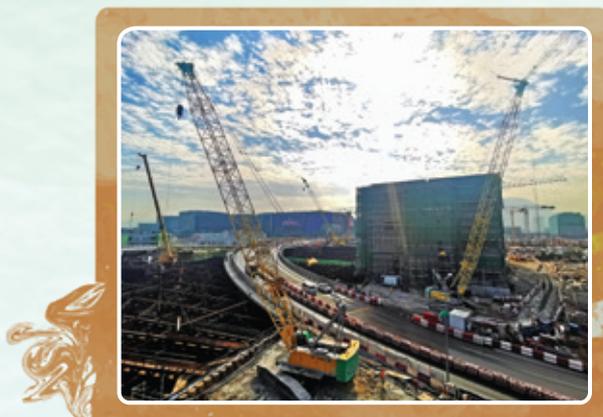
No.	Project Name
<b>Civil Engineering Works</b>	
1	Tseung Kwan O — Lam Tin Tunnel and Related Projects
2	Relocation of Sha Tin Sewage Treatment Works to Caverns — Main Caverns Construction
3	Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link
4	Design, Build and Operate First Stage of Tseung Kwun O Desalination Plant
5	APM and BHS Tunnels on Existing Airport Island
6	Site Formation and Foundation Works for Expansion of North District Hospital



Tseung Kwan O — Lam Tin Tunnel and Related Projects



Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link



APM and BHS Tunnels on Existing Airport Island

Major Projects in Progress — Macau

No.	Project Name
1	GEG's Cotai Phase 4 Project, Macau
2	Empreitada De Construç ã O Das Estruturas Principais Do Complexo De Cuidados De Saú De Das Ilhas
3	Studio City Macau Phase 2
4	Theme Park Resort Hotel Complex Development Project
5	Macau Senior Apartment Housing
6	Requalificação do Centro Desportivo de Mong Há, Habitação Social em Mong Há-2ªFase
7	Main Works for Barra Station, Macao LRT



Empreitada De Construç ã O Das Estruturas Principais Do Complexo De Cuidados De Saú De Das Ilhas



Macau Senior Apartment Housing



## Business Review (continued)

### Major Projects — Mainland China



-  Construction Related Investment Project
-  Construction Products Plant
-  Major Project in Operation and Management

### Major Projects in Progress — Mainland China

No.	Project Name
<b>Construction Related Investment</b>	
1	Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province
2	Infrastructure and Industrial Park Public-Private-Partnership (PPP) Projects, Haining, Zhejiang Province
3	Jiande Meicheng Urbanization PPP Project Phase I, Hangzhou, Zhejiang Province
4	Government Public Works PPP Project, Huzhou, Zhejiang Province
5	Government Targeted Repurchase Project (Plot E-25b), Lucheng District, Wenzhou, Zhejiang Province
6	Hushan Sports Park PPP Project, Jiangshan, Quzhou, Zhejiang Province
7	Government Targeted Repurchase Project (Plot E-28b), Lucheng District, Wenzhou, Zhejiang Province
8	Government Targeted Repurchase Project (Plot F01a), Ouhai District, Wenzhou, Zhejiang Province
9	Government Targeted Repurchase Project (Plot of the East side of Xiaolang Road and the North side of Fengru Road), Yangming Street, Yuyao, Ningbo, Zhejiang Province
10	Government Targeted Repurchase Project (Plot CC06-02-04a), Hu Kengji, Cicheng, Jiangbei District, Ningbo, Zhejiang Province
11	Government Targeted Repurchase Project, East Block of Baiwan Road, Xinzhuang Town, Jinnan District, Tianjin Province
12	Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province
13	Commercial BT Shanty Town Redevelopment Project, Longdejing and Goutoupian District, Putian, Fujian Province
14	The Hongyong Garden Relocation Housing Project, Chengdu, Sichuan Province
15	Chongqing Economic Development Zone Borui Ting Talent Apartment Construction EPC General Contracting Project
16	Poverty Alleviation Industrial Park Construction PPP Project, Shiyan, Hubei Province



Government Targeted Repurchase Project (Plot E-25b), Lucheng District, Wenzhou, Zhejiang Province



Commercial BT Shanty Town Redevelopment Project, Longdejing and Goutoupian District, Putian, Fujian Province

## Business Review (continued)

### Major Projects in Progress — Mainland China (continued)

No.	Project Name
<b>Construction Related Investment</b>	
17	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province
18	The Yellow River Cultural Tourism Facilities Project, Luoyang, Henan Province
19	Government Targeted Repurchase Project of Relocation Housing, Grand Canal, Jianhe District, Luoyang, Henan Province
20	Government Targeted Repurchase Project (Plot No. 200801), Yancheng, Jiangsu Province
21	Investment Project of Comprehensive Construction, Xianfengdao, YanCheng, Jiangsu Province
22	Government Targeted Repurchase Project of Changba (Phase III), Tinghu District, Yancheng, Jiangsu Province
23	Government Targeted Repurchase Project (Plot Number [2021]4-1), Hailing District, Taizhou, Jiangsu Province
24	Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province
25	Government Targeted Repurchase Project (Plot 3), Fengdong New Town, Xixian New District, Xi'an, Shaanxi Province
26	Shanty Town Relocation Project, Suzhou, Anhui Province
27	Siyi Real Estate Hushan Family Project, Tianjia'an District, Huainan, Anhui Province



Government Targeted Repurchase Project of Changba (Phase III), Tinghu District, Yancheng Jiangsu Province



Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province

## Business Review (continued)

### Major Projects in Progress — Mainland China (continued)

No.	Project Name
<b>Construction Related Investment</b>	
28	Xinyefang Industrial Park Investment Project, Hongkou, Shanghai
29	Shanty Town Relocation EPC Project, Yantai, Shandong Province
30	Integrated Development Project of Cultural Tourism Town, Nisha, Qufu, Shandong Province (Phase I)
31	Relocation Housing Project, Kuiwen District, Weifang, Shandong Province
32	Yunchuang Golden Valley Project, Kuiwen District, Weifang, Shandong Province
33	Qingbei High-tech Park Project, Laixi City, Qingdao, Shandong Province
34	Urban Comprehensive Development PPP Projects, Foshan, Guangdong Province
35	Xijiao Industrial Park Renovation Project, Ronggui, Foshan, Guangdong Province
36	Reconstruction Project of Qijiao Industrial Park, Xingcha, Foshan, Guangdong Province
37	Infrastructure PPP Project, Wangcheng New District, Nanchang, Jiangxi Province
38	Shanty Town Relocation EPC Project, Ganzhou, Jiangxi Province
39	University and Science & Technology City PPP Project, Yuelu Mountain, Changsha, Hunan Province



Xinyefang Industrial Park Investment Project,  
Hongkou, Shanghai



University and Science & Technology City PPP Project,  
Yuelu Mountain, Changsha, Hunan Province

# Business Review (continued)

## Major Projects — Mainland China

No.	Project Name
<b>Construction Products Plant</b>	
40	Shenzhen Hailong Construction Products Plant
41	Anhui Hailong Construction Products Plant
42	Shandong Hailong Construction Products Plant
43	Zhuhai Hailong Construction Products Plant
44	Chongqing Hailong Construction Products Plant



Zhuhai Hailong Construction Products Plant

**Major Projects** — Mainland China (*continued*)

No.	Project Name
<b>Major Projects in Operation and Management</b>	
45	Nanjing No. 2 Yangtze River Bridge
46	Yangquan-Yuxian Section Project, Yangquan-Wutaishan Expressway, Shanxi Province
47	Shuiyu-Niangziguan Section Project, Yangquan-Niangziguan First-Class Highway, Shanxi Province



Nanjing No. 2 Yangtze River Bridge

# Major Awards and Accolades 2021



## Comprehensive Strength, Corporate Governance, Branding Category

Award	Unit	Organisation
Outstanding Contractor Award	China State Construction Engineering (Hong Kong) Ltd.	Construction Industry Council
Honored with "Hong Kong Spirit 2021" Group Awards	China State Construction Engineering (Hong Kong) Ltd. Construction Team	"Hong Kong Spirit 2021" Organising Committee
FTSE4Good Constituent (Fifth Consecutive Year)	China State Construction International Holdings Limited	FTSE Russell
Ranked 1st in "Honored Company" at Industrials Small & Midcap Sector	China State Construction International Holdings Limited	Institutional Investor
Excellent Performance Award on Forest Management	China State Construction International Holdings Limited	CDP
ESG Benchmark Awards — The ESG Leader — Gold Award	China State Construction International Holdings Limited	The Institute of ESG & Benchmark
Ranked 1st in "Best ESG" at Industrials Small & Midcap Sector	China State Construction International Holdings Limited	Institutional Investor
Asia's Most Valuable Brand Awards 2021 — Asia's Most Prominent Construction Service Provider And Contractor of the Year	China State Construction Engineering (Hong Kong) Ltd.	MythFocus
2020-2021 Hong Kong Star Brand Award	China State Construction Engineering (Hong Kong) Ltd.	Organised by Hong Kong Federation of Small and Medium Enterprises, co-organised by Hong Kong Trade Development Council and Hong Kong Productivity Council
Hong Kong's Most Outstanding Business Awards 2021 — Asia's Most Outstanding Contractor of the Year	China State Construction Engineering (Hong Kong) Ltd.	CorpHub
The CIBSE Hong Kong Awards 2021 — COVID-19 Achievement Award	Architectural Services Department, China State Construction Engineering (Hong Kong) Ltd. and China State Construction International Medical Industry Development Co. Ltd. (Hong Kong Temporary Hospital and Community Treatment Facility)	The CIBSE Hong Kong
Principal Contractor for Five-star Housing Estate — The Entrance (五星級屋苑之總承建商(峻源))	China Overseas Building Construction Ltd	Hong Kong Professional Building Inspection Academy
NEC Water Project of the Year	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	ICE (Institution of Civil Engineers)
Structural Excellence Award 2021	Design and Construction of Temporary Quarantine Facilities at Penny' Bay (Phase IIIB), Lantau Island, N.T.	The Hong Kong Institution of Engineers
Hong Kong MTR — Quality Gold Award 2020 (香港地鐵 — 2020年度質量金獎)	1121-Shatin to Central Link Cross-sea Railway Tunnel Project Site Team	MTR
New Works Projects — Outstanding Building Project	Construction of Subsidised Sale Flats Development at Au Pui Wan Street, Fo Tan	Hong Kong Housing Authority
2020 Guangdong Province Contract-abiding and Credit-Reliable Enterprise (2020年度廣東省守合同重信用企業)	中建海龍科技有限公司 (formerly known as「深圳海龍建築科技有限公司」)	Shenzhen Administration For Market Regulation

## CSR Category

Award	Unit	Organisation
Awarded the 9th Hong Kong Volunteer Award — Corporate Award (Category B)	China State Construction International Holdings Limited	Agency for Volunteer Service
"Green Office 5+" and "Eco-Healthy Workplace" Awards Labelling Scheme	China State Construction Development Holdings Ltd	World Green Organisation
"Caring Company 5+" Label	China State Construction Development Holdings Limited	The Hong Kong Council of Social Service
Hong Kong MTR — Caring for the Community Gold Award 2020 (香港地鐵 — 2020年度關顧社區金獎)	1121-Shatin to Central Link Cross-sea Railway Tunnel Project Site Team	MTR

## Major Awards and Accolades 2021 (continued)



### Technology Category

Award	Unit	Organisation
2021 HKIE Structural Division Excellence Award	Temporary Quarantine Facilities at Penny's Bay (Phase IIB)	HKIE
HKIBIM Awards 2020 — GOLD in BIM departments Category	China State Construction Engineering (Hong Kong) Limited	HK Institution of Building Information Modeling
HKIBIM Awards 2020 — GOLD in Government Projects Category	North Lantau Hospital, Hong Kong Infection Control Centre	HK Institution of Building Information Modeling
Autodesk Hong Kong BIM Awards 2021	China State Construction Engineering (Hong Kong) Limited	Autodesk Hong Kong
7th European Healthcare Design 2021 Awards — Design for Adaptation and Transformation Highly Commended	China State Construction International Medical Industry Development Co., Ltd.	Architects for Health & SALUS Global Knowledge Exchange
The Grand Award of Hong Kong Non-Residential (New Building — Government, Institution or Community) Category	Hong Kong Children's Hospital Project	Jointly organised by Hong Kong Quality Assurance Agency, Hong Kong Construction Association and other nine professional authoritative organisations in the industry
2021 NCE Tunnelling Awards	Zhengxi Expressway Extra-long Tunnels	Institution of Civil Engineers
2021 AIB Infrastructure Award of the Year — Central-Wan Chai Bypass No. 8 Link Tunnel (SR8) (2021年AIB基礎設施類年度大獎 — 中環灣仔繞道八號連接路段隧道(SR8))	China State Construction Engineering (Hong Kong) Ltd.	The Australian Institute of Building

### Environmental Protection Category

Event	Award	Unit	Organisation
The 19th Hong Kong Occupational Safety and Health Award	Safety Management System Award (Construction Industries) — Gold	Construction of 30-Classroom Secondary School at Site KT2e, Development at Anderson Road, Kwun Tong, Kowloon	Occupational Safety and Health Council
The 19th Hong Kong Occupational Safety and Health Award	Safety Performance Award — Excellence (Construction Industries)	3801 Augmented Collaborative (Safety Culture)	Occupational Safety and Health Council
Occupational Health Award 2020–2021	"Joyful@Healthy Workplace Best Practices Award"	CDX_Tseung Kwan O Desalination Plant Phase 1 Project	Occupational Safety and Health Council
The International Safety Awards 2021	Best in Country Award Hong Kong (Greater China)	APM and BHS Tunnels on Existing Airport Island	British Safety Council
Architectural Services Department Green Contractor Award 2020	Green Contractor Award	Design and Construction of Temporary Quarantine Facilities at Penny's Bay (Phase IIB), Lantau Island, N.T.	Architectural Services Department
Quality Public Housing Construction and Maintenance Awards 2021	New Works Project — Best Site Safety — Safety Innovation Award	Foundation, Site Formation, Roads and Drainage for Public Rental Housing Development at Tai Po Area 9, Tai Po	Hong Kong Housing Authority
ICE Awards 2021	Edmund Hambly Medal	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	Institution of Civil Engineers
Awarded the "CarbonCare® ESG Label" for the sixth consecutive year, and awarded the label at the LEVEL 4, the highest ranking of the Label for the fourth consecutive year		China State Construction International Holdings Limited	CarbonCare InnoLab
Awarded the "CarbonCare® Construction (Process) Label" for the first time		Hong Kong Organic Resource Recovery Centre, Phase II	CarbonCare InnoLab

# Corporate Citizenship

For a successful construction project, other than cost control, safety, quality and progress, environmental protection also plays an important role.

As a socially responsible contractor, the Group must champion green management in construction planning in order to create a pleasant environment for our society.

As a socially responsible enterprise, we spare no effort in cultivating talents and giving back to the society, bringing care and warmth to the community in order to create a better tomorrow together.





# Corporate Citizenship (continued)

## Building Happiness and Leading the Trend

CSCI, as a member of China Overseas Holdings Limited (“COHL”), upholds the core values of “putting customers first, guaranteeing quality, and creating value”, consciously underwrites the sacred mission of “we are in the business of happiness”, and vows to become a world-class investment construction and operation service provider.

We vigorously carry forward the entrepreneurial spirit of “wholeheartedly strive every day”, and “bring together those who strive and motivate people of action”. The entire team has always maintained an enterprising creativity and vigour for the implementation of strategies and the achievement of goals.

With our extraordinary craftsmanship and care, we have profound insights into the changing needs of our customers. Driven by our maxim “Building happiness and Leading the Trend”, we have continuously led the lifestyle and industry trend and actively fulfilled our corporate responsibilities.

## Staff Development and Personal Growth

### Talent Development

Various development programs targeted at professional talents and young talents were launched to establish a sound talent development system. Of which, 200 young employees were invited to participate in studies to form the basis for the formulation of the “CSHK Engineer Trainees Development Management Method” and the “CSHK Core Talents Development Management Method”, which are in line with the development plan of the Group. Such methods provide a full career development path from graduates to core talents, and to leaders for local staff and build a comprehensive system to nurture whole-person development for talents, thereby securing the talent pool for the implementation of strategies, reform and innovation.



## Youth Development



The “Hong Kong ‘Double Hundred’ Youth Development Program” (the “Double Hundred Program”) has been specifically formulated for systematic talent cultivation and development based on recruitment, internship and visits, demonstrating our commitment to social responsibility as a large state-owned enterprise. With the Double Hundred Program, CSHK will provide at least 100 positions for graduates and 100 internship positions for students during the 14th Five-Year Plan period, complemented by additional development opportunities for young talents. Throughout the year of 2021, we have recruited 188 graduates, hired 110 interns and invited more than a hundred of high school students for visits and exchange. In addition, we also actively liaised with the HKSAR Government and universities for our talent pool development and brand promotion. Other supporting initiatives included arranging more than 140 engineer trainees to attend the “Remarkable Constructions of Great China (大國建造)” campus presentation, organizing the “Executive Face to Face” event between the president of CSHK and engineer trainees, and launching the “Construction Technology Interactive Experience Day” for summer internships.

## Corporate Citizenship (continued)

### Integration into the Greater Bay Area



The “Thousands of People Across the River Project” was planned and implemented. During 2021, 73 Hong Kong staff members were sent to the Greater Bay Area amid the impact of the pandemic, which included the “Qianhai Experience Program” launched in early 2021 to lay the strong foundation for the subsequent integration into the Greater Bay Area. In the second half year, we undertook a project to promote Hong Kong staff’s engagement in the construction projects in the Greater Bay Area and explore the possibilities of setting up demonstration projects for the “transfer of Hong Kong standards to Mainland (港標內移)”. Approximately 20 university graduates in Hong Kong were sent to participate in the construction projects in the Greater Bay Area for the first phase.

### Care for Staff

The “Happiness Committee” was founded for the enhancement of the sense of satisfaction and happiness among workers and staff with the bottom-up approach. The duties of the committee include ongoing collection of the suggestions and feedback from staff and workers, organization of large events covering all sites in Hong Kong, such as “Si Fu Festival” (歡慶先師寶誕·幸福你我之間), “Sending Care and Warmness at Winter solstice” (冬至關愛送暖·幸福你我之間), with cumulative participants of 40,000 workers. In addition, we also initiated a range of workers caring activities including “Intelligent Communication Station” (智慧溝通站) and “Night School for Workers (工人夜校), as well as the development of the of “Happy Workers” (幸福工友) application in the hope of providing extended convenience and benefits to our workers. In terms of staff caring, we offered scholarships

for the children of our employees and established various sports club for the enhancement of pride and engagement of our employees.



### Environmental Policy

The Group has set up and implemented its ISO14001:2015 Environmental Management System and formulated environmental objectives. The Group endeavors to review and continually improve the environmental management system to enhance its environmental performance. It is mandatory that all employees shall fully conform to the environmental policy.

### Environmental Risks and Control Measures

The Group’s environmental related risks mainly come from the operations of construction sites. If the site’s operation deviates from statutory requirements, it may lead to prosecutions and in turn affect the Group’s reputation and chances of awarding new projects.

In order to prevent project sites from violating the environmental laws and regulations, the Group has to identify project related significant environmental aspects of all projects through conducting compliance obligation and risk assessment at project commencement then follow strictly the operating procedures stipulated in the Group’s No. 12 Standard Operating Procedures Manual to operate the project.

## Corporate Citizenship (continued)

The Group's Safety and Environmental Protection Department (S&EP Department) is responsible for providing technical supports as well as monitoring the sites ensuring all sites are complying with statutory requirements. For instance, in addition to our Restricted Hours Permit-to-Work System implementing on site, we require all project management to provide weekly restricted hours' work schedules to our S&EP Department in advance to facilitate our planning of surprise checks. The Group continued to introduce and apply innovative pollution control measures, for example, the Real Time Air Quality Monitoring with Automatic Dust Suppression System to further enhance the performance in pollution control. In addition to the control measures mentioned, S&EP Department issues "Environmental Alert" regularly to alert all construction sites be vigilant on potential environmental issues and take proactive action to avoid deviating from statutory requirements. In order to further enhance the compliance obligation and risk management, the companies' Environmental Management System has been updated and certified to comply with ISO14001:2015 requirements in 2016. There was no non-compliance or Area for Improvement (AFI) raised during the system external audit conducted in 2021.

### Promoting Sustainable Construction



As a socially responsible contractor, the Group established its Building Information Modeling (BIM) Centre in 2020 to boost green management in project planning and construction in order to create a pleasant environment to our society. The Group has actively adopted technologically innovative measures and green practices such as the Modular Integrated Construction (MiC) and Design for Manufacture and Assembly (DfMA) to reduce

carbon footprint and help averting global warming, taking up our corporate responsibility to improve the environment. CSHK and China Overseas Building Construction Limited updated and granted the ISO50001:2018 Energy Management Systems certification in 2019. China State Foundation Engineering Limited also granted the relevant certification in the same year. There was no non-compliance or AFI raised during the system external audit conducted in 2021. The Group also took the Organic Waste Treatment Facilities Phase 2 as a pilot project to take the lead in implementing carbon neutrality during the construction period, and took this opportunity to conduct in-depth research and summarize its carbon reduction experience to further promote the Group's sustainable development strategy.

In line with the rising concern of the community on building environmental performance and expectation of clients on green building construction, CSHK joint the Hong Kong Green Building Council as an Institutional Member since 2015 and upgrade the Membership to Marble Patron Member in 2021 to actively promote green construction in Hong Kong. The Group encouraged and sponsored its staff to participate in BEAM Pro Training and obtain the BEAM Pro status to provide endless professional inputs to project management. Currently, more than fifty staff members have acquired the BEAM Pro qualification.

With the concerted efforts of the Group, the results were remarkable. Our Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction Project and Hong Kong Palace Museum Project won the Outstanding Environmental Management & Performance Award — Gold Award and Silver Award respectively in the 27th Considerate Contractors Site Award Scheme. The Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction Project also won the Silver Award (Construction Industry) in the 2020 Hong Kong Awards for Environmental Excellence. Besides, our Proposed Residential Development at Site B of Wong Chuk Hang Station Property Development Project respectively won the Platinum Award granted by the project client. CSHK, a subsidiary of the Group, was awarded the Special Award for Green Contractors (Fast

## Corporate Citizenship (continued)

Project) by the Architectural Services Department of Hong Kong SAR. Besides, the Group's subsidiaries including CSHK, China Overseas Building Construction Limited, China State Foundation Engineering Limited, China State Mechanical and Electrical Engineering Limited and Alchmex International Construction Limited, won the Hong Kong Construction Environmental Awards 2021 — Environmental Merit Award organized by the Hong Kong Construction Association. Those awards fully recognize our efforts in promoting green construction in Hong Kong.

Same as previous years, the Group is actively committed to environmental promotional activities. In the annual "China State Environmental Protection Day", the Group organized a technical site visit to the project with outstanding environmental performance — the Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction Project. Through the site visit, colleagues can better understand the application of various innovative green technologies in construction project to improve the overall environmental performance. Besides, all the Group's construction sites participated the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable materials.

The Group also required all subcontractors to comply with our environmental policies and held meetings with subcontractors regularly during the construction period of the property to discuss issues related to environment. Moreover, the Group also invited the Construction Industry Council to provide employees with training on embodied carbon management and application of the CIC carbon assessment tool, to enhance employees' awareness of embodied carbon in construction materials and low-carbon construction, and to encourage employees to adopt low-carbon and innovative environmental protection construction methods, thereby achieve sustainable development.

### Safety and Health

The Group's commitment to protecting the safety and health of employees of the company and its subcontractors prompts us to continually review and provide sufficient resources to continually optimize and improve the company's safety management system. The Group also actively promotes safety culture to improve our safety management level. The company's safety management system is based on ISO 45001:2018, and we will continue to implement and improve our safety management system.

The Group is committed to promoting the implementation of safety management system to ensure compliance with safety and health legal requirements and contracts with client. Each operation unit has carried out a series of specific risk assessments which strengthen its site supervision of the specific task, and has provided sufficient training to relevant employees. These measures can control construction risks effectively, prevent accidents and avoid serious accidents from happening.

The Group actively introduces various measures to fight the COVID-19 pandemic, including providing automatic disinfection sprayer and implementing Digital Health Declaration system, and ensuring adequate supplies of anti-epidemic items to our construction sites. Our company is continuously updating the anti-epidemic guideline to fight the virus together.

With the joint efforts of all divisions of the Group, our construction sites have won multiple awards from the industry and clients, including 2 Gold and 3 Silver awards in the 27th Considerate Contractors Site Award Scheme (New Works), 3 Gold awards in The 19th Hong Kong Occupational Safety and Health Award, Gold award in MTRC-2021 Workplace Hygiene Competition, 2020 Grand Award & The Best Construction Site Safety and Housekeeping Award in Drainage Services Department. This shows that the Group's safety and health management policy and its implementation have been widely recognized by the industry.

# Corporate Citizenship (continued)

## The Group and Community

Under the leadership of the “Caring for the Society” Voluntary Services Federation of COHL, CSCI officially established the CSC “Caring for the Society” Volunteer Branch (hereinafter referred to as “3311 Volunteer Branch”) in June 2019 for the implementation of our corporate mission of “We are in the business of happiness”. Over 2,100 volunteers have joined since the Branch’s establishment. In 2021, the 3311 Volunteer Branch strengthened its organizational development by adding four subordinate branches and continued to improve the “4+x” (namely Care for the elderly, Adult employment, Care for the youth, House maintenance and Innovative Space for Employees volunteer service system. There were 2,800 participating volunteers with more than 11,000 volunteering hours throughout 2021.



With its outstanding contribution to the community, CSCI has received accolades from various sectors of the community, including being the first batch of Chinese enterprises to be awarded the “Hong Kong Volunteer Award — Corporate Award” by Agency for Volunteer Service in 2021. The award was presented by the Chief Secretary for Administration of the HKSAR Government, Mr. Li Ka-chiu. It also received the Volunteer of the Year Award (年度義工獎) from the Hong Kong Social Welfare Department and the Construction Industry Council. Various activities also gained publicity from more than 20 well-known media outlets under the Central Government and in Hong Kong region.

## “1,000+ Repair & Renovation Scheme”

By actively leveraging CSCI’s professional advantages in construction and engineering, a group of our devoted professional staff formed the “House maintenance” team to provide a variety of practical voluntary repair services such as installation of grab bar, plumbing inspection and trap cleaning to those in need, including grass-root families with difficulties, “tenants of subdivided flats” and singleton elderly. These seemingly simple repair works are in fact the long-standing problems, or even major problems that cannot be solved to the service receivers, which continue to affect their home safety and quality of life.

The project has been well-received by the community since its launch in 2020. More and more people in need referred their needs to the 3311 Volunteer Branch through Legislative Council members, District Council members and local organizations. In view of this, the 3311 Volunteer Branch decided to increase the target to “1,000 households” from the original target of “100+ Repair & Renovation Scheme” and deploy our resources by focusing on serving communities with a high proportion of grassroots, which is in line with one of the corporate objectives of our 14th Five-Year Plan. During 2021, the 3311 Volunteer Branch has completed the repair work for more than 480 households in Hong Kong, with more than 220 participating volunteers with over 1,530 volunteering hours.



## Corporate Citizenship (continued)

During 2021, the 3311 Volunteer Branch invited a number of senior government officials and Legislative Council Members, community organizations and charity organizations to participate in this series of activities. Among them, the Transport and Housing Bureau of the HKSAR Government and members of the Legislative Council published articles on social media to express their appreciation towards the Company, and a number of media reported our events, reflecting the wide support and attention to our events.

### “The constructor for the future of Hong Kong – Junior Engineer Workshop” (香港未來建設者—小小工程師工作坊)

In June 2021, the 3311 Volunteer Branch invited over 110 teachers and students from some of the well-known local secondary schools in Hong Kong to visit the important cultural landmark project of CSCI — the Hong Kong Palace Museum project for exchange. Through a series of construction technology learning and experience activities, such as visiting the MiC exhibition hall and the smart site cockpit, such event helps to deepen understanding of Hong Kong young people in Chinese traditional culture and stimulate their interest in construction engineering and construction technology research and development.



### “Tutorials for students from grassroots families”

To assist more aspiring young people to learn and grow, through the referral of Teen Club, a non-profit organization in Hong Kong, the 3311 Volunteer Branch has gathered a number of young volunteers who graduated from renowned universities in the Mainland to provide students from grassroots families with ongoing academic tutorials of the English subject for the Hong Kong Diploma of Secondary Education (HKDSE) examinations during 2021, with a view to enhance the students' confidence and language skills.



### “China Overseas Charity Walk” (中海愛心公益行)

Echoing with the theme of COHL's corporate celebration, the 3311 Volunteer Branch actively motivated various sectors of the community to carry out environmental protection and public welfare activities, fulfill their civil responsibilities and spread positive energy of happiness through physical actions and services to the community. The event was open to all Hong Kong citizens and, with more than 700 applicants, the response was overwhelming. Participants walked in groups along different routes to clean up the waste disposed of in the woods and at the beach, including plastic, glasses and other waste which was difficult to decompose. Many volunteers also brought their children to the event, thereby cultivating civil awareness of the next generation through role modeling. During the event, volunteers walked nearly 50 kilometers and cleared over 500 kilograms of waste, contributing their care and effort to the beauty of the environment.

## Corporate Citizenship (continued)

### “Wind beneath the Wings — Growth Navigation Program” (翼下之風-成長導航計劃)

In order to assist in the long-term growth of the underprivileged children of Hong Kong and reduce cross-generation poverty, the 3311 Volunteer Branch actively participates in the “Wind beneath the Wings — Growth Navigation Program” organized by the Hong Kong Playground Association, a non-profit organization in Hong Kong, and arranges “1 to 1” matching of volunteers and children of low-income families, so that the volunteers could become the navigators and provide guidance for the growth of the students. The 3311 Volunteer Branch has finally selected 40 employees, the highest number in history for the project, as teachers based on their performance, service years and interview performance.



### Organizational Protection

Organizational protection is of the same importance of the care and enthusiasm of volunteers in fulfilling social responsibilities. By optimizing the organizational structure of volunteer clubs, implementing work regulations and incentive mechanism, including participation by the senior management of the Company, leave compensation for voluntary work and the assessment and selection of outstanding volunteers, the Company continues to elevate its management effectiveness, foster positive volunteering atmosphere within the organization and attract more employees and their families, customers and social organizations to participate in charity work, thereby uniting the wider powers of loving the country and Hong Kong and together bringing positive energy to the Hong Kong community.

### Awards and Recognitions

With its outstanding contributions and achievements in promoting volunteering work, CSCI won great praise from the HKSAR Government and various sector of the Hong Kong community in the past two years, and has received numerous important awards in the field of volunteering work. Among which, it is the first Chinese enterprises to receive the “Hong Kong Volunteer Award — Corporate Award (Category B)” from Agency for Volunteer Service, which was presented by the Chief Secretary for Administration of the HKSAR Government, Mr. Li Ka-chiu. The award is the most representative volunteer honor in Hong Kong. So far, only around 10 leading enterprises in various industries in Hong Kong have received the Corporate Award (Category B) (for enterprises with 100 or more employees).

## Corporate Citizenship (continued)

In parallel, it was awarded the “Award of 10,000 Hours for Volunteer Service” for 2020 by the Social Welfare Department and the “Excellence in Construction Industry Volunteering Collaboration (Merit)” for 2021 by the Construction Industry Council. In addition, it has been awarded the “Gold Award for Volunteer Service (Organization)” certificate by the Social Welfare Department and the “Most Supportive Organisation” award by the Construction Industry Council for two consecutive years. On cumulative basis, verbal or written letters of appreciation from over 50 government departments, primary and secondary schools, social welfare organizations and local organizations have been received. Various activities also gained publicity from more than 20 well-known media outlets under the Central Government and in Hong Kong region.



### Investor Relations

#### Management Highly Values Investor Relations

The management of the Group believes that actively promoting investor relations can improve corporate governance and strengthen the Group’s capability to create value. Therefore, investor relation is regarded as one of key tasks, and with the strong support from the management level and increasing advocacy efforts at the executive level, the year 2021 has achieved outstanding performance.

Apart from results announcement conferences, the management of the Group also attended a number of roadshows and investors forums to directly respond to investors’ questions and expectations. The institutional investor survey was conducted to listen to investors’ opinions and suggestions, which served as an important consideration in formulating the development strategy of the Group.

#### Diversified Communication Approach

The Group adheres to a transparent, efficient, proactive and comprehensive attitude, and maintains regular and efficient communications with shareholders and investors. In 2021, the Group participated in a number of investor conferences and forums, meeting more than 200 investors, to share its insights on the market and industry in a timely manner, as well as to introduce its development strategies and operations, thereby enhancing investors’ understanding and confidence in the Group.

In addition, the Group has managed to cope with the impact of the COVID-19 pandemic and, on the premise of epidemic prevention and social distance, invited investors to visit the project site of Shenzhen International Hotel. Through on-site inspections, investors can experience the substantial development of multi-storey MiC technology.

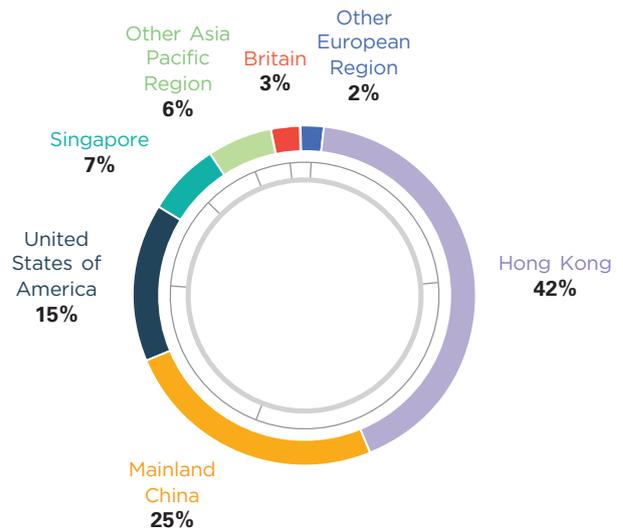
## Corporate Citizenship (continued)

### Outstanding Performance Recognized by Global Investors

The Group actively participates in investment strategy conferences held by domestic institutions and investor conferences held by overseas institutions. While continuously attracting Mainland Chinese investors and significantly increasing the proportion of shareholders trading via Stock Connect (Southbound), the Group maintains close communication with overseas investors and effectively keeps a stable structure of overseas shareholders.

The Group's efforts in corporate governance and stakeholder engagement over the years have been well recognized by the market, it was awarded again as "Honored Company" at Industrials Small & Midcap sector in All-Asia Executive Team 2021 by the Institutional Investor magazine, "The Best IR Hong Kong Stock Company" by New Fortune, "Excellence in Investor Relations — Greater China" by "IR Magazine", and many other awards.

### Distribution of meetings with shareholders and investors by region:



# Corporate Citizenship (continued)

## Major Investor Relations Activities in 2021:

### JANUARY

- Citibank Macro, Industrials, Midcap and Transportation Conference
- 21st UBS Greater China Conference

### JULY

- UBS Virtual Asian Industrial and Infrastructure Company Day 2021
- Guosheng Securities Mid-year Strategy Conference

### MARCH

- 2020 Annual Results Investors and Analysts Briefing
- Investor Telephone Conference for 2020 Annual Results
- 20th Credit Suisse Asian Investment Conference
- Tianfeng Securities Spring Outlook & Strategy Conference

### AUGUST

- 2021 Interim Results Investors and Analysts Briefing
- Investor Telephone Conference for 2021 Interim Results

### APRIL

- Investor Telephone Conference for Q1 Results

### SEPTEMBER

- Barclays Emerging Market Sustainably Development Corporate Day
- Citi Hong Kong and China Corporate Day 2021

### MAY

- ICBC International Cycles and Commodity Business Days

### OCTOBER

- Investor Telephone Conference for Q3 Results
- BofA Securities 2021 Asian Credit Conference
- Sinolink Securities Strategy Conference

### JUNE

- Citibank Pan-Asia Regional Investor Conference 2021
- BofA 2021 Innovative China Conference
- Haitong Securities Mid-year Strategy Conference

### NOVEMBER

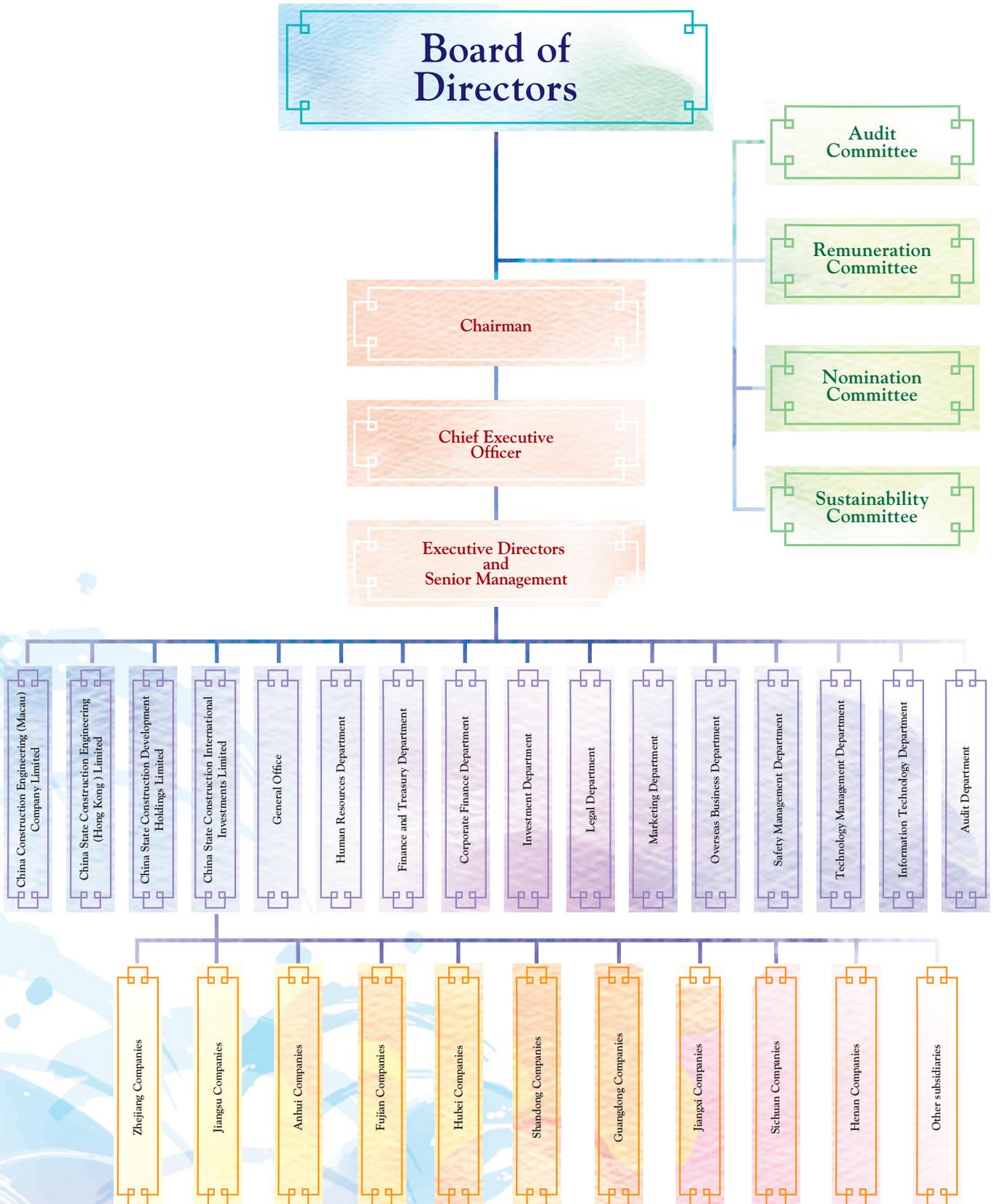
- Goldman Sachs China Conference 2021
- Citibank Investor Conference 2021
- BofA Securities 2021 China Conference
- CICC Investment Forum
- Site Tour of Shenzhen International Hotel Project

# Directors and Organisation



- 1 Mr. Yan Jianguo
- 2 Mr. Chen Xiaofeng
- 3 Mr. Zhang Haipeng
- 4 Mr. Zhou Hancheng
- 5 Mr. Hung Cheung Shew

## Directors and Organisation (continued)



# Directors and Organisation (continued)

## Board of Directors

### Mr. YAN Jianguo

*Chairman and Non-executive Director*

Aged 55, was appointed as a Chairman and Non-executive Director of the Company on 22 March 2019. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained a MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined 中國建築集團有限公司 (China State Construction Engineering Corporation\*) (“CSCEC”) in 1989 and had been seconded to China Overseas Land & Investment Ltd. (“COLI”) twice. During the year from 1990 to 1992, Mr. Yan had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and department head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (listed in Hong Kong) in June 2014 and resigned on 5 December 2016. During the period, Mr. Yan had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed as Executive Director and Chief Executive Officer of COLI from 1 January 2017, has become Chairman of COLI and continues to serve as Chief Executive Officer of COLI from 13 June 2017, and cease to act concurrently as Chief Executive Officer from 11 February 2020. Besides acting as the Executive Director and Chairman of COLI, Mr. Yan is currently Chairman and President of China Overseas Holdings Limited (“COHL”) and a director of certain of its subsidiaries, and also a director of certain subsidiaries of COLI. Mr. Yan resigned as the Chairman and Non-Executive Director of China Overseas Property Holdings Limited and the Chairman of China Overseas

Grand Oceans Group Limited (“COGO”) on 11 February 2020, and continues to act as Non-Executive Director of COGO. On 22 April 2021, Mr. Yan resigned as Non-Executive Director of COGO. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Yan has about 32 years’ experience in construction business, real estate investment and management.

\* The English name is a translation from its Chinese name and is for identification purposes only.

### Mr. CHEN Xiaofeng

*Non-executive Director*

Aged 59, was appointed as a Non-executive Director of the Company on 17 August 2021. Mr. Chen graduated from Jilin Finance and Trade College (now known as Jilin University of Finance and Economics) and obtained a bachelor’s degree in economics and was awarded that title of Senior Economist. Mr. Chen joined CSCEC in 1984 and was appointed as Managing Director and Chief Financial Officer of COHL in 2016. He is also a director of certain subsidiaries of COHL. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Chen has over 31 years’ experience in construction and real estate business management and financial management.

### Mr. ZHANG Haipeng

*Executive Director and Chief Executive Officer  
Sustainability Committee Member*

Aged 46, was appointed as an Executive Director of the Company on 13 July 2017 and was appointed as the Chief Executive Officer of the Company on 21 August 2018. Mr. Zhang graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined CSCEC in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Currently, Mr. Zhang is Chairman and Non-executive Director of China State Construction Development Holdings Limited (“CSC Development”, a subsidiary of the Company and listed in Hong Kong) and a Director of COHL. Mr. Zhang has over 22 years’ experience in construction engineering management.

## Directors and Organisation (continued)

### Mr. ZHOU Hancheng

*Executive Director and Financial Controller  
Chairman of the Sustainability Committee*

Aged 52, was appointed as a Director of the Company on 21 April 2004 and was subsequently designated as an Executive Director of the Company on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics and obtained a degree of Master of Business Administration from The University of Sheffield (UK). He is a Fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 30 years' experience in corporate finance, financial accounting and investment management.

### Mr. HUNG Cheung Shew

*Executive Director, Vice President*

Aged 63, was appointed as an Executive Director of the Company on 8 June 2011. Mr. Hung graduated from Plymouth Polytechnic (UK). He is a member of The Hong Kong Institution of Engineers and The Institution of Structural Engineers (UK). Mr. Hung joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2000. Currently, Mr. Hung is a vice president of The Hong Kong Construction Association, Limited and a director of The Hong Kong Construction Association Charity Fund Limited. Mr. Hung has over 40 years' experience in construction management and planning.

### Mr. Adrian David LI Man Kiu JP

*Independent Non-executive Director  
Chairman of the Remuneration Committee  
Audit Committee Member  
Nomination Committee Member  
Sustainability Committee Member*

Aged 48, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. He is also a member of the Hong Kong Academy of Finance and has been conferred as an Honorary Certified Banker by The Hong Kong Institute of Bankers. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited. He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. Mr. Li is Chairman of The Chinese Banks' Association, Vice President of The Hong Kong Institute of Bankers' Council and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is a board member of The Community Chest of Hong Kong and serves on its Executive Committee, a member of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, and a Trustee of The University of Hong Kong's occupational retirement schemes. Furthermore, he serves as a member of the Election Committees responsible for electing the Chief Executive and Legislative Council members of the HKSAR as well as deputies of the HKSAR to the 13th National People's Congress. Mr. Li is currently an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and COSCO SHIPPING Ports Limited. He previously served as a Non-executive Director of The Berkeley Group Holdings plc (listed in London). The aforesaid companies are all listed in Hong Kong, unless stated otherwise.

## Directors and Organisation (continued)

### **Dr. Raymond LEUNG Hai Ming**

*Independent Non-executive Director  
Audit Committee Member  
Remuneration Committee Member  
Nomination Committee Member  
Sustainability Committee Member*

Aged 67, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from The Chinese University of Hong Kong, a Bachelor of Applied Science degree in Civil Engineering and a Master degree in Applied Science in Construction Management from University of Toronto, and a LLM in Chinese Law from Renmin University of China. Dr. Leung is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society of Civil Engineers and Institution of Civil Engineers (UK) and a Senior Member of Institute of Electrical and Electronics Engineers. He has more than 45 years of experience in engineering, investment, construction and project management. He is a director of various private companies in Hong Kong. Dr. Leung is also the Chairman and Chief Executive Officer of C & L Holdings Ltd. engaging in investment and dispute resolution.

### **Mr. LEE Shing See GBS, OBE, JP**

*Independent Non-executive Director  
Chairman of the Audit Committee  
Chairman of the Nomination Committee  
Remuneration Committee Member  
Sustainability Committee Member*

Aged 79, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee is an Engineer by profession, being a Fellow of both The Hong Kong Institution of Engineers and Institution of Civil Engineers (UK). After his graduation from The University of Hong Kong with a Bachelor of Science (Engineering) degree, Mr. Lee joined the civil service. He worked through different ranks and different departments. He was appointed as Director of Territory Department in 1994, and the Secretary for Works in 1999. After his retirement, Mr. Lee remained very active with public services, including Construction Industry Council, Hong Kong Science and Technology Parks Corporation, Hong Kong Design Centre, Development Committee of the West Kowloon Cultural District Authority, Hong Kong Cyberport Management Company Limited, Hong Kong Airport Authority, Youth Education, Employment and Training Task Force of Commission on Poverty, CreateSmart Initiative Vetting Committee, Aviation Security Company Limited, etc. Mr. Lee has over 56 years' experience in engineering and construction.

### **Ms. WONG Wai Ching GBS, JP**

*Independent Non-executive Director  
Audit Committee Member  
Remuneration Committee Member  
Nomination Committee Member  
Sustainability Committee Member*

Aged 61, was appointed as an Independent Non-executive Director of the Company on 25 March 2022. Ms. Wong graduated from The University of Manchester, United Kingdom, with a Bachelor's degree (Honours) of Science in the Faculty of Technology in 1985 and a Master's degree of Science in the Faculty of Technology in 1986. She served Bank of China from 1987 to 1992 as a deputy manager of the Hong Kong branch and a dealer of the Australia branch respectively. Ms. Wong has joined her family business in 1993, its scope covering investment, retailing, hotels and mixed complex projects. Ms. Wong is currently acting as the managing director of Wong Sun Hing Limited.

Ms. Wong has, over the years, devoting untiringly efforts in public and community services. She is currently serving as member of The National Committee of the Chinese People's Political Consultative Conference, deputy director of The National Committee of the Chinese People's Political Consultative Conference — Proposals, member of Standing Committee of All-China Women's Federation, member of Committee of Trade and Industry Advisory Board, member of Committee of Hong Kong Business Ethics Development Advisory Committee, member of Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee, member of The Council and The Court of Hong Kong Baptist University, president of Kowloon Federation of Associations, vice chairperson of The Chinese General Chamber of Commerce, deputy secretary general of Hong Kong Coalition, chairperson of Presidium of Friend of Hong Kong Association Development Foundation, honorary chairperson of Hong Kong Poverty Alleviation Association Ltd, deputy chairman of Hong Kong Volunteers Federation, advisor of Our Hong Kong Foundation, permanent chairman of Federation of Hong Kong Guangxi Community Organizations, and permanent chairman of All-China Women's Federation Hong Kong Delegates Association Limited, among others.

## Directors and Organisation (continued)

### Senior Management

#### Mr. TIAN Shuchen

*Vice President*

Aged 56, served as an Executive Director of the Company for the period from 12 August 2010 to 22 December 2021. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 34 years' experience in construction engineering and project management.

#### Mr. ZHAO Xiaoqi

*Vice President*

Aged 47, graduated from Tsing Hua University, and obtained a degree of Master of Business Administration from Renmin University of China and was awarded the title of Senior Economist. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 25 years' experience in human resources management and personnel administration.

#### Mr. YANG Weidong

*Vice President*

Aged 52, graduated from Anhui Jianzhu University, and obtained a degree of Master of Business Administration from University of South Australia and was awarded the title of Senior Engineer. Mr. Yang joined the Group in 1999. He has been a director of certain subsidiaries of the Group since 2007. Mr. Yang has over 32 years' experience in construction engineering and management.

#### Mr. ZHOU Wenbin

*Vice President*

Aged 55, graduated from Zhongnan University of Economics and Law and completed doctoral education and obtained a PhD Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 33 years' experience in corporate finance, accounting and investment management.

#### Mr. WANG Xiaoguang

*Vice President*

Aged 39, graduated from Tongji University, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Wang joined the Group in 2005. He has been a director of certain subsidiaries of the Group since 2015. Mr. Wang has over 17 years' experience in construction engineering and management.

#### Mr. LUO Haichuan

*Vice President*

Aged 42, graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and was awarded the title of Senior Engineer. Mr. Luo joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2011. Mr. Luo acted as an executive director of CSC Development from September 2015 to August 2018. He has over 19 years' experience in investment and financing; and human resources management.

#### Mr. HUANG Jiang

*Assistant President*

Aged 47, graduated from Chongqing Jianzhu University, and obtained a degree of Master in Project Management from The Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Engineer. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Currently, Mr. Huang is a non-executive director of CSC Development. He has over 25 years' experience in contract and project management.

## Directors and Organisation (continued)

### **Mr. ZHANG Ming**

*Assistant President*

Aged 39, graduated from Harbin Institute of Technology, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Zhang joined CSCEC in 2006 and was seconded to the Group in 2010. He has been a director of certain subsidiaries of the Group since 2016. Mr. Zhang has over 16 years' experience in construction engineering, administration and human resources management.

### **Mr. ZHOU Yuguang**

*Assistant President*

Aged 57, graduated from Central South University, and obtained a Master degree from Zhongnan University, a degree of Master of Business Administration from the University of South Australia and a Doctorate degree from The Hong Kong Polytechnic University and was awarded the title of professorate Senior Engineer. Mr. Zhou is a member of China Civil Engineering Society. Mr. Zhou joined COHL Group in 1995 and was seconded to the Group in 2014. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhou has over 34 years' experience in information technology management and project management.

### **Mr. WONG Wing Yuk**

*Assistant President*

Aged 64, graduated from Plymouth Polytechnic (UK) and obtained a degree of Master of Business Administration from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 35 years' experience in construction engineering and contract management.

### **Mr. LAU Wing Shing**

*Assistant President*

Aged 62, graduated from University of Warwick (UK) and City University of Hong Kong, and obtained a Master degree of Science and a Master degree of Laws. Mr. Lau is a fellow of the Hong Kong Institute of Engineers, a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed as a member of the Registered Contractors' Disciplinary Board Panel by the Planning and Lands Branch of Development Bureau. Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 40 years' experience in contract and project management. He assists in managing the Group's building construction and joint venture projects in Hong Kong, and pre-contract works for mega size infrastructure projects. Mr. Lau is also appointed as the Chief Engineer and Quality Director of China State Construction Engineering (Hong Kong) Limited and manages the quality assurance system and technology for the Group.

## Directors and Organisation (continued)

### **Mr. ZHOU Zhike**

*Assistant President*

Aged 38, graduated from Huazhong University of Science and Technology and University of Nottingham in UK, and obtained a degree of Master of Management. Mr. Zhou is a CFA (Chartered Financial Analyst) charterholder and a regular member of HKSFA (Hong Kong Society of Financial Analysts). Mr. Zhou joined COHL Group in 2007 and was seconded to the Group in 2014. He has been a director of a subsidiary of the Group since 2019. Mr. Zhou has over 14 years' experience in capital market, corporate finance and corporate strategy. He had been awarded as "Best Investor Relations Professionals" in All-Asia Executive Team Poll (Industrial Sector) by Institutional Investors for 7 consecutive years.

### **Mr. ZHANG Jie**

*Assistant President*

Aged 38, graduated from Tianjin University, and obtained a degree of Master of Business Administration from the University of Macau and was awarded the title of Senior Engineer. Mr. Zhang joined the Group in 2007. He has been a director of certain subsidiaries of the Group since 2018. Mr. Zhang has over 15 years' experience in construction engineering, investment and human resources management.

### **Mr. MI Xiang**

*Assistant President*

Aged 46, graduated from Northwest Institute of Architecture Engineering (Chang'an University), and obtained a degree of Master of Project Management in Xi'an Jiaotong University and was awarded the title of Professorate Senior Engineer. Mr. Mi joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2009. Mr. Mi has over 24 years' experience in project management.

# Corporate Governance Report

## Corporate Governance Practices

The board of directors (the “Board”) recognises that good corporate governance is essential to the success of the Company and enhances the shareholders’ value. The Board is committed to maintain a high standard of business ethics, a healthy corporate culture and a good corporate governance practice.

Throughout the year ended 31 December 2021, 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 of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

## Board of Directors

### Composition

As at the date of this report, the Board comprises nine directors, including two non-executive directors, Mr. Yan Jianguo (Chairman) and Mr. Chen Xiaofeng; three executive directors, Mr. Zhang Haipeng (Chief Executive Officer), Mr. Zhou Hancheng and Mr. Hung Cheung Shew; and four independent non-executive directors, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming, Mr. Lee Shing Lee and Ms. Wong Wai Ching\*.

There are four Board committees. The table below provides membership information of the four Board committees on which the relevant Board member serves:

Directors	Audit Committee	Remuneration Committee	Nomination Committee	Sustainability Committee
Zhang Haipeng	—	—	—	M
Zhou Hancheng	—	—	—	C
Adrian David Li Man Kiu	M	C	M	M
Raymond Leung Hai Ming	M	M	M	M
Lee Shing See	C	M	C	M
Wong Wai Ching*	M	M	M	M

Notes:

C Chairman of the relevant Board committees  
M Member of the relevant Board committees

\* Ms. Wong Wai Ching has been appointed on 25 March 2022

The Company and its subsidiaries (the “Group”) is governed by the Board. The Board is responsible for overall management of the Group’s business. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group. Executive directors and senior management are responsible for the day-to-day operations of the Group.

## Corporate Governance Report (continued)

Throughout the year ended 31 December 2021, the individual attendance (Board Meetings, 2021 annual general meeting (“AGM”) and extraordinary general meetings (“EGMs”)) of each director are set out below:

Name	Attended/Eligible to Attend		
	Board Meetings	AGM	EGMs
<b>Non-executive Directors</b>			
Yan Jianguo ( <i>Chairman</i> )	2/4	1/1	4/4
Chen Xiaofeng (appointed on 17 August 2021)	1/1	N/A	1/1
<b>Executive Directors</b>			
Zhang Haipeng ( <i>Chief Executive Officer</i> )	3/4	1/1	4/4
Tian Shuchen (resigned on 22 December 2021)	4/4	1/1	4/4
Zhou Hancheng	4/4	1/1	4/4
Hung Cheung Shew	4/4	1/1	4/4
<b>Independent Non-executive Directors</b>			
Adrian David Li Man Kiu	4/4	1/1	4/4
Raymond Leung Hai Ming	4/4	1/1	4/4
Lee Shing See	4/4	1/1	4/4

Biographical information of the directors is set out in “Directors and Organisation” section of the Company’s 2021 Annual Report. An updated list of directors containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company. The Company has also maintained an updated list of directors and their role and function on the websites of Hong Kong Exchanges and Clearing Limited (the “HKEx”) and the Company.

During the year, four Board meetings were held. Board meetings were held to approve the Company’s annual, interim and quarterly results; to consider the payment of final dividends and to approve the payment of interim dividends; to consider and approve the reports submitted; to consider and approve significant and connected transactions; to discuss the operational status and approve annual budget of the Company; to approve the revised sustainability policy of the Company; and to consider and approve the appointment of a non-executive director of the Company. Throughout the year, directors also participate in the consideration and approval of non-routine issues of the Company by way of circulated resolutions with supporting explanatory write-up. Senior management at all times answered the non-routine issues enquiries made by the Board.

All directors are given draft notice and agenda for all Board meetings and Board committees meetings for comments, consideration and inclusion of any matters for deliberation at the meetings.

The Board convenes Board meetings regularly. The date for holding each meeting will be determined in advance with a notice of not less than 14 days so that directors entitled to attend the meeting can spare time to attend in person and have sufficient time to include items that are in the agenda for discussion. To ensure that all directors have sufficient information for discussion, the meeting documents will be submitted to all directors three days before the meeting is convened.

All directors keep contact with the company secretary and can obtain the services provided by the company secretary so as to ensure compliance with the procedure of the Board meetings and all applicable laws, rules and regulations. In case of any changes in the governance and compliance laws, rules and regulations, the company secretary will release the latest information to the Board.

## Corporate Governance Report (continued)

The company secretary is responsible for compiling and drafting the minutes of the Board and the Board committee meetings, and will send the first draft of the minutes within reasonable time after each meeting to the participated directors for comments. The minutes of the meetings are prepared with details of the decisions reached, any concerns raised and dissenting views expressed. All directors are entitled to inspect the minutes of the Board and the Board committee meetings. Directors can seek independent professional advice for performing their duties at the expense of the Company. If the subject under discussion at a Board meeting involves conflict of interests of substantial shareholders or directors and the Board considers that the conflict of interests is material, the matter would be dealt with by a physical meeting rather than a written resolution. The Board will ensure that there are sufficient independent directors participating in discussing about and voting on the relevant resolution. Those interested directors shall abstain from voting on the relevant resolution.

The Company has arranged directors' and officers' liability insurance in respect of any legal action against directors.

Directors at all times have full access to information of the Company. The Board is provided monthly operating information which contain the up-to-date performance and information of the Company. Directors can access information from senior management independently.

Other than non-executive directors, all executive directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All directors are required to discharge their responsibilities as directors of the Company and their common law duties as directors. Not less than one-third of the Board is independent non-executive directors. The Board/its Nomination Committee will review the Board composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company will give an appropriate introduction about the Group's businesses and operations and policies to each newly appointed director.

Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitment in their biographical information. They are also reminded to notify the Company in a timely manner and biannually confirm to the Company any change of such information. The Company reported the changes in its annual report and interim report.

As part of the continuous professional development programme, all directors of the Company namely Mr. Yan Jianguo, Mr. Chen Xiaofeng, Mr. Zhang Haipeng, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See read legal and regulatory updates and/or attended seminars arranged by the Company during the year. In addition, individual directors also participated in other seminars and/or read relevant materials relating to the roles, functions and duties of a listed company director, environmental, social and governance, and further enhancement of their professional developments. Directors had provided the company secretary with their training records for the year under review.

There is no family or other material relationships among members of the Board.

The Company is aware that effective communication can increase productivity and improve teamwork. The Company regularly convened meetings for the executive directors, senior management, middle management, worksites management and management of overseas subsidiaries (by video-conference). During the meetings, the relevant parties reported the Company's overall work progress, delivered the Company's strategy, reviewed the strength and weakness of the Company's work-in-progress and provided sufficient time for the participants to raise questions and express their opinions, ensuring adequate communication between different levels of management.

# Corporate Governance Report (continued)

## Chairman and Chief Executive Officer

Chairman and chief executive officer are two key aspects of the management of the Company. Chairman performs the management of the Board and chief executive officer performs the day-to-day management of the business. Clear division of these responsibilities is in place to ensure balance of power and authority so as to avoid concentration of power on the same individual.

Mr. Yan Jianguo is the Chairman and Non-executive Director of the Company. The chairman is responsible for leading the Board and ensures all directors are provided with appropriate and sufficient information before Board meetings so that the Board can operate effectively and perform its duties. The chairman promotes culture of openness and encourages directors to voice their views. The chairman also meets independent non-executive directors without the executive directors present and ensures good corporate governance practices and procedures of the Company.

Mr. Zhang Haipeng is Executive Director and Chief Executive Officer of the Company. The chief executive officer is responsible for the operations of the Group. The chief executive officer together with other executive directors jointly implement the policies adopted by the Board and are responsible to the Board for the overall operation and administration of the Group. The chief executive officer also works with senior management in deciding the Group's risk level and risk appetite; developing risk management strategies and implementing appropriate action plans for managing and monitoring risks.

## Non-executive Directors

Except the non-executive directors appointed/re-appointed on or after 1 January 2022 (i.e. the effective date of the relevant amendment to the Listing Rules), all non-executive directors were appointed with a term of three years. Pursuant to the Articles of Association of the Company, all directors (including non-executive directors) appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All directors shall be subject to retirement by rotation at least once every three years and the retiring director shall be eligible for re-election.

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules. Non-executive directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive directors comply with the independence guideline under Rule 3.13 of the Listing Rules and have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules.

Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See served the Board for more than nine years. The Board considered that they are able to provide their independent judgments in respect of matters such as the Group's strategy, policy and performance in Board and Board committee meetings, making significant contribution to the affairs of the Group and long service will not affect their exercise of independent judgement. They have the required integrity to exercise independent judgement and provide objective challenges to the management. There is also no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See remain independent, notwithstanding the length of their tenure.

The Board as well as the Nomination Committee have reviewed the independence of all independent non-executive directors and have concluded that all of them are independent within the definition of the Listing Rules.

# Corporate Governance Report (continued)

## Remuneration Committee

The Company has established a Remuneration Committee on 9 June 2005. The major responsibilities of the Remuneration Committee include approving the overall remuneration policy of the Group, reviewing and approving the remuneration of individual executive directors and senior management of the Company, and ensuring that no director participates in the discussion on his own remuneration. The Board has adopted written terms of reference for the Remuneration Committee, which defined the role, authority and function of the Remuneration Committee. The terms of reference are posted on the websites of the Company and the HKEx.

During the year, one Remuneration Committee meeting was held and the individual attendance of each director is set out below:

Name	Attended/ Eligible to Attend
Adrian David Li Man Kiu ( <i>Chairman</i> )	1/1
Raymond Leung Hai Ming	1/1
Lee Shing See	1/1

During the meeting, the Remuneration Committee reviewed and discussed the remuneration policy and annual bonus policy of the Company, and considered the salary increase of the executive directors and senior management of the Company

The human resources department reviews the remuneration data of the market and formulates the remuneration policy of the Group and then proposes to the Remuneration Committee for consideration and approval. The remuneration of directors and senior management of the Company is determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

The remuneration payable to directors and members of senior management by band are set out in the notes to the consolidated financial statements of the Company's 2021 Annual Report.

## Nomination Committee

The Company has established a Nomination Committee on 20 March 2006. The major responsibilities of the Nomination Committee include reviewing the structure and the composition of the Board, and making recommendation to the Board on matters relating to directors' nomination, appointment or re-appointment and succession on regular basis. The Board has adopted written terms of reference for the Nomination Committee, which defined the role, authority and function of the Nomination Committee. The terms of reference are posted on the websites of the Company and the HKEx.

During the year, two Nomination Committee meetings were held and the individual attendance of each director is set out below:

Name	Attended/ Eligible to Attend
Lee Shing See ( <i>Chairman</i> )	2/2
Adrian David Li Man Kiu	2/2
Raymond Leung Hai Ming	2/2

## Corporate Governance Report (continued)

During the meetings, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive directors, the appointment of a non-executive director of the Company, and considering and making recommendation to the Board on the re-election of the retiring Directors at the annual general meeting.

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is posted on the website of the Company. The Company recognises that increasing diversity at the Board level is an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board contains individuals who have diverse educational background, professional experience, knowledge and culture. The Board members possess China/Hong Kong/Macau construction and related industry experience, global market experience, other listed board roles experience, company executive experience, public administration experience, professional engineering experience, professional accounting experience, professional banking and finance experience. All these experiences can enhance the Board decision making capacity, improves effectiveness in dealing with changes and reduces likelihood of group thinking. All Board appointments are based on meritocracy.

As at 31 December 2021, the Board comprises 8 directors. All of the directors are male. Two directors are under the age group of 41 to 50; three are under the age group of 51 to 60; and three are over 60. Three directors have served the Board below 5 years; one has served the Board between 5 and 14 years; and four have served the Board between 15 and 19 years.

The Nomination Committee strives to enhance the level of Board diversity and governance when refreshing and renewing Board membership. On 25 March 2022, the Company appointed a female independent non-executive director, Ms. Wong Wai Ching. The Nomination Committee considered that the appointment of Ms. Wong will further enhance the level of Board diversity and governance. The Nomination Committee will continue to consider Board diversity and governance and identify suitable candidates based on merit, skill and experience and the development of the Group.

The Board has also adopted a Director Nomination Policy which sets out the criteria and process in the nomination and appointment of directors and ensures that the Board has a balance of experience, knowledge and diversity of perspectives appropriate to the Company.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company. The Board has adopted written terms of reference for its corporate governance functions which include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

# Corporate Governance Report (continued)

## Audit Committee

The Company has established an Audit Committee on 1 June 2005. The major responsibilities of the Audit Committee include reviewing and overseeing the financial information of the Company, reviewing the financial reporting system, reviewing the risk management and internal control systems of the Company, and reviewing the relationship between the Company and auditor. The Board has adopted written terms of reference for the Audit Committee, which defined the role, authority and function of the Audit Committee. The terms of reference are posted on the websites of the Company and the HKEx.

During the year, four Audit Committee meetings were held and the individual attendance of each director is set out below:

Name	Attended/ Eligible to Attend
Lee Shing See ( <i>Chairman</i> )	4/4
Adrian David Li Man Kiu	4/4
Raymond Leung Hai Ming	4/4

During the meetings, the Audit Committee reviewed and considered the Group's audited accounts for the year ended 31 December 2020; the Audit Committee Report for the year ended 31 December 2020; the connected transactions report; the internal audit report; the Group's 2021 unaudited first quarter results; the Group's unaudited accounts for the six months ended 30 June 2021; the Group's 2021 unaudited third quarter results and the audit services fees in respect of the financial year ending 31 December 2021. The external auditor, Ernst & Young, Hong Kong ("EY"), was invited to attend 2020 final results meeting and 2021 unaudited third quarter results meeting and discussed audit plan for 2021 Group results with the Audit Committee during the 2021 unaudited third quarter results meeting.

During the year, the Company conducted a review and considered that the Company maintained adequate qualified accountants to oversee its accounting and financial reporting function and other accounting related issues in accordance with the relevant laws, rules and regulations.

## Auditor's Remuneration

The Company's external auditor is EY. For the financial year ended 31 December 2021, the fees paid or payable to EY and other firms of the worldwide network of EY in respect of services provided to the Group amounted to approximately HK\$9,744,000, including audit services fee of the Group of approximately HK\$8,905,000 and non-audit services fee of approximately HK\$839,000. The non-audit fees included tax services and other services for ad hoc projects.

## Sustainability Committee

The Company has established a Sustainability Committee on 25 March 2020. The major responsibilities of the Sustainability Committee include monitoring and reviewing the sustainability goals, priorities and policies, reviewing the Group's risk appetite, tolerance and strategy, reviewing and assessing the Group's sustainability performance, and considering and making recommendation to the Board on sustainability reporting and assurance. The Board has adopted written terms of reference for the Sustainability Committee, which defined the role, authority and function of the Sustainability Committee. The terms of reference are posted on the websites of the Company and the HKEx.

## Corporate Governance Report (continued)

During the year, two Sustainability Committee meetings were held and the individual attendance of each director is set out below:

Name	Attended/ Eligible to Attend
Zhou Hancheng ( <i>Chairman</i> )	2/2
Zhang Haipeng	2/2
Adrian David Li Man Kiu	2/2
Raymond Leung Hai Ming	2/2
Lee Shing See	2/2

During the meetings, the Sustainability Committee considered the appointments and fees of external independent consultants, the framework of sustainability report 2020, the revised sustainability policy and made relevant recommendations to the Board.

In order to improve the sustainable development strategy, the Group formulated a sustainability roadmap during the year, and set relevant goals and action plans for five major areas, which have been reviewed and approved by the Sustainability Committee and the Board by way of circulated resolutions in writing. The relevant sustainability roadmap has been published on the Company's website.

### Directors' Securities Transactions

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.

### Accountability and Audit

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

The management provided sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2021, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of EY, the external auditor of the Company, are stated in the Independent Auditor's Report of the Company's 2021 Annual Report.

The Board presents a balanced, clear and understandable assessment on annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements. The Board confirmed that the Company has an effective process for financial reporting and Listing Rules compliance.

# Corporate Governance Report (continued)

## Company Secretary

The company secretary supports the chairman, Board and Board committees by ensuring good information flow and Board policies and procedures are followed. The company secretary is an employee of the Company and is appointed by the Board. The company secretary reports to the chairman and all directors may call upon him for advice and assistance at any time in respect of his duties.

During the year, Mr. Ko Hiu Fung attended sufficient professional training as required under Rule 3.29 of the Listing Rules.

## Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control system. The Company reviewed the effectiveness of its risk management and internal control system and considered the system is effective and adequate. The Company ensures that the system can withstand changes in its operation and the external environment in respect of strategic risk, financial risk, operational risk and compliance risk, and mitigate the Company's risk exposure so as to safeguard the shareholders' investment and the Company's assets. Risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognises that risk management is the responsibility of all of our people. The Company has established an organisation structure with defined levels of responsibility which facilitates the Company to assign roles and responsibilities at strategic level and operational level of risk management clearly. It makes the Company's process used to identify, assess and manage risks effectively. The Board is responsible for determining the business strategies and objectives of the Company, and evaluating and determining the nature and extent of risk it is willing to take in achieving the Company's strategy and objective. The Board oversees management in the design, implementation and monitoring of the risk management and internal control system. Executive directors review the change in the nature and extent of the Company's significant risks from time to time, and the Company's ability to respond to change in its business and external environment. Senior management is responsible for evaluating, managing and reviewing potential risks. Ensuring the Company's risks be managed properly, it communicates, consults and provides guidance to business segment. Senior management is also responsible to track progress of mitigation plan of material risks. Business segment is responsible to identify, analyse and evaluate potential operational risk. It monitors and implements mitigating activity to minimise the operational risk.

The Company's Risk Management Control Committee focuses on strategic risk, financial risk, market risk and operational risk of the Company. The Committee is chaired by the Chief Executive Officer and includes executive directors and senior management from investment, operations, finance departments, etc.. The Committee aims to continually identify and strengthen the risk management of the Company, and build up a risk aware and control conscious culture throughout the Company. Departmental reports and periodical reports were submitted to the Risk Management Control Committee for review.

The Company's Audit Department reviews the adequacy and effectiveness of the Company's risk management and internal control system. The Audit Department is independent of all business segment and is directly responsible for chief executive officer so as to ensure the neutrality of control. It adopts a risk-based approach and control-based approach, operates on an on-going basis and covers all major operations of the Company on a rotational basis. It sets audit planning yearly, and focus on auditing business segments' financial management, operation management and internal control. It assists business segment to implement risk management and better its system. The Audit Department reports and makes recommendation to chief executive officer if there is material system deficiency or control weakness identified. It records the results and reports to the Board.

## Corporate Governance Report (continued)

Executive directors and senior management convene meetings periodically to evaluate and review potential risks. In respect of identified risk, they make agreed remedial action plan and prompt follow up to ensure that risk is properly managed and defect is mitigated. Executive director provides updated information on change of business environment and external environment to senior management which enhances the risk control quality. Risk Management Control Committee and Audit Department perform independent risk evaluation continuously to enhance the risk management quality. Through the division of work and periodic meetings, the Company was informed of material risks which may affect the performance regularly.

The Audit Department presents at least one consolidated summary report to the Board annually. The consolidated summary report covers the business risk of the Company and any significant control failure or weakness identified during the period (including impact). The Audit Department member attends Audit Committee meeting at least once a year; and reports its works during the period to the Audit Committee members.

The Company establishes a holistic risk management and internal control system. It requires each business segment to modify its own risk management and internal control system based on its local business environment. The Company requires each business segment to review and evaluate the effectiveness of the system on a continuous basis to ensure its effectiveness. The Audit Department performs on-going monitoring on each main business segment, and evaluates the procedure and action of its risk management and internal control system to enhance the quality and effectiveness.

During the year, the Audit Department inspected, investigated and assessed several subsidiaries of the Group. It reviewed and assessed their systems on cost control and integrated management; operation flow; internal control; financial; contracting; work monitoring and control; and analyzed its profitable and unprofitable factors. It issues independent and objective internal audit report with recommendation to chief executive officer and relevant business segments to improve deficiencies. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified. In order to further improving and monitoring the quality of the Company's internal control system, two subsidiaries have conducted internal control evaluation during the year, which focused on the areas of contracting and costs management, income management, funding management, etc. The Audit Department also performed economic responsibility audit on the former heads of various PRC subsidiaries and cost control and integrated management audit as well as completion audit on various projects. The Audit Department also reviewed the Group's continuing connected transactions for the year ended 31 December 2021 and confirmed that the transactions conducted in accordance with the pricing policies and framework agreements; and on normal and commercial terms. A continuing connected transactions report was prepared by the Audit Department and reported to the Audit Committee.

The Company has an inside information disclosure policy to ensure potential inside information being captured and maintained confidentiality until disclosure and disseminated properly.

The Company considered that the risk management and internal control system has adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function. The Company will continue to conduct a review of the effectiveness of its risk management and internal control system at least once a year. The review covers all material controls, including financial, operational and compliance controls.

### Shareholders' Rights

#### Convening of Extraordinary General Meeting on Requisition by Shareholders

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# Corporate Governance Report (continued)

## Procedures for Directing Shareholders' Enquiries to the Board

The annual report and the Company's website provide the contact details of the Company. Shareholders may at any time send their enquiries and concerns to the Board in writing. Shareholders may also make enquiries with the Board at the general meetings of the Company.

## Procedures for Putting Forward Proposals at General Meetings by Shareholders

There are no provisions allowing shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Laws or the Articles of Association of the Company. Shareholders who wish to propose a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

The procedures for appointment, election and removal of directors are set out in the Company's website.

## Communication with Shareholders

The Board has adopted a Shareholders' Communication Policy in March 2012 which sets out the various channels and platforms adopted by the Company to communicate with the shareholders. The Company believes that effective communication with its shareholders is essential for ensuring that shareholders are provided with timely access to important information about the Company, including its financial performance, strategic goals and plans, material developments, governance and risk profile, in order to enable shareholders to exercise their rights in an informed manner.

The Company has established various communication channels with shareholders. These include general meetings, annual report and interim report, notice, announcement and circular. In addition, the Company updates its website from time to time to keep the shareholders updated information of the Company's recent development. Investors' presentations are also uploaded to the Company's website for all stakeholders' perusal.

General meeting is a main channel of communication between directors and shareholders. The Company held five general meetings during 2021. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

An AGM was held on 9 June 2021. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration, nomination and sustainability committees were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

Four EGMs were held during the year. The notice of meeting and the circular containing information on the proposed resolution was sent to shareholders more than 10 clear business days prior to each meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at each meeting. At each meeting, the resolution was proposed by the chairman of the meeting and voting on resolution was conducted by poll. The result of the poll was posted on the websites of the Company and the HKEx on the same day of each meeting.

## Investor Relations

The Company has been striving to maintain high transparency and communications with shareholders and investors through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to investors. The website of the Company ([www.csci.com.hk](http://www.csci.com.hk)) contains the latest data and information of the Group so that shareholders, investors and the public can inspect the information about the Company in a timely manner.

Hong Kong, 25 March 2022

# Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding and providing corporate management services. The activities of its principal subsidiaries are set out in the audited consolidated financial statements.

The Group's performance for the year by segments is set out in the audited consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the audited consolidated financial statements.

An interim dividend of HK20.0 cents per share amounting to approximately HK\$1,007,523,000 was paid to the shareholders of the Company on 5 October 2021. The board of Directors (the "Board") recommended the payment of a final dividend of HK20.5 cents per share to the shareholders whose names appear on the register of members on 22 June 2022, amounting to approximately HK\$1,032,711,000.

## Dividend Policy

The Company's dividend policy is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company, in deciding whether to propose any dividend payout, the Board will take into account, among other things, financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

## Business Review and Performance

The business review of the Group for the year ended 31 December 2021 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

The environmental and social matters of the Group together with an account of the key relationships with its employees, customers and suppliers for the year ended 31 December 2021 are set out in the Company's Sustainability Report 2021, which is published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on the same date as that of the publication of 2021 Annual Report. The Company complied with all the provisions set out in the Environmental, Social and Governance Reporting Guide.

# Directors' Report (continued)

## Major Risk Management

Under the Group's internal control and risk management framework, the Risk Management Control Committee identifies major risks in each operation segment, assesses its likely impact and evaluates the risk in order to develop effective control activities to mitigate the risks. The Group established a more detailed project risk rating system, and discussed and supervised implementation at regular monthly management meetings to ensure that operational risks are within controllable limits. Other than the financial risk management policies of the Group set out in the section headed "Management Discussion and Analysis" of the Company's 2021 Annual Report, the Group was also exposed to major risk factors including construction risk, infrastructure investment risk, overseas business risk and compliance risk.

### (1) Construction risk

The Group was exposed to construction risk in relation to technology, costs, duration of works, environmental protection and safety involved in the construction business. The Group monitored and evaluated the price of key materials regularly, conducted timely analyses and made bold decisions. With effective cooperation between tender, procurement, construction and other departments, the Group kept updating the procurement plans and efficiently controlled the scale and procedures of procurement in line with construction progress. The Group controlled its material cost of tender projects through centralised procurement and mitigated price risk by setting fixed unit price for auxiliary materials. As for special construction process and materials, the construction defects risk and price risk had been shifted to the sub-contractors who are responsible for assigned works with material supply. Materials involving significant safety and social influence were managed by the Group directly so as to strictly control the quality risks. Under the unique management model of "5+3" (i.e. coordinated management by the five elements of safety, environmental protection, quality, progress and cost, and the three systems of flow guarantee system, procedure guarantee system and liability guarantee system), the Group was able to control the construction risks efficiently.

### (2) Infrastructure investment risk

In respect of the infrastructure investment business, the Group carried out comprehensive risk control regarding the whole cycle towards project development, implementation, buy-back and operation. For new development projects, the Group adhered to the selection criteria, conducted thorough researches, investigation and strict decision-making processes to control the investment risks from scratch. For projects in progress, the Group monitored project progress and quality along with the implementation of the buy-back guarantee conditions. In respect of the forthcoming buy-back projects, the Group conducted preparation works in advance to ensure the recovery of investments as planned. For operating projects, the Group focused on safety management and proactively communicated with the government authorities for favorable policy terms.

### (3) Overseas business risk

The Group undertook various projects overseas and hence was exposed to certain overseas political and regulatory risks. The Group had taken initiative to review cautiously the overseas operations and focused its resources on the exploration of core cities in order to avoid political and regulatory risks.

### (4) Compliance risk

The Group paid high attention to the enactment and amendment of laws and regulations of each operation region which may cause legal risks to the Group's business and reviewed the compliance status of relevant business of the Group in a timely manner to ensure that all business operations are in compliance with laws and regulations.

# Directors' Report (continued)

## Compliance with Relevant Laws and Regulations

The construction industry is regulated by the local authorities in which the business units operate. In general, contractors must comply with certain requirements mandated by the applicable laws and regulations and may be required to obtain permits or licenses in order to carry on certain businesses such as general contracting, facade contracting, design and manufacturing, and construction supervision in certain countries or regions. Apart from the specific laws and regulations, the Group is also subject to the general laws and regulations governing the environment, employment, anti-competition and anti-corruption regardless of its nature of business.

In addition, the Company, as a listed company, is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Group seeks to ensure compliance with all relevant laws and regulations through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels of the Group.

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects throughout the year ended 31 December 2021.

## Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$1,427,000.

## Investment Properties

Details of investment properties of the Group are set out in the audited consolidated financial statements.

## Share Issued in the Year

The Company's total issued share capital as at 31 December 2021 was 5,037,616,668 ordinary shares of HK\$0.025 each.

Details of the Company's share capital are set out in the audited consolidated financial statements.

## Share Premium and Reserves

Details of movements during the year in the share premium and reserves of the Group are set out in the audited consolidated financial statements.

## Distributable Reserves

Distributable reserves of the Company at 31 December 2021 amounted to HK\$20,779,991,000.

## Equity-linked Agreement

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

# Directors' Report (continued)

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

## Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Five Year Financial Summary".

## Purchase, Sale or Redemption of the Group's Listed Securities

### Shares Repurchases

During the year, the Company repurchased a total of 11,540,000 ordinary shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (before expenses) of HK\$54,724,620. All the Shares repurchased were subsequently cancelled. The Board considered that the share repurchases would optimize the capital structure of the Company and enhance overall shareholders' return, and were in the interest of the Company and its shareholders as a whole.

Details of the Shares repurchased during the year 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
February 2021	5,230,000	4.77	4.52	24,211,640
May 2021	1,988,000	5.68	5.41	10,975,220

### Issue of Listed Securities

On 9 June 2021, China State Construction Finance (Cayman) I Limited ("CSCF Cayman I"), a wholly-owned subsidiary of the Company, issued US\$500,000,000 subordinated guaranteed perpetual capital securities at an initial distribution rate of 3.40% per annum. The net proceeds, after deducting relevant fees and commission, amounted to approximately US\$498,191,000 and were used by the Company and its subsidiaries to repay corporate debts and as general working capital. The subordinated guaranteed perpetual capital securities are listed on the Stock Exchange.

## Directors' Report (continued)

During the year, a subsidiary of the Company completed its public issuance of the following medium-term notes in the People's Republic of China. The net proceeds, after deducting relevant fees and commission, amounted to approximately RMB2,495 million and were used by the subsidiaries of the Company to repay corporate debts and as general working capital. The medium-term notes were listed on the Inter-bank Bond Market:

Date	Principal Amount (RMB)	Coupon Rate per annum	Maturity
31 May 2021	1,000 million	3.52%	3 years
29 December 2021	1,500 million	3.10%	3 years

### Redemption of Listed Securities

On 3 December 2021, CSCF Cayman I redeemed all of the outstanding US\$500,000,000 6.0% senior guaranteed perpetual capital securities (the "Securities"). CSCF Cayman I had made an application to the Stock Exchange for the withdrawal of the listing of the Securities accordingly. Such withdrawal of listing became effective at the close of business on 13 December 2021.

Save as disclosed above, 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 2021 and up to the date of its report.

## Directors

The Directors during the year and up to the date of this report were:

### Non-executive Directors

Mr. Yan Jianguo (*Chairman*)

Mr. Chen Xiaofeng (appointed on 17 August 2021)

### Executive Directors

Mr. Zhang Haipeng (*Chief Executive Officer*)

Mr. Tian Shuchen (resigned on 22 December 2021)

Mr. Zhou Hancheng

Mr. Hung Cheung Shew

### Independent Non-executive Directors

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Ms. Wong Wai Ching (appointed on 25 March 2022)

Pursuant to articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Yan Jianguo, Mr. Zhou Hancheng and Mr. Hung Cheung Shew will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

Pursuant to article 86(3) of the Articles of Association, Mr. Chen Xiaofeng and Ms. Wong Wai Ching appointed by the Company shall hold office only until the next following annual general meeting of the Company, and shall be eligible for re-election at the forthcoming annual general meeting.

The Directors' biographical information is set out in the section headed "Directors and Organisation" of this report.

Information regarding Directors' emoluments is set out in the audited consolidated financial statements.

# Directors' Report (continued)

## Confirmation of Independence

The Company has received from each of the independent non-executive Directors confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and still considers such Directors independent.

## Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). All Directors (including non-executive Directors) are subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") were as follows:

### (a) Long positions in shares and underlying shares of the Company

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue <sup>Note</sup>
Zhou Hancheng	Personal interest/beneficial owner	2,930,780	0.058
Hung Cheung Shew	Personal interest/beneficial owner	591,584	0.012
Adrian David Li Man Kiu	Personal interest/beneficial owner	1,027,765	0.020
Raymond Leung Hai Ming	Personal interest/beneficial owner	813,569	0.016
Lee Shing See	Personal interest/beneficial owner	1,027,765	0.020

Note:

The percentage was calculated based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2021 (i.e. 5,037,616,668 Shares).

## Directors' Report (continued)

### (b) Long positions in shares and underlying shares of associated corporations of the Company

#### (i) China Overseas Land & Investment Limited ("COLI")

Name of director	Capacity	Number of ordinary shares held	Number of share options held	Approximate % of shares in issue of COLI <sup>1</sup>
Yan Jianguo	Personal interest/beneficial owner	—	2,500,000*	0.023
Hung Cheung Shew	Personal interest/beneficial owner	7,095	—	0.0001

\* The share options granted pursuant to the share option scheme adopted by COLI on 11 June 2018. Details of the share options held by Mr. Yan Jianguo are as follows:

Date of grant (DD/MM/YYYY)	Exercise period of the share options (both days inclusive) (DD/MM/YYYY)	Subscription price of the share options HK\$ (per share)	Number of the share options
29/06/2018	29/06/2020 to 28/06/2024	25.850	700,000
24/11/2020	24/11/2022 to 23/11/2026	18.724	1,800,000

#### (ii) China State Construction Development Holdings Limited ("CSCDH")

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue of CSCDH <sup>2</sup>
Zhang Haipeng	Personal interest/beneficial owner	3,750,000	0.174
Hung Cheung Shew	Personal interest/beneficial owner	30,000	0.001

#### (iii) China Overseas Property Holdings Limited ("COPL")

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue of COPL <sup>3</sup>
Hung Cheung Shew	Personal interest/beneficial owner	2,365	0.0001

## Directors' Report (continued)

### (iv) China State Construction Engineering Corporation Limited ("CSCECL")

Name of director	Capacity	Number of shares held*	Approximate% of shares in issue of CSCECL <sup>4</sup>
Chen Xiaofeng	Personal interest/beneficial owner	320,000	0.0008
Zhang Haipeng	Personal interest/beneficial owner	1,169,000	0.003
Zhou Hancheng	Personal interest/beneficial owner	1,254,000	0.003

\* The Company was informed that shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phases II and IV).

Notes:

1. The percentage was calculated based on the total number of ordinary shares of COLI in issue as at 31 December 2021 (i.e. 10,944,815,035 shares).
2. The percentage was calculated based on the total number of ordinary shares of CSCDH in issue as at 31 December 2021 (i.e. 2,155,545,000 shares).
3. The percentage was calculated based on the total number of ordinary shares of COPL in issue as at 31 December 2021 (i.e. 3,286,860,460 shares).
4. The percentage was calculated based on the total number of ordinary shares of CSCECL in issue as at 31 December 2021 (i.e. 41,948,167,844 shares).

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2021 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, at no time during the year ended 31 December 2021, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporation (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Directors' Report (continued)

### Interests and Short Positions of Substantial Shareholders/Other Persons

As at 31 December 2021, substantial shareholders (as defined in the Listing Rule) of the Company and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as follows:

#### Long/Short positions of substantial shareholders in the shares of the Company

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares held	% of shares in issue <sup>1</sup>
China Overseas Holdings Limited ("COHL")	Long position	Beneficial owner/Interest of a controlled corporation <sup>2</sup>	3,264,976,136	64.81
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of a controlled corporation <sup>3</sup>	3,264,976,136	64.81
中國建築集團有限公司(China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of a controlled corporation <sup>4</sup>	3,264,976,136	64.81

\* The English name is a translation from its Chinese name and is for identification purpose only.

#### Long/Short positions of other persons in the shares of the Company

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares held	% of shares in issue <sup>1</sup>
GIC Private Limited	Long position	Investment manager	253,131,313	5.02

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2021 (i.e. 5,037,616,668 Shares).
2. Amongst the total number of 3,264,976,136 Shares held by COHL, 3,146,188,492 Shares was held as beneficial owner while the balance of 118,787,644 Shares were interests of its controlled corporation.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 3,264,976,136 Shares directly and indirectly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,264,976,136 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2021, there was no other person who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

# Directors' Report (continued)

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

## Connected and Related Party Transactions

Details of connected transactions are set out in the section headed "Connected Transactions" of the Company's 2021 Annual Report. The related party transactions are disclosed in the audited consolidated financial statements.

## Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules.

## Directors' Interest in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Yan Jianguo, the Chairman and non-executive Director of the Company, Mr. Chen Xiaofeng, the non-executive Director of the Company, and Mr. Zhang Haipeng, the Chief Executive Officer and executive Director of the Company, held directorship in the Company's holding company and/or its subsidiaries which are engaged in construction, property development, property management and related businesses.

The Board operates independently of the boards of directors of the above-mentioned companies. With the presence of independent non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of these companies.

## Permitted Indemnity Provisions

Pursuant to the Company's Articles of Association, subject to the statutes, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in the execution of his duty, or supposed duty, or in relation thereto, provided that such indemnity does not extend to any matter in respect of any fraud or dishonesty by such Director. The Company has maintained directors and officers liability insurance during the year.

# Directors' Report (continued)

## Emolument Policy

The emolument policy of the employees of the Group was approved by the Remuneration Committee. Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience, performance and market pay level.

The emoluments of the executive Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trend. The emoluments of the independent non-executive Directors are fees paid in line with market practice. No individual should determine his own remuneration.

## Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under these schemes. During the year, the Group made contribution to the retirement schemes amounting to approximately HK\$293,254,000. No forfeited contributions under these schemes is available to reduce the contribution payable in future years.

## Auditor

PricewaterhouseCoopers retired, and Ernst & Young ("EY") was appointed, as auditor of the Company at the annual general meeting of the Company held on 10 June 2020.

Save as disclosed above, there was no other change in the auditor of the Company in the past three years. The consolidated financial statements for the year ended 31 December 2021 have been audited by EY who retire and being eligible, offer themselves for re-appointment as auditor of the Company. A resolution to re-appoint EY as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**China State Construction International Holdings Limited**

**Yan Jianguo**

*Chairman and Non-executive Director*

Hong Kong, 25 March 2022

# Connected Transactions

## A. Connected Transactions under the Listing Rules

### A.1 Formation of Joint Venture with China Overseas Land & Investment Limited (“COLI”) in relation to land in Zhuhai, People’s Republic of China (the “PRC”)

On 29 March 2021, 中海地產 (珠海) 有限公司 (China Overseas (Zhuhai) Company Limited\*) (being an indirect wholly-owned subsidiary of COLI) (“COLI Zhuhai”), 中建澳門 (廣東橫琴) 發展有限公司 (China Construction Macau (Guangdong Hengqin) Development Company Limited) (being an indirect wholly-owned subsidiary of the Company) (“CC Macau (Guangdong Hengqin)”) and 珠海市海悅房地產開發有限公司 (Zhuhai Hai Yue Real Estate Development Company Limited\*) (the “Zhuhai JV”) (being an indirect wholly-owned subsidiary of COLI and a joint venture company to be formed pursuant to the Cooperation Agreement) entered into the Cooperation Agreement, pursuant to which the parties agreed to (a) form a joint venture through the Zhuhai JV for the purpose of investing into and developing a project relating to the development of residential and commercial properties on the land situated at Wanzai Area, Shizimen Central Business District, Zhuhai, Guangdong Province, the PRC (the “Land”) (the “Zhuhai Project”); and (b) regulate their respective rights and obligations in the Zhuhai JV. Following completion, the Zhuhai JV was owned as to 80% and 20% by COLI (through COLI Zhuhai) and the Company (through CC Macau (Guangdong Hengqin)), respectively.

The total capital commitment to the Zhuhai JV for the Zhuhai Project is approximately RMB11,400 million which comprises of (a) the registered capital of the Zhuhai JV; and (b) shareholders’ loans, to which COLI Zhuhai and CC Macau (Guangdong Hengqin) shall contribute approximately RMB9,120 million and approximately RMB2,280 million respectively in proportion to their respective equity interests in the Zhuhai JV. Any additional funding requirements of the Zhuhai Project shall be arranged by Zhuhai JV with banks, financial institutions and other third party sources. The respective contribution to the total capital commitment to the Zhuhai JV was determined after arm’s length negotiations between the parties with reference to the proposed capital requirements of the Zhuhai Project and the parties’ interests in Zhuhai JV.

As the highest applicable percentage ratio in respect of the total capital commitment of the Company for the transaction exceeds 5% but is less than 25%, the transaction was subject to reporting, announcement and independent shareholders’ approval requirements.

Details of the transaction were disclosed in an announcement dated 29 March 2021 and a circular dated 6 May 2021 containing details of the Cooperation Agreement was despatched to the shareholders of the Company. The Cooperation Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 9 June 2021.

### A.2 Factoring Arrangement with 中建商業保理有限公司 (China Construction Commercial Factoring Company Limited\*) (“CCCF”)

On 18 June 2021, 建國際投資集團有限公司 (China State Construction International Investments Limited\*) (“CSC International Investments”) (an indirect wholly-owned subsidiary of the Company) entered into the Factoring Arrangement, pursuant to which, on the same date, CSC International Investments (1) entered into an Accounts Receivables Transfer Contract with 鄭州海河建設工程有限公司 (Zhengzhou Haihe Construction Engineering Company Limited\*) (being a direct wholly-owned subsidiary of CSC International Investments) (“Zhengzhou Haihe”); and (2) entered into a Factoring Contract with CCCF, in respect of transfer of Accounts Receivables to CCCF for granting of accounts receivable factoring service in an aggregate principal sum of RMB500,000,000 (equivalent to approximately HK\$602,409,639) at a discount rate of 93.8% to CSC International Investments for a term of not exceeding one year from the drawdown date under the Factoring Contract.

## Connected Transactions (continued)

The aggregate consideration of the Accounts Receivables payable under the Factoring Contract was determined on arm's length negotiations between CSC International Investments and CCCF with reference to, among other things, the aggregate book value of the Accounts Receivables, the term of the Factoring Contract and the credit worthiness of 鄭州正中開發投資有限公司 (Zhengzhou Zhengzhong Development Investment Company Limited\*) (being an original debtor to pay the Accounts Receivables to Zhengzhou Haihe).

As all the applicable percentage ratios in respect of the transaction under the Factoring Arrangement dated 18 June 2021 exceed 0.1% but are less than 5%, the transaction is subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 18 June 2021.

### A.3 Factoring Arrangement with CCCF

On 17 December 2021, CSC International Investments entered into the Factoring Arrangement, pursuant to which, on the same date, CSC International Investments (1) entered into an Accounts Receivables Transfer Contract with 淄博海嘉建设有限公司(Zibo Haijia Construction Company Limited\*) (being a direct wholly-owned subsidiary of CSC International Investments) ("Zibo Haijia"); and (2) entered into three Factoring Contracts with CCCF, in respect of transfer of Accounts Receivables to CCCF for granting of accounts receivable factoring service in an aggregate principal sum of RMB210,855,777.28 (equivalent to approximately HK\$257,141,191.80) at a discount rate of 94% to CSC International Investments for a term of not exceeding one year from the drawdown date under the Factoring Contracts.

The aggregate consideration of the Accounts Receivables payable under the Factoring Contracts was determined with reference to, among other things, the aggregate book value of the Accounts Receivables, the term of the Factoring Contracts and the credit worthiness of 淄博高新城市投資集團有限公司 (Zibo High-tech City Investment Operation Group Company Limited\*) (being an original debtor to pay the Accounts Receivables to Zibo Haijia).

A series of connected transactions will be aggregated and related as if they were one transaction if they were all completed within a 12-month period or were all otherwise related. The transaction under the Factoring Arrangement dated 17 December 2021 together with the connected transaction as stipulated in the announcement of the Company dated 18 June 2021 are related and to be completed within a 12-month period. Accordingly, these transactions shall be aggregated and treated as if they were one transaction, and the aggregate figures of the aggregate transactions under the Factoring Arrangement dated 18 June 2021 and 17 December 2021 respectively ("Aggregate Transactions") shall be used for calculating the applicable percentage ratios.

As the highest applicable percentage ratio in respect of the Aggregate Transactions exceeds 0.1% but is less than 5%, the Aggregate Transactions are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 17 December 2021.

\* The English names are translations from their Chinese names and are for identification purposes only.

# Connected Transactions (continued)

## B. Continuing Connected Transactions under the Listing Rules

### B.1 CSCECL Construction Engagement Agreement (dated 19 October 2020)

*(1 January 2021 to 31 December 2023)*

On 19 October 2020, the Company and China State Construction Engineering Corporation Limited (“CSCECL”, an intermediate holding company of the Company) entered into a CSCECL Construction Engagement Agreement, whereby (i) the Company and its subsidiaries (the “Group”) may engage CSCECL and its subsidiaries (the “CSCECL Group”) as contractors for a term of three years commenced from 1 January 2021 and ending on 31 December 2023.

Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB\$55,000 million (the “CSCECL Construction Engagement Cap”); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commenced from 1 January 2021 and ending on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB\$18,000 million (the “CSC Construction Engagement Cap”).

In determining the pricing terms, the Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As each of the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Construction Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders’ approval requirements.

An announcement containing details of the CSCECL Construction Engagement Agreement was made on 19 October 2020 and a circular dated 24 November 2020 containing details of the CSCECL Construction Engagement Agreement was despatched to the shareholders of the Company. The CSCECL Construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 January 2021.

For the year ended 31 December 2021, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement was RMB9,803,300,535 and the total contract sum awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement was RMB810,900,907.

## Connected Transactions (continued)

### **B.2 CSCD-CSCECL Sub-construction Engagement Agreement (dated 19 October 2020)**

*(1 January 2021 to 31 December 2023)*

On 19 October 2020, China States Construction Development Holdings Limited ("CSC Development", a listed subsidiary of the Company) and CSCECL entered into a CSCD-CSCECL Sub-construction Engagement Agreement whereby the CSCECL Group may engage CSC Development and its subsidiaries (the "CSC Development Group") as its subcontractor for provision of exterior facade works to the CSCECL Group's construction works for a term of three years commenced from 1 January 2021 and ending on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed HK\$1,000 million (the "CSCECL Works Cap").

In determining the pricing terms, the CSC Development Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As the CSCECL Works Cap was less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCD-CSCECL Sub-construction Engagement Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

An announcement containing details of the CSCD-CSCECL Sub-construction Engagement Agreement was made on 19 October 2020.

For the year ended 31 December 2021, the total contract sum awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement was HK\$449,749,215.

### **B.3 COGO Framework Agreement (dated 26 June 2018)**

*(1 July 2018 to 30 June 2021)*

#### **New COGO Framework Agreement (dated 24 March 2021)**

*(1 July 2021 to 30 June 2024)*

On 26 June 2018, CSC Development and China Overseas Grand Oceans Group Limited ("COGO", an associate of the Company) entered into a COGO Framework Agreement whereby COGO and its subsidiaries (the "COGO Group") may engage the CSC Development Group to provide management services for a term of three years commenced from 1 July 2018 and ended on 30 June 2021. Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the CSC Development Group under the COGO Framework Agreement for the period from 1 July 2018 to 31 December 2018 shall not exceed HK\$30 million, for each of the two financial years ended 31 December 2020 shall not exceed HK\$60 million, and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK\$30 million (the "COGO Engagement Caps").

In determining the pricing terms, the CSC Development Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

## Connected Transactions (continued)

As the COGO Engagement Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COGO Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

An announcement containing details of the COGO Framework Agreement was made on 26 June 2018.

On 24 March 2021, CSC Development and COGO entered into a New COGO Framework Agreement whereby the COGO Group may engage the CSC Development Group to provide management services for a term of three years commenced from 1 July 2021 and ending on 30 June 2024. Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the CSC Development Group under the New COGO Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK\$30 million, for each of the two financial years ended 31 December 2023 shall not exceed HK\$60 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK\$30 million (the "New COGO Engagement Cap").

As the New COGO Engagement Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New COGO Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

An announcement containing details of the New COGO Framework Agreement was made on 24 March 2021.

For the year ended 31 December 2021, the total contract sum awarded by COGO Group to the CSC Development Group under the COGO Framework Agreement and the New COGO Framework Agreement was HK\$41,559,153.

### **B.4 COLI Works Framework Agreement (dated 26 June 2018)**

*(20 August 2018 to 30 June 2021)*

### **New COLI Works Framework Agreement (dated 29 March 2021)**

*(1 July 2021 to 30 June 2024)*

On 26 June 2018, CSC Development and China Overseas Land & Investment Limited ("COLI", an associate of the Company) entered into a COLI Works Framework Agreement whereby COLI and its subsidiaries (the "COLI Group") may engage the CSC Development Group for the provision of contracting and engineering works, project management, supervision and consultancy services for the COLI Group's construction works as a contractor, subcontractor or services provider (as the case may be) from time to time for a period commenced from 20 August 2018 and ending on 30 June 2021. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the CSC Development Group under the COLI Works Framework Agreement for the period from 20 August 2018 to 31 December 2018 shall not exceed HK\$1,200 million, for each of the two financial years ending 31 December 2020 shall not exceed HK\$1,200 million, and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK\$800 million (the "COLI Works Engagement Caps").

## Connected Transactions (continued)

In determining the pricing terms, the CSC Development Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As the COLI Works Engagement Caps under the COLI Works Framework Agreement were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COLI Works Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

An announcement containing details of the COLI Works Framework Agreement was made on 26 June 2018.

On 29 March 2021, CSC Development and COLI entered into a New COLI Works Framework Agreement whereby each of the COLI Group and the Minority Controlled Group may engage the CSC Development Group for the provision of contracting and engineering works, project management, supervision and consultancy services for the COLI Group's construction works as a contractor, subcontractor or services provider (as the case may be) from time to time for a period commenced from 1 July 2021 and ending on 30 June 2024.

Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the CSC Development Group under the New COLI Works Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK\$310 million, for the year ending 31 December 2022 shall not exceed HK\$310 million, for the year ending 31 December 2023 shall not exceed HK\$510 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK\$155 million (the "New COLI Works Engagement Caps").

As the New COLI Works Engagement Caps under the New COLI Works Framework Agreement were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New COLI Works Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

An announcement containing details of the New COLI Works Framework Agreement was made on 29 March 2021.

For the year ended 31 December 2021, the total contract sum awarded by the COLI Group to the CSC Development Group under the COLI Works Framework Agreement and the New COLI Works Framework Agreement was HK\$120,585,869.

## Connected Transactions (continued)

**B.5 CSCECL Framework Agreement (dated 4 June 2019)  
CSCECL Supplemental Agreement (dated 14 February 2020)**  
*(4 June 2019 to 31 December 2021)*  
**New CSCECL Framework Agreement (dated 10 September 2021)**  
*(1 January 2022 to 31 December 2024)*

On 4 June 2019, the Company and CSCECL entered into a CSCECL Framework Agreement whereby the parties agreed that they (or their respective subsidiaries) may cooperate to enter into and implement main contractor contracts for the construction projects of large-scale transport facilities, drainage pipelines, housing and other related public utilities structures/facilities in Hong Kong as joint venture main contractor at the request of the Company for three financial years ended 31 December 2021. Upon successful tender, the maximum total contract sum that may be awarded jointly to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for the financial year ended 31 December 2019 shall not exceed HK\$10 billion, for the financial year ended 31 December 2020 shall not exceed HK\$15 billion and for the financial year ended 31 December 2021 shall not exceed HK\$20 billion (the "Original Annual Caps").

In determining the pricing terms, the Company will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As the Original Annual Caps for the relevant financial years under the CSCECL Framework Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Framework Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the CSCECL Framework Agreement was made on 4 June 2019 and a circular dated 10 July 2019 containing details of the CSCECL Framework Agreement was despatched to the shareholders of the Company. The CSCECL Framework Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 9 August 2019.

On 14 February 2020, the Company and CSCECL entered into a CSCECL Supplemental Agreement whereby the parties agreed, among other things, that the Original Annual Caps of HK\$15 billion and HK\$20 billion for the financial years ended on 31 December 2020 and ended on 31 December 2021 respectively shall be revised to HK\$50 billion and HK\$25 billion respectively (the "Revised Annual Caps").

As the Revised Annual Caps for the financial years ended on 31 December 2020 and ended on 31 December 2021 exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Framework Agreement (as amended by the supplemental agreement) were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the CSCECL Supplemental Agreement was made on 14 February 2020 and a circular dated 24 March 2020 containing details of the CSCECL Supplemental Agreement was despatched to the shareholders of the Company. The CSCECL Supplemental Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 May 2020.

## Connected Transactions (continued)

On 10 September 2021, the Company and CSCECL entered into a New CSCECL Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into government or public sector contracts, or contracts for large-scale construction with single contract sum of exceeding HK\$2 billion, awarded by tender (“Construction Main Contracts”), as joint venture main contractor for three financial years ending 31 December 2024. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Construction Main Contracts. Upon successful tender, the maximum total contract sum that may be awarded jointly to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for the financial year ended 31 December 2022 shall not exceed HK\$31 billion, for the financial year ended 31 December 2023 shall not exceed HK\$33 billion and for the financial year ended 31 December 2024 shall not exceed HK\$35 billion (the “New Annual Caps”).

As the New Annual Caps for the relevant financial years under the New CSCECL Framework Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New CSCECL Framework Agreement were subject to annual review, reporting, announcement and independent shareholders’ approval requirements.

An announcement containing details of the New CSCECL Framework Agreement was made on 10 September 2021 and a circular dated 22 October 2021 containing details of the New CSCECL Framework Agreement was despatched to the shareholders of the Company. The New CSCECL Framework Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 11 November 2021.

For the year ended 31 December 2021, there was no contract awarded under the CSCECL Framework Agreement (as supplemented by the CSCECL Supplemental Agreement).

### **B.6 Financial Services Agreement (dated 27 December 2019)**

*(1 January 2020 to 31 December 2022)*

On 27 December 2019, the Company and 中建財務有限公司 (China State Construction Finance Limited\*) (“CSCF”, a non-wholly owned subsidiary of CSCECL) entered into a Financial Services Agreement for a term of three years commenced from 1 January 2020 and ending on 31 December 2022, whereby CSCF agreed to provide the Group with a) deposit services, b) loan services, c) bill acceptance and discount services, and d) other financial services on a non-exclusive basis.

Each of the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF and the aggregate transaction amount of bill acceptance and discount services provided by CSCF to the Group shall not exceed RMB1,200 million respectively (the “Annual Caps”) for each of the three years ending 31 December 2022.

In determining the pricing terms, for a) deposit services and b) loan services, the Group will make reference to the interest rates of quoted by not less than three major commercial banks in the PRC; for c) bill acceptance and discount services, the discount amount shall be calculated by reference to the same rate as the interest rate applicable to the Group for its loans granted by CSCF; and for d) other financial services, the services, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, opening of acceptance bills and supply-chain financing services, shall be free of charge and will not subject to any security over the assets of the Group or any interest payment.

## Connected Transactions (continued)

As the annual cap for each of the deposit services and the bill acceptance and discount services for each year under the Financial Services Agreement was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under Financial Services Agreement was subject to the annual review, reporting and announcement requirements but exempted from the independent shareholders' approval requirement.

As the annual cap for the deposit services for each year under the Financial Services Agreement exceeded 5% but was less than 25% of the applicable percentage ratios calculated pursuant to the Listing Rules, the provision of the deposit services by CSCF to the Group also constituted discloseable transaction of the Company subject to the notification, announcement and reporting requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the loan services to be provided by CSCF to the Group are on normal commercial terms or better (i.e. terms that are similar or more favourable than those offered by at least three major commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group, and no security over the assets of the Group or any interest payment was granted to CSCF in respect of the loan services, the provision of loan services by CSCF to the Group under the Financial Services Agreement was exempted from all reporting, announcement and independent shareholders' approval requirements.

The other financial services provided by CSCF to the Group were for free under the Financial Services Agreement. Thus, all of the applicable percentage ratios calculated for the Company pursuant to the Listing Rules in respect of the total fees payable by the Group to CSCF for the provision of other financial services by CSCF under the Financial Services Agreement fell within the de minimis threshold and were exempted from all reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the Financial Services Agreement was made on 27 December 2019.

For the year ended 31 December 2021, the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF under the Financial Services Agreement was RMB806,270,334 and there was no bill acceptance and discount services provided by CSCF to the Group under the Financial Services Agreement.

### **B.7 Connection Services Framework Agreement (dated 30 December 2019)**

*(1 January 2020 to 31 December 2022)*

On 30 December 2019, COLI and CSC Development entered into a Connection Services Framework Agreement for a term of three years commenced from 1 January 2020 and ending on 31 December 2022, whereby the CSC Development Group (through Shenyang Huanggu Thermoelectricity Company Limited (瀋陽皇姑熱電有限公司), an indirect wholly owned subsidiary of CSC Development) may provide heating pipes connection services for real estate project(s) located in the PRC and developed by COLI Group. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the CSC Development Group for each of the three years ending 31 December 2022 shall not exceed HK\$70 million (the "Engagement Cap").

In determining the pricing terms, the CSC Development Group will take into account the other comparable services providers, coverage, location, size and development status, capacity and cost of the connection.

## Connected Transactions (continued)

As the Engagement Cap was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the Connection Services Framework Agreement was subject to the annual review, reporting and announcement requirements but exempted from the independent shareholders' approval requirement.

An announcement containing details of the Connection Services Framework Agreement was made on 30 December 2019.

For the year ended 31 December 2021, there was no contract awarded under the Connection Services Framework Agreement.

### **B.8 Master Engagement Agreement (dated 8 April 2020) First Supplemental Agreement (dated 10 June 2021) Second Supplemental Agreement (dated 10 September 2021)** *(1 January 2020 to 31 December 2022)*

On 8 April 2020, the Company and COLI entered into a Master Engagement Agreement whereby the COLI Group may engage the Group as contractors for a term of three years commenced from 1 January 2020 and ending on 31 December 2022. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2022 shall not exceed HK\$9,000 million (the "COLI Works Annual Cap").

In determining the pricing terms, the Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As the COLI Works Annual Cap under the Master Engagement Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the Master Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the Master Engagement Agreement was made on 8 April 2020 and a circular dated 20 May 2020 containing details of the Master Engagement Agreement was despatched to the shareholders of the Company. The Master Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 10 June 2020.

On 10 June 2021, the Company and COLI entered into a First Supplemental Agreement pursuant to which, in addition to the members of the COLI Group subject to the Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the companies which respective share capital is held as to not less than 30% and not more than 50% by the COLI Group which are not members of the COLI Group, and their respective subsidiaries from time to time (excluding COGO and its subsidiaries) (the "COLI Associated Companies") from time to time on the terms set out in the Master Engagement Agreement for the remainder of the term of the Master Engagement Agreement.

An announcement containing details of the First Supplemental Agreement was made on 10 June 2021.

## Connected Transactions (continued)

On 10 September 2021, the Company and COLI entered into a Second Supplemental Agreement to revise the COLI Works Annual Cap for the financial year ended on 31 December 2021 from HK\$9,000 million to HK\$20 billion, and the COLI Works Annual Cap for the financial year ending on 31 December 2022 from HK\$9,000 million to HK\$21 billion (the “Revised COLI Works Annual Caps”), taking into account the estimated contract sum of the potential construction works of both the COLI Group and the COLI Associated Companies which the Group expects to tender for during the two financial years.

As the Revised COLI Works Annual Caps for the relevant financial years under the Second Supplemental Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the Second Supplemental Agreement were subject to annual review, reporting, announcement and independent shareholders’ approval requirements.

An announcement containing details of the Second Supplemental Agreement was made on 10 September 2021 and a circular dated 22 October 2021 containing details of the Second Supplemental Agreement was despatched to the shareholders of the Company. The Second Supplemental Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 11 November 2021.

For the year ended 31 December 2021, the total contract sum awarded by the COLI Group and the COLI Associated Companies to the Group under the Master Engagement Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) was HK\$7,365,637,338.

### **B9. COGO Master Engagement Agreement (dated 24 April 2020)**

*(1 July 2020 to 30 June 2021)*

#### **New COGO Master Engagement Agreement (dated 19 November 2020)**

*(1 January 2021 to 31 December 2023)*

On 24 April 2020, the Company and COGO entered into a COGO Master Engagement Agreement whereby (i) the Group may tender for the COGO Group’s construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of one year commenced from 1 July 2020 and ending on 30 June 2021.

Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the Group under the COGO Master Engagement Agreement for the period from 1 July 2020 to 31 December 2020 shall not exceed HK\$1,000 million and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK\$500 million (the “COGO Works Caps”).

In determining the pricing terms, the Group will review the technical requirement, quantity and quality of works, costs information, pricing information of previous tenders and the possible risk factors associated with the project.

As the COGO Works Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COGO Master Engagement Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders’ approval requirement.

An announcement containing details of the COGO Master Engagement Agreement was made on 24 April 2020.

## Connected Transactions (continued)

On 19 November 2020, the Company and COGO entered into a New COGO Master Engagement Agreement for a term of three years commenced from 1 January 2021 and ending on 31 December 2023 to replace and supersede all rights and obligations of the parties under the COGO Master Engagement Agreement starting from 1 January 2021.

Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the Group under the New COGO Master Engagement Agreement for the year ended 31 December 2021 shall not exceed RMB2,000 million, for the year ending 31 December 2022 shall not exceed RMB2,500 million and for the year ending 31 December 2023 shall not exceed RMB3,000 million (the “New COGO Works Caps”).

As the New COGO Works Caps exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New COGO Master Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders’ approval requirements.

An announcement containing details of the New COGO Master Engagement Agreement was made on 19 November 2020 and a circular dated 17 December 2020 containing details of the New COGO Master Engagement Agreement was despatched to the shareholders of the Company. The New COGO Master Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 January 2021.

For the year ended 31 December 2021, the total contract sum awarded by the COGO Group to the Group under the New COGO Master Engagement Agreement was RMB327,366,146.

### **B.10 COPL Services Agreement (dated 28 April 2020)**

*(1 July 2020 to 30 June 2023)*

On 28 April 2020, the Company and China Overseas Property Holdings Limited (“COPL”, an associate of the Company) entered into a COPL Services Agreement whereby COPL and its subsidiaries (the “COPL Group”) may participate from time to time in competitive tender in accordance with the tendering procedures of the Group to provide property management services and value-added services to the Group’s residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations, and the Group’s work sites in the PRC, Hong Kong and Macau for a term of three years commenced from 1 July 2020 and ending on 30 June 2023.

Upon successful tender, the maximum total amounts payable for the services by the Group to the COPL Group under the COPL Services Agreement for the period from 1 July 2020 to 31 December 2020 shall not exceed HK\$118 million, for the financial year ended 31 December 2021 shall not exceed HK\$255 million, for the financial year ending 31 December 2022 shall not exceed HK\$356 million and for the period from 1 January 2023 to 30 June 2023 shall not exceed HK\$224 million (the “COPL Services Caps”).

As the COPL Services Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COPL Services Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders’ approval requirement.

An announcement containing details of the COPL Services Agreement was made on 28 April 2020.

For the year ended 31 December 2021, the total amounts payable for the services by the Group to the COPL Group under the COPL Services Agreement was HK\$70,932,279.

## Connected Transactions (continued)

### **B.11 COLI Supply of Materials Framework Agreement (dated 28 April 2021)**

*(1 July 2021 to 30 June 2024)*

On 28 April 2021, the Company and COLI entered into the COLI Supply of Materials Framework Agreement whereby (i) the COLI Group may supply civil-works, electromechanical and renovation items, goods or materials (the “Materials”) for the construction projects of the Group in the PRC (the “Projects”) upon the Group’s request in accordance with the tendering procedures of the Group from time to time for a term of three years commenced from 1 July 2021 and ending on 30 June 2024 (both dates inclusive) subject to the Caps; and (ii) the Group may engage the COLI Group as supplier of the Materials for the Projects upon the COLI Group’s successful tender.

Upon successful tender, the maximum total contract sums in respect of the supply of the Materials for the Projects that may be awarded by the Group to the COLI Group under the COLI Supply of Materials Framework Agreement for the period between 1 July 2021 and 31 December 2021 shall not exceed RMB150 million (approximately HK\$176 million), for the year ending 31 December 2022 shall not exceed RMB360 million (approximately HK\$424 million), for the year ending 31 December 2023 shall not exceed RMB430 million (approximately HK\$506 million), and for the period between 1 January 2024 and 30 June 2024 shall not exceed RMB260 million (approximately HK\$306 million) (the “Supply of Materials Cap(s)").

As the highest Supply of Materials Cap was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COLI Supply of Materials Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders’ approval requirement.

An announcement containing details of the COLI Supply of Materials Framework Agreement was made on 28 April 2021.

For the period from 1 July 2021 to 31 December 2021, the total contract sum awarded by the Group to the COLI Group under the COLI Supply of Materials Framework Agreement was RMB133,772,813.

# Independent Auditor's Report



**To the shareholders of China State Construction International Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 205, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# Independent Auditor's Report (continued)

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Revenue recognition from construction works</b>	
<p>For the year ended 31 December 2021, the Group recognised revenue from construction works of approximately HK\$71,895 million, including revenue from construction contracts, construction related investment projects and façade contracting business.</p> <p>The Group's revenue from construction works is recognised over time using the input method of which the progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.</p> <p>Most of the construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidated damages.</p> <p>Significant management judgements were required for estimations of revenue, budgeted costs as well as the progress of related construction works and these estimations had significant impact on the amount and timing of revenue recognised.</p> <p>The accounting policies and disclosures in relation to the revenue recognition from construction works are included in notes 4.27, 6.1 and 7 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the revenue recognition from construction works included the following:</p> <ul style="list-style-type: none"><li>• understanding and evaluating the Group's process and control over contract revenue recognition and budget estimation;</li><li>• testing the calculation of the revenue and profit recognised from construction contracts;</li><li>• discussing with management and the respective project teams about the progress of major projects and the assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts;</li><li>• testing, on a sample basis, the actual costs incurred on construction works during the reporting period;</li><li>• testing, on a sample basis, the supporting documents of the budgets, which include sub-contracting contracts, material purchase contracts/invoices and price quotations, etc.; and</li><li>• comparing last year's budget against the current year's budget or actual costs incurred for major contracts on a sampling basis.</li></ul>

# Independent Auditor's Report (continued)

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Impairment assessment of trade receivables and contract assets</b>	
<p>As at 31 December 2021, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK\$111,054 million in aggregate, representing approximately 51% of the Group's total assets.</p> <p>Significant management judgement and estimates were required in assessing the recoverability of trade receivables and contract assets, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions.</p> <p>Management judgements have a significant impact on the level of loss allowance required for trade receivables and contract assets.</p> <p>The accounting policies and disclosures in relation to the recoverability of trade receivables and contract assets are included in notes 4.10, 4.17, 6.3, 27 and 31 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the recoverability of trade receivables and contract assets included the following:</p> <ul style="list-style-type: none"><li>• understanding and evaluating the design and operating effectiveness of management control over the collection and the impairment assessment of the trade receivables and contract assets;</li><li>• testing, on a sample basis, the ageing of trade receivables at year end;</li><li>• testing, on a sample basis, subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers;</li><li>• in respect of material trade receivable and contract asset balances, inspecting relevant contracts and correspondence with the customers, and assessing their creditworthiness with reference to publicly available information, where applicable;</li><li>• in respect of material trade receivable balances which are past due, inspecting correspondence with the customers, evaluating their historical progress payment records, assessing whether the customers are experiencing financial difficulties, and any default or delinquency in interest or principal payments, where applicable; and</li><li>• obtaining and reviewing the expected credit loss calculation prepared by management.</li></ul>

# Independent Auditor's Report (continued)

## Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Impairment assessment of concession operating rights</b>	
<p>The Group's concession operating rights represent the rights to operate and charge for usage of toll expressways in the Mainland China and are recognised as non-current assets with a net carrying amount of approximately HK\$3,785 million as at 31 December 2021.</p>	<p>Our audit procedures to assess impairment of concession operating rights included the following:</p>
<p>Management performs an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist. Significant management judgement is required to determine the recoverable amounts of the concession operating rights. The Group engaged external valuer to perform valuation of the recoverable amounts of the concession operating rights as at 31 December 2021 and which considered information from a variety sources such as expectations of future traffic volumes, expected future toll fee levels, length of operating rights, maintenance costs and discount rates.</p>	<ul style="list-style-type: none"><li>• obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group;</li><li>• assessing the external valuer's qualifications, experience and expertise and consider its objectivity and independence;</li><li>• involving our internal valuation specialists to assist us in the assessment of the valuation methodology and discount rates adopted in the valuation; and</li><li>• assessing the key assumptions adopted by management in the calculation of value-in-use, including the expected future traffic volumes, toll fee level projections, length of operating rights, and maintenance costs.</li></ul>
<p>The accounting policies and disclosures in relation to the impairment of concession operating rights are included in notes 4.9, 6.5, and 22 to the consolidated financial statements.</p>	

# Independent Auditor's Report (continued)

## Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Independent Auditor's Report (continued)

## Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

### **Ernst & Young**

*Certified Public Accountants*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

25 March 2022

# Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	<b>77,309,614</b>	62,458,009
Costs of sales		<b>(65,326,871)</b>	(53,173,850)
Gross profit		<b>11,982,743</b>	9,284,159
Investment income, other income and other gains, net	9	<b>1,197,192</b>	979,166
Administrative, selling and other operating expenses		<b>(2,278,609)</b>	(1,920,393)
Share of profits of			
Joint ventures		<b>369,246</b>	701,944
Associates		<b>782,808</b>	1,879,577
Finance costs	10	<b>(2,668,202)</b>	(2,679,977)
Profit before tax		<b>9,385,178</b>	8,244,476
Income tax expenses, net	13	<b>(1,949,294)</b>	(1,760,302)
Profit for the year	14	<b>7,435,884</b>	6,484,174
Profit for the year attributable to:			
Owners of the Company		<b>6,800,879</b>	6,015,368
Holders of perpetual capital securities		<b>465,132</b>	407,246
Non-controlling interests		<b>169,873</b>	61,560
		<b>7,435,884</b>	6,484,174
Earnings per share (HK cents)	16		
Basic		<b>134.94</b>	119.14
Diluted		<b>134.94</b>	119.14

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	<b>7,435,884</b>	6,484,174
Other comprehensive (loss)/income		
<i>Items that may be reclassified to consolidated income statement</i>		
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	<b>(9,662)</b>	(38,168)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	<b>269</b>	—
Exchange differences on translation of subsidiaries	<b>1,857,843</b>	1,973,947
Exchange differences on translation of joint ventures	<b>442,184</b>	606,150
Exchange differences on translation of associates	<b>136,293</b>	25,217
<i>Items that will not be reclassified to consolidated income statement</i>		
Gain on fair value change of equity securities at fair value through other comprehensive income, net of tax	—	69,595
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development	<b>100,429</b>	—
Other comprehensive income for the year, net of tax	<b>2,527,356</b>	2,636,741
Total comprehensive income for the year, net of tax	<b>9,963,240</b>	9,120,915
Total comprehensive income for the year attributable to:		
Owners of the Company	<b>9,327,246</b>	8,597,603
Holders of perpetual capital securities	<b>465,132</b>	407,246
Non-controlling interests	<b>170,862</b>	116,066
	<b>9,963,240</b>	9,120,915

# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December	
		2021 HK\$'000	2020 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	17	<b>5,698,336</b>	5,390,547
Investment properties	18	<b>5,126,232</b>	4,643,331
Interests in infrastructure project investments	19	<b>5,726,639</b>	5,713,846
Interests in joint ventures	20	<b>18,388,085</b>	16,453,237
Interests in associates	21	<b>9,347,225</b>	6,829,830
Concession operating rights	22	<b>3,784,772</b>	3,812,526
Deferred tax assets	23	<b>173,764</b>	177,691
Trademark, project backlogs and licences	24	<b>266,102</b>	278,416
Goodwill	24	<b>577,664</b>	577,664
Financial assets at fair value through other comprehensive income	25	<b>693,390</b>	689,958
Amounts due from investee companies	26	<b>211,806</b>	211,806
Trade and other receivables	27	<b>54,434,753</b>	53,729,653
Loans to joint ventures	28	<b>898,754</b>	295,761
		<b>105,327,522</b>	98,804,266
<b>Current Assets</b>			
Interests in infrastructure project investments	19	<b>72,752</b>	62,142
Inventories	29	<b>366,967</b>	410,072
Properties under development	30	<b>6,312,434</b>	4,311,691
Properties held for sale		<b>1,256,031</b>	1,431,447
Contract assets	31	<b>13,467,619</b>	11,981,742
Trade and other receivables	27	<b>59,239,650</b>	38,160,276
Deposits and prepayments		<b>1,114,512</b>	1,536,738
Loans to joint ventures	28	<b>618,899</b>	342,222
Amounts due from joint ventures	28	<b>6,977,678</b>	6,421,303
Amounts due from associates	32	<b>—</b>	846,103
Tax recoverable		<b>122,942</b>	47,943
Bank balances and cash	33	<b>24,407,419</b>	22,455,362
		<b>113,956,903</b>	88,007,041

# Consolidated Statement of Financial Position (continued)

As at 31 December 2021

	Notes	As at 31 December	
		2021 HK\$'000	2020 HK\$'000
<b>Current Liabilities</b>			
Contract liabilities	31	9,662,819	8,547,294
Trade payables, other payables and accruals	34	60,561,364	51,288,246
Deposits received		64,208	61,326
Amounts due to joint ventures	28	1,183,012	1,481,867
Amounts due to associates	32	107,563	311,097
Amount due to a related company	35	588,313	137,222
Current tax payables		5,573,209	5,326,550
Borrowings	36	10,104,945	9,707,491
Guaranteed notes payables and corporate bonds	42	4,286,155	—
Loans from fellow subsidiaries	37	739,706	3,050,900
Lease liabilities	38	51,154	27,499
		<b>92,922,448</b>	79,939,492
<b>Net Current Assets</b>		<b>21,034,455</b>	8,067,549
<b>Total Assets less Current Liabilities</b>		<b>126,361,977</b>	106,871,815
<b>Capital and Reserves</b>			
Share capital	39	125,940	126,229
Share premium and reserves	40	56,320,225	48,967,545
Equity attributable to owners of the Company		<b>56,446,165</b>	49,093,774
Perpetual capital securities	41	7,793,930	7,799,208
Non-controlling interests		1,976,176	1,386,565
		<b>66,216,271</b>	58,279,547
<b>Non-current Liabilities</b>			
Borrowings	36	47,848,335	35,488,761
Guaranteed notes payables and corporate bonds	42	8,095,418	9,179,000
Contract liabilities	31	667,106	656,125
Deferred tax liabilities	23	520,728	399,898
Loan from a joint venture	43	2,955,665	2,843,602
Lease liabilities	38	58,454	24,882
		<b>60,145,706</b>	48,592,268
		<b>126,361,977</b>	106,871,815

On behalf of the Board

**Zhang Haipeng**  
Director

**Zhou Hancheng**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company			Perpetual capital securities HK\$'000 (Note 41)	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 39)	Share premium and reserves HK\$'000 (Note 40)	Total HK\$'000			
	At 1 January 2020	126,229	42,021,941			
Profit for the year	—	6,015,368	6,015,368	407,246	61,560	6,484,174
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	(38,168)	(38,168)	—	—	(38,168)
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	—	69,595	69,595	—	—	69,595
Exchange differences on translation of subsidiaries	—	1,919,441	1,919,441	—	54,506	1,973,947
Exchange differences on translation of joint ventures	—	606,150	606,150	—	—	606,150
Exchange differences on translation of associates	—	25,217	25,217	—	—	25,217
Total comprehensive income for the year	—	8,597,603	8,597,603	407,246	116,066	9,120,915
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	—	14,223	14,223	—	—	14,223
Contribution from non-controlling interests of subsidiaries	—	—	—	—	293,066	293,066
Distribution paid on perpetual capital securities	—	—	—	(390,000)	—	(390,000)
2019 final dividend paid	—	(807,865)	(807,865)	—	—	(807,865)
2020 interim dividend paid	—	(858,357)	(858,357)	—	—	(858,357)
Total transactions with owners, recognised directly in equity	—	(1,651,999)	(1,651,999)	(390,000)	293,066	(1,748,933)
At 31 December 2020	126,229	48,967,545	49,093,774	7,799,208	1,386,565	58,279,547

# Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2021

	Attributable to owners of the Company			Perpetual capital securities HK\$'000 (Note 41)	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 39)	Share premium and reserves HK\$'000 (Note 40)	Total HK\$'000			
At 1 January 2021	126,229	48,967,545	49,093,774	7,799,208	1,386,565	58,279,547
Profit for the year	—	6,800,879	6,800,879	465,132	169,873	7,435,884
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	(9,662)	(9,662)	—	—	(9,662)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	269	269	—	—	269
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development	—	100,429	100,429	—	—	100,429
Exchange differences on translation of subsidiaries	—	1,856,854	1,856,854	—	989	1,857,843
Exchange differences on translation of joint ventures	—	442,184	442,184	—	—	442,184
Exchange differences on translation of associates	—	136,293	136,293	—	—	136,293
Total comprehensive income for the year	—	9,327,246	9,327,246	465,132	170,862	9,963,240
Issuance of perpetual capital securities	—	—	—	3,885,890	—	3,885,890
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	—	44,540	44,540	—	—	44,540
Contribution from non-controlling interests of subsidiaries	—	—	—	—	418,749	418,749
Redemption of perpetual capital securities	—	—	—	(3,900,000)	—	(3,900,000)
Distribution paid on perpetual capital securities	—	—	—	(456,300)	—	(456,300)
2020 final dividend paid	—	(957,147)	(957,147)	—	—	(957,147)
2021 interim dividend paid	—	(1,007,523)	(1,007,523)	—	—	(1,007,523)
Repurchase and cancellation of shares	(289)	(54,436)	(54,725)	—	—	(54,725)
Total transactions with owners, recognised directly in equity	(289)	(1,974,566)	(1,974,855)	(470,410)	418,749	(2,026,516)
At 31 December 2021	125,940	56,320,225	56,446,165	7,793,930	1,976,176	66,216,271

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<b>Operating activities</b>		
Profit before tax	<b>9,385,178</b>	8,244,476
Adjustments for:		
Finance costs	<b>2,668,202</b>	2,679,977
Interest income	<b>(369,548)</b>	(399,904)
Dividend income	<b>(109,547)</b>	(35,384)
(Gain)/loss on fair value changes of investment properties, net	<b>(487,722)</b>	186,302
Gain on disposal of property, plant and equipment	<b>(14,827)</b>	(5,242)
Gain on disposal of a joint venture	—	(570,035)
Gain on disposal of an associate	<b>(26,323)</b>	—
Share of profits of joint ventures	<b>(369,246)</b>	(701,944)
Share of profits of associates	<b>(782,808)</b>	(1,879,577)
Exchange losses, net	<b>123,128</b>	161,284
Depreciation of property, plant and equipment	<b>238,837</b>	197,038
Amortisation of concession operating rights	<b>174,984</b>	201,028
Amortisation of trademark and licences	<b>17,967</b>	17,454
(Reversal of)/allowance for doubtful debts on trade and other receivables	<b>(6,131)</b>	5,935
Share-based payment	<b>44,540</b>	14,223
Operating cash flows before working capital changes	<b>10,486,684</b>	8,115,631
Decrease in income receivables from infrastructure project investments	<b>399,500</b>	494,344
Decrease/(increase) in inventories	<b>52,627</b>	(130,626)
Increase in properties under development	<b>(1,757,728)</b>	(1,958,580)
Decrease/(increase) in properties held for sale	<b>425,964</b>	(55,177)
Changes in net balances in contract assets/liabilities	<b>82,720</b>	1,253,151
Increase in trade and other receivables	<b>(17,212,892)</b>	(14,691,559)
Decrease/(increase) in deposits and prepayments	<b>446,752</b>	(986,051)
Increase in trade payables, other payables and accruals	<b>8,372,364</b>	4,978,162
Increase in deposits received	<b>1,494</b>	26,974
Net cash from/(used in) operations	<b>1,297,485</b>	(2,953,731)
Income taxes paid	<b>(1,870,853)</b>	(1,579,514)
Income taxes refunded	<b>21,876</b>	1,637
Net cash used in operating activities	<b>(551,492)</b>	(4,531,608)

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<b>Investing activities</b>		
Interest received	<b>287,377</b>	276,550
Purchases of property, plant and equipment	<b>(686,405)</b>	(548,380)
Proceeds from disposal of property, plant and equipment	<b>48,464</b>	13,473
Net movement of current accounts with joint ventures	<b>(1,917,905)</b>	(310,111)
Net movement of loans to joint ventures	—	(54,597)
Investments in joint ventures	<b>(1,149,417)</b>	(2,158,513)
Proceed from disposal of a joint venture	—	1,359,126
Dividends received from joint ventures	<b>25,999</b>	416,036
Net movement of current accounts with associates	<b>640,745</b>	(133,536)
(Increase)/decrease in investments in associates	<b>(2,971,566)</b>	190,072
Proceed from disposal of an associate	<b>90,498</b>	—
Dividends received from associates	<b>619,561</b>	1,259,450
Purchase of financial assets at fair value through other comprehensive income	<b>(22,713)</b>	—
Dividends received from equity securities at fair value through other comprehensive income	<b>109,547</b>	35,384
Proceeds from disposal of financial assets at fair value through other comprehensive income	<b>10,038</b>	—
Increase in pledged bank deposits and deposits with financial institutions	<b>(21,852)</b>	(20,414)
Net cash (used in)/from investing activities	<b>(4,937,629)</b>	324,540

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Financing activities</b>			
Finance costs paid		(2,644,438)	(2,735,526)
Share repurchase		(54,725)	—
Dividends paid to owners of the Company		(1,964,670)	(1,666,222)
Contribution from non-controlling interests		418,749	293,066
Proceeds from issuance of perpetual capital securities, net		3,885,890	—
Distribution paid on perpetual capital securities		(456,300)	(390,000)
Redemption of perpetual capital securities		(3,900,000)	—
Proceeds from issuance of corporate bonds, net	45	3,026,634	2,802,479
New bank loans raised	45	33,185,929	32,169,364
Repayment of bank loans	45	(22,135,706)	(28,207,923)
(Net repayment of)/loans from fellow subsidiaries	45	(2,339,223)	664,452
Principal elements of lease payments	45	(58,507)	(48,411)
Net cash from financing activities		6,963,633	2,881,279
<b>Increase/(decrease) in cash and cash equivalents</b>			
		1,474,512	(1,325,789)
Cash and cash equivalents at the beginning of the year		22,411,689	22,600,362
Effect of foreign exchange rate changes		453,670	1,137,116
<b>Cash and cash equivalents at the end of the year</b>			
		24,339,871	22,411,689
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		24,407,419	22,455,362
Less: Pledged bank deposits and deposits with financial institutions		(67,548)	(43,673)
		24,339,871	22,411,689

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1 General information

China State Construction International Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited, a company incorporated in Hong Kong. Its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited (“CSCECL”), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation (“CSCEC”), respectively, both of which are established in the People’s Republic of China (“China”) and controlled by the government of Mainland China (“PRC government”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, The Cayman Islands and 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, respectively.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the construction business, infrastructure project investments, toll road operation, project consultancy services and façade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 51, 20 and 21, respectively.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 25 March 2022.

## 2 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 HKFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 3 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 following amendments to existing standards (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA.

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> 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

<sup>5</sup> 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 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies

### 4.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2021.

#### (a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable risks and returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which the control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### *Business combinations — common control combinations*

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations”. In applying merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated income statement also takes into account the profit or loss attributable to the non-controlling interests of the controlling party. Upon the completion of common control combinations, the retained profit of the combining entities or business is transferred to the retained profits of the Group.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.1 Consolidation (continued)

#### (a) Subsidiaries (continued)

##### *Business combinations — acquisition method*

The Group applies the acquisition method to account for business combinations other than common control combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

##### *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.1 Consolidation (continued)

#### (a) Subsidiaries (continued)

##### *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to consolidated income statement.

##### *Separate financial statements*

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### (b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in OCI is recognised in OCI with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which include any long-term interests that, in substance, form part of the Group's net investment in the associates), including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.1 Consolidation (continued)

#### (b) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “share of profits of associates” in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s consolidated financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

#### (c) Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

##### *Joint ventures*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in OCI. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which include any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group’s investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group’s share of the net fair value of the joint venture’s identifiable assets and liabilities is accounted for goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.1 Consolidation (continued)

#### (c) Joint arrangements (continued)

##### *Joint operations*

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

### 4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

### 4.3 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are recognised in OCI.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.3 Foreign currency translation (continued)

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in OCI.

#### (d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposal (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

### 4.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.4 Property, plant and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Land and buildings	Over the shorter of the term of the relevant leases or 50 years
Heat and electricity supply facilities	Over the shorter of the licence operation period or 20 years
Machinery	3 to 10 years
Furniture, fixtures and equipment and motor vehicles	3 to 8 years

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents buildings and heat and electricity supply facilities under construction and machinery pending installation, and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

### 4.5 Leases

#### The Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.5 Leases (continued)

#### The Group as a lessee (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate taken effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.5 Leases (continued)

#### The Group as a lessor

Lease income from operating leases where the Group is a lessor as recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

### 4.6 Investment properties

Investment properties are properties held for long-term rental yields and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "investment income, other income and other gains, net".

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated income statement in the period in which the item is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is deficit with as movement in the asset revaluation reserve.

### 4.7 Interests in infrastructure project investments

Interests in infrastructure project investments represent loans advanced to joint ventures whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements.

The Group's interests in the infrastructure project investments are classified as financial asset measured at amortised cost in accordance with HKFRS 9 and are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

### 4.8 Services concession arrangements

#### Consideration given by the grantor

A financial asset is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.8 Services concession arrangements (continued)

#### Consideration given by the grantor (continued)

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset is accounted for in accordance with the policy set out for debt securities at amortised costs under "Investments and other financial assets" below.

An intangible asset (concession operating rights) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The intangible asset (concession operating rights) is accounted for in accordance with the policy set out for "Intangible assets" below. If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

#### Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its rights, that is (a) to maintain the toll roads it operates to a specified level of serviceability and/or (b) to restore the toll roads to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the toll roads, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

### 4.9 Intangible assets

#### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU(s)"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.9 Intangible assets (continued)

#### (b) Trademark, project backlogs and licences

Separately acquired licences are shown at historical cost. Trademark and project backlogs acquired in a business combination are recognised at fair value at the acquisition date.

Trademark and project backlogs that have a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and project backlogs over their estimated useful lives of 20 years or specific contract period respectively.

Licences that have indefinite useful lives are not amortised. They are subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment. License that has a definite useful life is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of license over its estimated useful life of 25 years.

#### (c) Concession operating rights

The Group applies the intangible asset model to account for toll expressways. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road services and are recorded in the consolidated statement of financial position as "Concession operating rights".

When the Group has a right to operate, and charge for usage of a toll expressway as a consideration for providing construction services in a service concession arrangement, it recognises a concession intangible asset at fair value upon initial recognition. The concession operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of concession operating rights is calculated to write off their costs, commencing from the date of commencement of commercial operation of the underlying toll expressways to the end of the respective concession periods of thirty years. The annual amortisation of concession operating rights is calculated by using the straight-line method over the concession periods.

Gains or losses arising from derecognition of a concession operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement in the period when the asset is derecognised.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.10 Investments and other financial assets

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVOCI (debt);
- those to be measured subsequently at FVOCI (equity); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI. For investments in equity securities that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity securities at FVOCI.

The Group reclassifies debt securities when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.10 Investments and other financial assets (continued)

#### (iii) Measurement (continued)

##### *Debt securities*

Subsequent measurement of debt securities depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt securities:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in consolidated income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement.
- FVOCI (debt): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI (debt). Movements in the carrying amount are taken through OCI, except for the recognition of fair value gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in consolidated income statement using the effective interest rate method.

##### *Equity securities*

The Group subsequently measures all equity securities at fair value. Where the Group's management has elected to present fair value gains and losses on equity securities in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement when the Group's right to receive payments is established.

#### (iv) Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.10 Investments and other financial assets (continued)

#### (iv) Impairment (continued)

##### *General approach (continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt securities at FVOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt securities are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt securities.

Debt securities at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group determines the ECLs based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### 4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount are reported in the consolidated statement of financial position where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

### 4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling expenses.

### 4.14 Properties held for sale

Properties acquired for subsequent resale are stated at the lower of cost and net realisable value. Net realisable value is determined by the management based on prevailing market conditions.

### 4.15 Properties under development

Properties under development comprise the cost of land, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Net realisable value takes into account the proceeds ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to complete. Upon completion, the properties are transferred to properties held for sale. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

### 4.16 Amounts due from/to joint ventures, associates and a related company

Amounts due from joint ventures and associates are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Amounts due to joint ventures, associates and a related company are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 4.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, bank deposits with financial institutions with original maturities of three months or less, bank balance, and bank overdrafts. In the statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

### 4.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 4.20 Trade payables, other payables and accruals

Trade payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 4.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

### 4.22 Borrowing costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Relevant general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.22 Borrowing costs (continued)

Borrowing costs include interest expense, interest in respect of lease liability and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

### 4.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case the tax is also recognised in OCI or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) Deferred income tax

##### *Inside basis difference*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis difference*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint arrangements except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.23 Current and deferred income tax (continued)

#### (b) Deferred income tax (continued)

##### *Outside basis difference (continued)*

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets are recognised to the extent that their future utilisation is probable. Deferred income tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

#### (c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 4.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.25 Employee benefits

#### (a) Retirement benefits

The Group participates in mandatory provident fund schemes in Hong Kong which are defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of Mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

#### (b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 4.26 Share-based payments

#### (a) Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

#### (b) Share-based payment transactions among group entities

Incentive shares granted by an intermediate holding company to the employees of the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.27 Revenue recognition

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- (a) Provides all of the benefits received and consumed simultaneously by the customer;
- (b) Creates or enhances an asset that the customer control as the Group performs; or
- (c) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- (a) Direct measurements of the value transferred by the Group to the customer; or
- (b) The Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs ("input method").

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract related assets and subsequently amortised when the related revenue is recognised.

#### (a) Revenue from contracts with customers

##### (i) Revenue from construction contracts

Revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If i) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or ii) construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in consolidated income statement over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in consolidated income statement is recognised as contract liabilities.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.27 Revenue recognition (continued)

#### (a) Revenue from contracts with customers (continued)

##### (ii) *Thermoelectricity business*

Revenue from thermoelectricity business consists of revenue from the supply of heat, steam and electricity, and connection service income.

Revenue from the supply of heat, steam and electricity are recognised over time based upon output delivered and capacity provided at rates specified under contract terms.

Connection service income received and receivable, to the extent which is attributable to the initial pipeline construction and connection of transmission of heat and steam, is recognised over time upon the completion of services provided for the relevant connection works. Connection service attributable to the continuing heat and steam transmission is recorded as contract liabilities and recognised on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating license of the relevant entities.

##### (iii) *Toll revenue*

Toll revenue from road and bridge operations is recognised at the time when services are rendered.

##### (iv) *Sales of goods*

Revenue from sales of goods are recognised at a point in time when goods are delivered and title has been passed.

##### (v) *Services income*

Revenue from services income, including consultancy service incomes, commission income, technical service income, logistics service income and management service income, is recognised over time when the corresponding services are rendered.

#### (b) Revenue from other sources

##### (i) *Income from interests in infrastructure project investment*

Income from interests in infrastructure project investment is accrued on a time basis, by making reference to the carrying amount and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the infrastructure project to that project's net carrying amount at initial recognition.

##### (ii) *Lease of machinery*

Income from lease of machinery is recognised on a straight-line basis over the terms of the relevant leases.

##### (iii) *Insurance income*

Revenue from insurance service is recognised proportionally over the period of coverage.

##### (iv) *Interest income generated from construction related investment projects*

Interest income from construction related investment projects is recognised on an accrual basis, making reference to the carrying amount and at the interest rate specified under contract terms.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.27 Revenue recognition (continued)

#### (b) Revenue from other sources (continued)

##### (v) *Interest income*

Interest income on financial assets at amortised cost and debt securities at FVOCI (debt) calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

##### (vi) *Dividend income*

Dividends are received from equity securities at FVOCI (equity). Dividends are recognised as investment income, other income and other gains, net in the consolidated income statement when the right to receive payment is established.

##### (vii) *Rental income*

Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

### 4.28 Government grant

Government grant is recognised when the Group complied with prerequisite conditions and there is a reasonable assurance that the grant will be received.

### 4.29 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.30 Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in the consolidated income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

### 4.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

### 4.32 Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

### 4.33 Perpetual capital securities

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 4 Principal accounting policies (continued)

### 4.34 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management

### 5.1 Financial instruments by category

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost		
Interests in infrastructure project investments	<b>5,799,391</b>	5,775,988
Amounts due from investee companies	<b>211,806</b>	211,806
Loans to joint ventures	<b>1,517,653</b>	637,983
Amounts due from joint ventures	<b>6,977,678</b>	6,421,303
Amounts due from associates	—	846,103
Trade and other receivables	<b>108,326,684</b>	87,865,975
Deposits	<b>72,917</b>	54,287
Bank balances and cash	<b>24,407,419</b>	22,455,362
Financial assets at FVOCI	<b>693,390</b>	689,958
	<b>148,006,938</b>	124,958,765
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	<b>60,206,107</b>	50,936,300
Amounts due to joint ventures	<b>1,183,012</b>	1,481,867
Amounts due to associates	<b>107,563</b>	311,097
Amount due to a related company	<b>588,313</b>	137,222
Borrowings	<b>57,953,280</b>	45,196,252
Deposits received	<b>64,208</b>	61,326
Loans from fellow subsidiaries	<b>739,706</b>	3,050,900
Loan from a joint venture	<b>2,955,665</b>	2,843,602
Lease liabilities	<b>109,608</b>	52,381
Guaranteed notes payables and corporate bonds	<b>12,381,573</b>	9,179,000
	<b>136,289,035</b>	113,249,947

The Group's exposure to various risks associated with the financial instruments is discussed below. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

### 5.2 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.2 Financial risk factors (continued)

#### (a) Market risk

##### (i) Currency risk

The Group and the Company undertake certain transactions denominated in foreign currencies, primarily with respect to the Renminbi ("RMB") and United States dollar ("US\$"), hence exposures to exchange rate fluctuation arise. The Group and the Company currently do not use any derivative contracts to hedge against their exposure to currency risk. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and adjust the financing structure if needed.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

In view of the fact that HK\$ is pegged to US\$, the foreign currency exposure of operating units having HK\$ as functional currency on US\$ transactions and balances is minimal.

At 31 December 2021, if HK\$ had weakened/strengthened 5% against RMB with all other variables held constant, the consolidated profit before tax for the year would have been approximately HK\$2,254,000 (2020: HK\$3,978,000) lower/higher.

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from its variable rate borrowings and borrowing rates offered by The People's Bank of China arising from its variable rate borrowings and trade and other receivables. Please refer to notes 27 and 36 for details of trade and other receivables and borrowings.

The Group is also exposed to fair value interest rate risk in relation to fixed interest debt securities, guaranteed notes payables and corporate bonds. Fair value interest rate risk on fixed interest debt securities is considered immaterial. Management will also consider hedging significant interest rate exposure should the need arises.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.2 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2020: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 (2020: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2021 would decrease/increase by approximately HK\$83,318,000 (2020: HK\$80,671,000).

#### (b) Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in Mainland China.

The credit risk on amounts due from investee companies, joint ventures and associates and loans to joint ventures is limited because the counterparties, which are engaged in property development and investment and provision of construction services in Mainland China and Macau, have strong financial positions.

The credit risk on interests in infrastructure project investments, contract assets and trade and other receivables is limited because the counterparties are mainly PRC government-related entities and are covered by collateral, where applicable. The Group assessed the credit losses against interests in infrastructure project investments, contract assets, deposits and trade and other receivables and the related expected credit loss is insignificant to the consolidated financial statement of the Group.

Other than concentration of credit risk on bank balances and cash, interests in infrastructure project investments, amounts due from investee companies, joint ventures and associates, contract assets and long term trade receivables, the Group does not have any other significant concentration of credit risk. Trade receivables, loans to joint ventures and associates and financial assets at FVOCI (debt) consist of a large number of parties, spread across diverse industries and geographical areas.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.2 Financial risk factors (continued)

#### (b) Credit risk (continued)

Financial assets measured at amortised cost are all classified under Stage 1 for measurement of expected credit losses except for trade receivables and contract assets that do not contain a significant financing component which apply simplified approach in calculating expected credit losses.

#### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>The Group</b>					
At 31 December 2021					
Trade payables, other payables and accruals	49,349,020	7,611,270	3,241,580	4,237	60,206,107
Deposits received	64,208	—	—	—	64,208
Amounts due to joint ventures	1,183,012	—	—	—	1,183,012
Amounts due to associates	107,563	—	—	—	107,563
Amount due to a related company	588,313	—	—	—	588,313
Borrowings	12,695,399	19,988,524	24,522,545	11,754,560	68,961,028
Loans from fellow subsidiaries	739,706	—	—	—	739,706
Loan from a joint venture	200,985	200,985	2,981,545	—	3,383,515
Guaranteed notes payables and corporate bonds	4,704,834	3,321,595	3,380,667	2,018,938	13,426,034
Lease liabilities	67,032	32,078	22,297	—	121,407
	<b>69,700,072</b>	<b>31,154,452</b>	<b>34,148,634</b>	<b>13,777,735</b>	<b>148,780,893</b>
At 31 December 2020					
Trade payables, other payables and accruals	46,013,903	3,858,683	1,063,714	—	50,936,300
Deposits received	61,326	—	—	—	61,326
Amounts due to joint ventures	1,481,867	—	—	—	1,481,867
Amounts due to associates	311,097	—	—	—	311,097
Amount due to a related company	137,222	—	—	—	137,222
Borrowings	11,236,551	9,192,011	20,389,523	16,308,631	57,126,716
Loans from fellow subsidiaries	3,050,900	—	—	—	3,050,900
Loan from a joint venture	193,365	193,365	3,061,867	—	3,448,597
Guaranteed notes payables and corporate bonds	323,253	4,600,162	3,252,847	2,094,500	10,270,762
Lease liabilities	30,643	16,919	8,219	1,140	56,921
	<b>62,840,127</b>	<b>17,861,140</b>	<b>27,776,170</b>	<b>18,404,271</b>	<b>126,881,708</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, redeem guaranteed notes payables, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, guaranteed notes payables and corporate bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company, perpetual capital securities and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 69.4% (2020: 54.8%) as at 31 December 2021.

### 5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021 and 2020.

	31 December 2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Debt and equity securities at FVOCI</b>				
Listed debt securities	496,096	—	—	496,096
Unlisted equity securities	—	—	197,294	197,294
	496,096	—	197,294	693,390

	31 December 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Debt and equity securities at FVOCI</b>				
Listed debt securities	490,826	—	—	490,826
Unlisted equity securities	—	—	199,132	199,132
	490,826	—	199,132	689,958

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.4 Fair value estimation (continued)

There were no transfers between the levels during the year (2020: Nil).

The following table presents the changes in level 3 instruments for the years ended 31 December 2021 and 2020:

	Equity securities at FVOCI HK\$'000
At 1 January 2020	129,361
Exchange adjustments	176
Change in fair value	69,595
At 31 December 2020 and 1 January 2021	<b>199,132</b>
Exchange adjustments	<b>150</b>
Disposal	<b>(1,988)</b>
At 31 December 2021	<b>197,294</b>

The changes in fair value of the above financial instruments in level 3 were recognised in OCI.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1, which are classified as financial assets at FVOCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Market value provided by the issuers as their best estimate of the fair value of the investment.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The unobservable inputs of the valuation include estimated revenue and discount rate by reference to other investments that are substantially the same. Changing unobservable inputs used in the level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 5 Financial risk management (continued)

### 5.4 Fair value estimation (continued)

The fair value of the following financial assets and liabilities approximate to their carrying amounts:

- Interests in infrastructure project investments
- Trade and other receivables and deposits
- Bank balances and cash
- Loans from/(to) joint ventures, associates and fellow subsidiaries
- Amounts due from/(to) joint ventures, associates, a related company and investee companies
- Trade payables, other payables and accruals and deposits received
- Borrowings

## 6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### 6.1 Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works. The progress is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

### 6.2 Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major sub-contractors/suppliers/vendors involved and experience of management. A foreseeable losses is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 6 Critical accounting estimates and judgements (continued)

### 6.3 Recoverability of receivables, contract assets and amounts due from related parties

The provision for receivables, contract assets and amounts due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### 6.4 Impairment of property, plant and equipment, trademark, project backlogs and licences, and goodwill

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests annually for impairment for those intangible assets that have an indefinite useful life, i.e. goodwill and licences. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

### 6.5 Impairment of concession operating rights

Determining whether concession operating rights are impaired requires an estimation of the recoverable amount. In measuring the recoverable amount of the concession operating rights, the Group has looked at the value in use, based on the following factors: the expected future traffic volumes, expected future toll fee level, length of operating rights, maintenance costs and discount rates (the "Relevant Factors").

In arriving at the recoverable amount of the concession operating rights, the management exercised their judgement with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operating rights.

### 6.6 Estimate of fair value of investment properties

The fair values of investment properties involve certain assumptions of market rent, market price and capitalisation rate. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement.

### 6.7 Income and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 7 Revenue

Revenue represents the revenue arising from construction contracts, construction related investment projects, façade contracting business, infrastructure operation, industrial plant reconstruction, 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:

	2021 HK\$'000	2020 HK\$'000
Revenue from construction contracts	<b>32,121,267</b>	26,754,732
Revenue from construction related investment projects (Note (a))	<b>39,511,725</b>	31,512,242
Revenue from façade contracting business	<b>3,521,279</b>	2,294,968
Revenue from infrastructure operation (Note (b))	<b>869,342</b>	764,313
Others (Note (c))	<b>1,286,001</b>	1,131,754
	<b>77,309,614</b>	62,458,009
Revenue from contracts with customers (Note (d))		
Timing of revenue recognition		
— Over time	<b>72,559,860</b>	58,540,054
— At a point in time	<b>933,762</b>	750,909
	<b>73,493,622</b>	59,290,963
Revenue from other sources		
— Interest income generated from construction related investment projects	<b>3,259,125</b>	2,949,763
— Others (Note (e))	<b>556,867</b>	217,283
	<b>3,815,992</b>	3,167,046
	<b>77,309,614</b>	62,458,009

Notes:

- (a) Revenue from construction related 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 industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the years ended 31 December 2021 and 2020 are recognised over time, except for toll road operation, sales of building materials and industrial plant reconstruction of approximately HK\$204,629,000 (2020: HK\$149,895,000), HK\$310,124,000 (2020: HK\$601,014,000) and HK\$419,009,000 (2020: Nil), 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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 8 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 ("CSC Development"), a limited liability company incorporated in the Cayman Islands and listed on the Main Board of the SEHK, and its subsidiaries (collectively referred to as the "CSC Development Group") are 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 2021 and 2020 are as follows:

	Segment revenue		Gross profit		Segment result	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Reportable segments						
Mainland China	<b>40,529,425</b>	32,349,676	<b>9,432,779</b>	7,087,353	<b>8,784,212</b>	6,503,313
Hong Kong and Macau	<b>32,249,605</b>	26,907,360	<b>1,882,360</b>	1,708,128	<b>1,682,099</b>	1,499,626
Hong Kong	<b>23,844,305</b>	22,403,905	<b>1,029,004</b>	1,171,498	<b>849,719</b>	990,025
Macau	<b>8,405,300</b>	4,503,455	<b>853,356</b>	536,630	<b>832,380</b>	509,601
Overseas	—	—	—	—	—	(5,869)
CSC Development Group	<b>4,530,584</b>	3,200,973	<b>667,604</b>	488,678	<b>406,860</b>	316,112
	<b>77,309,614</b>	62,458,009	<b>11,982,743</b>	9,284,159	<b>10,873,171</b>	8,313,182
Share of revenue/results of joint ventures	<b>2,563,559</b>	1,552,509			<b>369,246</b>	701,944
Total	<b>79,873,173</b>	64,010,518			<b>11,242,417</b>	9,015,126
Unallocated corporate income/(expenses)					<b>28,155</b>	(540,285)
Gain on disposal of a joint venture					—	570,035
Share of profits of associates					<b>782,808</b>	1,879,577
Finance costs					<b>(2,668,202)</b>	(2,679,977)
Profit before tax					<b>9,385,178</b>	8,244,476

### Measurement

Performance is measured based on segment result that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from construction related investment projects, toll-road operation, sales of building materials, industrial plant reconstruction and logistics services.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 8 Segment information (continued)

Segment revenue of the CSC Development Group represents revenue from façade contracting business, project consultancy services, general contracting business, thermoelectricity business and operations management derived from Hong Kong, Macau, Mainland China and overseas operations.

The revenue, gross profit and results of the Group are allocated based on operations of the segments. Taxation is not allocated to reportable segments.

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Mainland China		Hong Kong		Macau		CSC Development Group		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Reversal of)/allowance for doubtful debts on trade and other receivables	—	—	—	—	—	—	(6,131)	5,935	(6,131)	5,935
Depreciation and amortisation	209,723	222,756	80,080	58,168	9,136	7,487	132,849	127,109	431,788	415,520
Gain on disposal of property, plant and equipment, net	12,770	75	1,783	5,161	—	—	274	6	14,827	5,242

## Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	8,641,218	8,260,928	367,677	318,504
Hong Kong	5,870,875	5,643,861	123,930	75,555
Macau	410,830	305,351	32,451	10,551
Overseas	530,183	492,344	162,347	143,770
	15,453,106	14,702,484	686,405	548,380

Non-current assets excluded debt and equity securities at FVOCI, deferred tax assets, interests in infrastructure project investments, amounts due from investee companies, trade and other receivables, loans to joint ventures and interests in joint ventures and associates.

Investments in financial assets that are managed by the treasury department are not considered to be segment assets. These are investments in debt and equity securities that are classified as financial assets at FVOCI.

The information of the CSC Development Group was allocated to the Hong Kong, Macau, Mainland China and Overseas segments (including North America) in accordance with the locations that the CSC Development Group operated in.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 8 Segment information (continued)

### Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision-maker for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

### Major customers' information

In 2021 and 2020, no revenue from sales to a single customer represents 10 percent or more of the Group's total revenue.

## 9 Investment income, other income and other gains, net

	2021 HK\$'000	2020 HK\$'000
Interest income on:		
Bank deposits	157,259	241,642
Debt securities at FVOCI	28,440	28,659
Loans to joint ventures	51,662	26,377
Loans to associates	125,614	96,977
Deposits with a fellow subsidiary	6,573	6,249
Dividend income from:		
Equity securities at FVOCI	109,547	35,384
Gain on disposal of:		
Property, plant and equipment, net	14,827	5,242
A joint venture	—	570,035
An associate	26,323	—
Gain/(loss) on fair value changes of investment properties, net	487,722	(186,302)
Service income	41,320	55,650
Others	147,905	99,253
	<b>1,197,192</b>	979,166

## 10 Finance costs

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	2,066,860	2,060,710
Interest on guaranteed notes payables and corporate bonds	357,744	263,181
Interest on loan from a joint venture	216,983	210,634
Interest on loans from fellow subsidiaries	29,438	92,322
Interest on lease liabilities	5,341	3,664
Others	41,094	49,466
	<b>2,717,460</b>	2,679,977
Less: Capitalised in the cost of qualifying assets	<b>(49,258)</b>	—
	<b>2,668,202</b>	2,679,977

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 11 Benefits and interests of directors

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2020: eight) directors were as follows:

#### For the year ended 31 December 2021

	Yan Jianguo HK\$'000	Chen Xiaofeng HK\$'000 (Note (b))	Zhang Haipeng HK\$'000	Tian Shuchen HK\$'000 (Note (c))	Zhou Hancheng HK\$'000	Hung Cheung Shew HK\$'000	Adrian David Li Man Kiu HK\$'000	Raymond Leung Hai Ming HK\$'000	Lee Shing See HK\$'000	Total HK\$'000
Fees	—	—	—	—	—	—	410	300	520	1,230
Other emoluments:										
Salaries and allowances	—	—	2,145	2,138	2,138	4,251	—	—	—	10,672
Contributions to retirement benefit schemes	—	—	18	18	18	18	—	—	—	72
Performance related incentive payments (Note (a))	—	—	5,415	3,636	3,577	3,741	—	—	—	16,369
Total emoluments	—	—	7,578	5,792	5,733	8,010	410	300	520	28,343

#### For the year ended 31 December 2020

	Yan Jianguo HK\$'000	Zhang Haipeng HK\$'000	Tian Shuchen HK\$'000	Zhou Hancheng HK\$'000	Hung Cheung Shew HK\$'000	Adrian David Li Man Kiu HK\$'000	Raymond Leung Hai Ming HK\$'000	Lee Shing See HK\$'000	Total HK\$'000
Fees	—	—	—	—	—	410	300	520	1,230
Other emoluments:									
Salaries and allowances	—	2,169	2,099	2,136	3,843	—	—	—	10,247
Contributions to retirement benefit schemes	—	18	18	18	18	—	—	—	72
Performance related incentive payments (Note (a))	—	5,699	3,929	3,810	3,964	—	—	—	17,402
Total emoluments	—	7,886	6,046	5,964	7,825	410	300	520	28,951

Notes:

- The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.
- Mr. Chen Xiaofeng was appointed as the non-executive director of the Company with effect from 17 August 2021.
- Mr. Tian Shuchen resigned as the executive director of the Company and remains as senior management with effect from 22 December 2021.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 11 Benefits and interests of directors (continued)

### (a) Directors' and chief executive's emoluments (continued)

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the years ended 31 December 2021 and 2020.

Of the five individuals with the highest emoluments, four (2020: three) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining one (2020: two) highest paid employee who is neither a director nor chief executive of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	1,594	3,710
Contributions to retirement benefit schemes	18	36
Performance related incentive payments	4,929	8,412
	<b>6,541</b>	12,158

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$6,000,001 to HK\$6,500,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—
	<b>1</b>	2

### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

## 12 Senior management emoluments

The emoluments of the senior management for the years were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	60,373	62,270
Contributions to retirement benefit schemes	198	198
	<b>60,571</b>	62,468

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 12 Senior management emoluments (continued)

The emoluments of the senior management for the year were within the following bands:

	2021 No. of employees	2020 No. of employees
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	2
HK\$4,000,001 to HK\$4,500,000	1	—
HK\$4,500,001 to HK\$5,000,000	1	2
HK\$5,000,001 to HK\$5,500,000	5	3
HK\$5,500,001 to HK\$6,000,000	1	3
HK\$6,000,001 to HK\$6,500,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—
	<b>13</b>	13

## 13 Income tax expenses, net

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong profits tax	173,144	239,023
Other jurisdictions income tax	1,732,453	1,641,242
Mainland China land appreciation tax ("LAT")	29,621	—
	<b>1,935,218</b>	1,880,265
Overprovision in prior years:		
Hong Kong profits tax	(98,628)	(45,712)
Other jurisdictions income tax	(11,261)	(50,421)
	<b>(109,889)</b>	(96,133)
Deferred tax, net (Note 23)	<b>123,965</b>	(23,830)
Income tax expenses for the year, net	<b>1,949,294</b>	1,760,302

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.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 13 Income tax expenses, net (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before tax	9,385,178	8,244,476
Share of profits of Joint ventures	(369,246)	(701,944)
Associates	(782,808)	(1,879,577)
	<b>8,233,124</b>	5,662,955
Tax at domestic income tax rate of 16.5% (2020: 16.5%)	1,358,465	934,387
Effect of different tax rates of profit arising from other jurisdictions	478,985	392,006
LAT	29,621	—
Tax effect of LAT	(7,405)	—
Tax effect of expenses not deductible for tax purpose	319,568	330,632
Tax effect of income not taxable for tax purpose	(115,769)	(35,497)
Tax effect of tax losses not recognised	106,868	295,034
Tax effect of utilisation of previously unrecognised tax losses	(109,819)	(28,010)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 23)	—	(30,055)
Overprovision in prior years	(109,889)	(96,133)
Others	(1,331)	(2,062)
Tax charge for the year	<b>1,949,294</b>	1,760,302

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 14 Profit for the year

	2021 HK\$'000	2020 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Contracts assets costs recognised as expense	<b>64,256,900</b>	52,017,656
Cost of inventories sold	<b>493,601</b>	573,238
Cost of supply of heat, steam and electricity	<b>320,580</b>	295,193
Employee benefits expense including directors' emoluments:		
Staff costs*	<b>5,557,856</b>	4,322,931
Contributions to retirement benefit plans	<b>293,254</b>	214,962
Share-based payment	<b>44,540</b>	14,223
	<b>5,895,650</b>	4,552,116
Less: Amounts capitalised in contract assets	<b>(4,522,051)</b>	(3,664,316)
	<b>1,373,599</b>	887,800
Depreciation of property, plant and equipment	<b>415,391</b>	305,982
Depreciation of right-of-use assets	<b>68,725</b>	53,646
	<b>484,116</b>	359,628
Less: Amounts capitalised in contract assets	<b>(245,279)</b>	(162,590)
	<b>238,837</b>	197,038
Amortisation of concession operating rights (included in costs of sales)	<b>174,984</b>	201,028
Amortisation of trademark and licenses (included in administrative, selling and other operating expenses)	<b>17,967</b>	17,454
Auditor's remuneration:		
Audit services	<b>8,905</b>	8,380
Non-audit services	<b>839</b>	868
	<b>9,744</b>	9,248
Short-term lease expense in respect of:		
Plant and machinery	<b>375,037</b>	367,378
Land and buildings	<b>52,694</b>	29,625
	<b>427,731</b>	397,003
Less: Amounts capitalised in contract assets	<b>(387,044)</b>	(376,093)
	<b>40,687</b>	20,910
Rental income from investment properties, net of direct outgoings	<b>(104,353)</b>	(116,854)
(Reversal of)/allowance for doubtful debts on trade and other receivables	<b>(6,131)</b>	5,935
Exchange losses, net	<b>123,128</b>	161,284

\* Wage subsidies of approximately HK\$278,536,000 was granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong had been received during the year ended 31 December 2020. The amount was recognised in "cost of sales" and "administrative, selling and other operating expenses" and had been offset against the employee benefit expenses. There were no unfulfilled conditions or contingencies relating to these grants. There was no such wage subsidy during the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 15 Dividends

	2021 HK\$'000	2020 HK\$'000
Dividends recognised as distributions during the year:		
2020 Final, paid — HK19 cents (2020: 2019 Final, paid — HK16 cents) per share	<b>957,147</b>	807,865
2021 Interim, paid — HK20 cents (2020: 2020 Interim, paid — HK17 cents) per share	<b>1,007,523</b>	858,357
	<b>1,964,670</b>	1,666,222

The final dividend of HK20.5 cents (2020: HK19 cents) per share amounting to approximately HK\$1,032,711,000 (2020: HK\$957,525,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 16 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:

	2021 HK\$'000	2020 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<b>6,800,879</b>	6,015,368

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>5,039,788</b>	5,049,157

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 2021 and 2020.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 17 Property, plant and equipment

	Land and buildings HK\$'000	Heat and electricity supply facilities HK\$'000	Machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 January 2020	2,882,316	1,916,730	1,220,652	262,313	120,965	616,960	7,019,936
Exchange adjustments	85,691	99,528	23,897	5,517	3,088	33,520	251,241
Additions	23,552	2,120	6,610	54,324	6,946	367,152	460,704
Reclassification upon the completion of construction	142,488	49,609	55,525	—	—	(247,622)	—
Transfer between property, plant and equipment and investment properties	267,676	—	—	—	—	—	267,676
Disposals	—	—	(27,688)	(12,138)	(3,422)	—	(43,248)
At 31 December 2020 and 1 January 2021	<b>3,401,723</b>	<b>2,067,987</b>	<b>1,278,996</b>	<b>310,016</b>	<b>127,577</b>	<b>770,010</b>	<b>7,956,309</b>
Exchange adjustments	<b>117,551</b>	<b>85,389</b>	<b>21,180</b>	<b>6,135</b>	<b>2,770</b>	<b>17,599</b>	<b>250,624</b>
Additions	<b>5,349</b>	<b>3,496</b>	<b>64,738</b>	<b>137,203</b>	<b>24,493</b>	<b>451,058</b>	<b>686,337</b>
Reclassification upon the completion of construction	<b>511,727</b>	<b>43,269</b>	<b>97,365</b>	—	—	<b>(652,361)</b>	—
Transfer between property, plant and equipment and investment properties or properties under development, net	<b>257,208</b>	—	—	—	—	<b>(403,956)</b>	<b>(146,748)</b>
Disposals	<b>(31,329)</b>	—	<b>(38,621)</b>	<b>(22,901)</b>	<b>(5,477)</b>	—	<b>(98,328)</b>
At 31 December 2021	<b>4,262,229</b>	<b>2,200,141</b>	<b>1,423,658</b>	<b>430,453</b>	<b>149,363</b>	<b>182,350</b>	<b>8,648,194</b>
<b>Depreciation</b>							
At 1 January 2020	573,872	910,756	996,756	208,097	90,082	—	2,779,563
Exchange adjustments	23,334	50,694	6,130	4,110	2,338	—	86,606
Charge for the year	114,388	78,555	68,031	36,537	8,471	—	305,982
Disposals	—	—	(22,181)	(11,051)	(1,785)	—	(35,017)
At 31 December 2020 and 1 January 2021	<b>711,594</b>	<b>1,040,005</b>	<b>1,048,736</b>	<b>237,693</b>	<b>99,106</b>	—	<b>3,137,134</b>
Exchange adjustments	<b>59,495</b>	<b>49,058</b>	<b>6,307</b>	<b>2,402</b>	<b>2,039</b>	—	<b>119,301</b>
Charge for the year	<b>156,355</b>	<b>86,820</b>	<b>93,975</b>	<b>63,858</b>	<b>14,383</b>	—	<b>415,391</b>
Transfer between property, plant and equipment and investment properties	<b>(102,299)</b>	—	—	—	—	—	<b>(102,299)</b>
Disposals	<b>(3,887)</b>	—	<b>(33,503)</b>	<b>(22,224)</b>	<b>(5,077)</b>	—	<b>(64,691)</b>
At 31 December 2021	<b>821,258</b>	<b>1,175,883</b>	<b>1,115,515</b>	<b>281,729</b>	<b>110,451</b>	—	<b>3,504,836</b>
<b>Carrying values</b>							
At 31 December 2021	<b>3,440,971</b>	<b>1,024,258</b>	<b>308,143</b>	<b>148,724</b>	<b>38,912</b>	<b>182,350</b>	<b>5,143,358</b>
At 31 December 2020	2,690,129	1,027,982	230,260	72,323	28,471	770,010	4,819,175

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 17 Property, plant and equipment (continued)

Net book value of property, plant and equipment including right-of-use assets:

	2021 HK\$'000	2020 HK\$'000
Comprising of:		
Owned property, plant and equipment	5,143,358	4,819,175
Right-of-use assets (Note 38(i))	554,978	571,372
	<b>5,698,336</b>	5,390,547

The carrying values of land and buildings shown above are situated on:

	2021 HK\$'000	2020 HK\$'000
Land and buildings in Hong Kong under medium-term leases	1,617,137	1,071,127
Heat and electricity plants in Mainland China under medium-term leases	250,678	259,175
Other premises in Mainland China under medium-term leases	1,049,130	1,153,677
Freehold land in Macau	66,544	67,188
Freehold land in Canada	457,482	138,962
	<b>3,440,971</b>	2,690,129

At 31 December 2021, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities is approximately HK\$16,418,000 (2020: HK\$16,664,000).

At 31 December 2021, the carrying amount of the Group's owned property and motor vehicles held under finance lease is approximately HK\$31,038,000 (2020: HK\$31,834,000).

## 18 Investment properties

	2021 HK\$'000	2020 HK\$'000
At 1 January	4,643,331	5,067,333
Transfer between property, plant and equipment or properties under development and investment properties, net	(35,872)	(267,676)
Exchange adjustments	31,051	29,976
Change in fair value	487,722	(186,302)
At 31 December	<b>5,126,232</b>	4,643,331

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 18 Investment properties (continued)

### (i) Amounts recognised in consolidated income statement for investment properties

	2021 HK\$'000	2020 HK\$'000
Rental income from operating lease	124,893	136,774
Direct operating expenses from property that generated rental income	(20,540)	(19,920)
Gain/(loss) on fair value changes of investment properties, net (included in investment income, other income and other gains, net)	487,722	(186,302)

### (ii) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Jones Lang LaSalle Limited, Cushman & Wakefield Limited, 廣東鑫光土地房地產與資產評估諮詢有限公司, 北京卓信大華資產評估有限公司, 中發國際資產評估有限公司 and 深圳市深信資產評估土地房地產估價有限公司. They are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuation included the use of inputs that are not based on an observable market data (level 3 assets). The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparable as available in the relevant market.

All of the Group's leasehold property interests (i.e. right-of-use assets) to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 18 Investment properties (continued)

### (iii) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties and, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2021 and 2020.

#### Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2021 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Properties in Hong Kong	<b>3,125,462</b>	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month for retail portion (3) market price per square foot for office portion	2.7%–3.0% HK\$60–HK\$190 HK\$19,247–HK\$22,800
Properties in Macau	<b>215,000</b>	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	3% HK\$10–HK\$12
Properties in Mainland China	<b>870,338</b>	Direct Comparison Approach	(1) market price per square foot	RMB910–RMB3,030
Properties in Mainland China	<b>915,432</b>	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	2.9%–3.7% RMB3.4–RMB6.0

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 18 Investment properties (continued)

### (iii) Fair value measurements using significant unobservable inputs (continued)

#### Information about fair value measurements using significant unobservable inputs (continued)

Description	Fair value at 31 December 2020 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Properties in Hong Kong	3,802,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month for retail portion (3) market price per square foot for office portion	2.7%–3.0% HK\$62–HK\$190 HK\$20,433–HK\$30,872
Properties in Macau	214,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	3% HK\$10–HK\$12
Properties in Mainland China	627,331	Direct Comparison Approach	(1) market price per square foot	RMB1,128–RMB1,993

Prevailing market rents are estimated based on management and independent valuers' view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by independent valuers and management based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

### (iv) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals receivable monthly. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, please refer to note 47 for details.

## 19 Interests in infrastructure project investments

	2021 HK\$'000	2020 HK\$'000
Interests in infrastructure project investments	<b>5,799,391</b>	5,775,988
Less: Current portion	<b>(72,752)</b>	(62,142)
Non-current portion	<b>5,726,639</b>	5,713,846

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 19 Interests in infrastructure project investments (continued)

Interests in infrastructure project investments represent funding denominated in RMB advanced to joint ventures for PPP 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 duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 6.6% to 18% (2020: 6.6% to 20.33%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2021 and 2020.

The directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2021 and 2020 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

At 31 December 2021, interests in infrastructure project investments of approximately HK\$2,975,894,000 (2020: HK\$2,644,900,000) had been pledged to secure banking facilities granted to the Group (note 36).

## 20 Interests in joint arrangements

### Joint ventures

	2021 HK\$'000	2020 HK\$'000
Cost of investments, unlisted	<b>14,803,989</b>	13,659,024
Share of post-acquisition profits and other comprehensive income, net of dividends	<b>3,584,096</b>	2,794,213
	<b>18,388,085</b>	16,453,237

Particulars regarding the principal joint ventures as at 31 December 2021 and 2020 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2021 %	2020 %	
Nanjing Changjiang Second Bridge Company Limited	Incorporated	Mainland China	<b>65</b>	65	Operation and management of a toll bridge
長沙中建國際發展有限公司	Incorporated	Mainland China	<b>65</b>	65	Infrastructure investment
中建(武漢光谷)建設有限公司	Incorporated	Mainland China	<b>50</b>	50	Infrastructure investment
中建(唐山曹妃甸)工程建設有限公司	Incorporated	Mainland China	<b>72</b>	72	Infrastructure investment
安徽蚌五高速公路投資管理有限公司	Incorporated	Mainland China	<b>70</b>	70	Infrastructure investment
貴州正習高速公路投資管理有限公司	Incorporated	Mainland China	<b>30</b>	30	Infrastructure investment
貴州中建秀印高速公路有限公司	Incorporated	Mainland China	<b>50</b>	50	Infrastructure investment
貴州雷榕高速公路投資管理有限公司	Incorporated	Mainland China	<b>69</b>	69	Infrastructure investment
曲阜尼山文旅置業有限責任公司	Incorporated	Mainland China	<b>60</b>	60	Infrastructure investment
上海臨博海蒼城市建設發展有限公司	Incorporated	Mainland China	<b>49</b>	49	Infrastructure investment
廣東國通物流城有限公司	Incorporated	Mainland China	<b>41</b>	41	Infrastructure investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 20 Interests in joint arrangements (continued)

### Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

	2021 HK\$'000	2020 HK\$'000
Aggregate carrying value	<b>18,388,085</b>	16,453,237
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	<b>369,246</b>	701,944
Other comprehensive income	<b>442,184</b>	606,150
Total comprehensive income	<b>811,430</b>	1,308,094

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2021 and 2020. At 31 December 2021, there are unpaid committed investments relating to the Group's interests in joint ventures of approximately HK\$2,270,047,000 (2020: HK\$2,786,428,000).

### Joint operations

In addition to the construction projects undertaken by certain joint ventures as listed above, the Group has also established joint arrangements with other contractors to undertake construction and engineering projects in the form of joint operations.

Particulars regarding the principal joint operations as at 31 December 2021 and 2020 are as follows:

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group		Principal activities
			2021 %	2020 %	
Penta-Ocean — China State Joint Venture	Unincorporated	Hong Kong	<b>49</b>	49	Civil engineering works
Leighton — China State Joint Venture	Unincorporated	Hong Kong	<b>49</b>	49	Civil engineering works
Alchmex — Paul Y Joint Venture	Unincorporated	Hong Kong	<b>55</b>	55	Civil engineering works
AJA Joint Venture	Unincorporated	Hong Kong	<b>31.2</b>	31.2	Civil engineering works
China State Joint Venture	Unincorporated	Hong Kong	<b>60</b>	60	Civil engineering works
AJC Joint Venture	Unincorporated	Hong Kong	<b>30.5</b>	30.5	Civil engineering works
CSME — Southa Joint Venture	Unincorporated	Hong Kong	<b>51</b>	51	Mechanical and electrical engineering works

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 21 Interests in associates

	2021 HK\$'000	2020 HK\$'000
Unlisted companies		
Cost of investments in associates	<b>3,187,379</b>	3,239,187
Share of post-acquisition profits and other comprehensive income, net of dividends	<b>1,463,030</b>	1,181,372
	<b>4,650,409</b>	4,420,559
Amount due from an associate	—	40,951
Loans to associates	<b>4,696,816</b>	2,368,320
	<b>9,347,225</b>	6,829,830

Included in the cost of investments in associates is goodwill of approximately HK\$494,000 (2020: HK\$494,000) arising from acquisitions of associates in prior years.

Amount due from an associate is unsecured, interest free and have no specific repayment terms, but is considered by the directors to be part of the long term interests in associates.

The loan to an associate of approximately HK\$907,030,000 (2020: Nil) is unsecured, interest free and is not expected to be repaid within twelve months after the end of reporting period. The balance is denominated in RMB.

The remaining loans to associates are unsecured, interest bearing ranging from 4.75% to 9.5% (2020: from 5.5% to 9.5%) per annum and are not expected to be repaid within twelve months after the end of reporting period. The balance is denominated in HK\$ and RMB (2020: HK\$).

Particulars regarding the principal associates as at 31 December 2021 and 2020 are follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group		Principal activities
				2021 %	2020 %	
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI/Macau	Non-voting class B <sup>#</sup>	<b>29</b>	29	Investment holding
安徽興泰融資租賃有限責任公司	Incorporated	Mainland China	Ordinary	<b>25</b>	25	Loan financing
澳門水泥廠有限公司	Incorporated	Macau	Ordinary	<b>31.34</b>	31.34	Manufacture and sale of ready-mixed concrete
Trillion Vantage Investments Limited ("Trillion Vantage")	Incorporated	BVI/Hong Kong	Ordinary	<b>20</b>	20	Investment holding
六盤水董大公路投資開有限責任公司	Incorporated	Mainland China	Ordinary	<b>25</b>	25	Infrastructure investment
中建(泉州)城市發展有限公司	Incorporated	Mainland China	Ordinary	<b>35</b>	35	Property development
福州海建地產有限公司	Incorporated	Mainland China	Ordinary	<b>50</b>	50	Property development
株洲中海地產有限公司*	Incorporated	Mainland China	Ordinary	<b>30</b>	—	Property development
珠海市海悅房地產開發有限公司*	Incorporated	Mainland China	Ordinary	<b>20</b>	—	Property development

\* Incorporated in 2021

<sup>#</sup> Holder of non-voting class B shares of Fast Shift, through Fast Shift's interest in Nova Taipa — Urbanizações, Limitada ("NTUL"), is entitled to 29% (2020: 29%) of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 21 Interests in associates (continued)

During the year, share of profits of associates amounted to approximately HK\$552,791,000 (2020: HK\$1,176,701,000) was derived from Fast Shift and Trilion Vantage. Set out below is the aggregate financial information of the Group's associates:

	2021 HK\$'000	2020 HK\$'000
Aggregate carrying value	4,650,409	4,420,559
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	782,808	1,879,577
Other comprehensive income	136,293	25,217
Total comprehensive income	919,101	1,904,794

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2021 and 2020.

## 22 Concession operating rights

	HK\$'000
<b>Cost</b>	
At 1 January 2020	6,382,541
Exchange adjustments	262,894
At 31 December 2020 and 1 January 2021	<b>6,645,435</b>
Exchange adjustments	<b>223,632</b>
At 31 December 2021	<b>6,869,067</b>
<b>Amortisation and impairment</b>	
At 1 January 2020	2,544,695
Exchange adjustments	87,186
Charge for the year	201,028
At 31 December 2020 and 1 January 2021	<b>2,832,909</b>
Exchange adjustments	<b>76,402</b>
Charge for the year	<b>174,984</b>
At 31 December 2021	<b>3,084,295</b>
<b>Carrying values</b>	
At 31 December 2021	<b>3,784,772</b>
At 31 December 2020	3,812,526

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 22 Concession operating rights (continued)

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province with net carrying amounts of approximately HK\$1,877,916,000 (2020: HK\$1,900,166,000) and HK\$1,906,856,000 (2020: HK\$1,912,360,000), respectively, both of which are located in the Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in the Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2021 and 2020, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, length of operating rights, maintenance costs and discount rates. An average revenue growth rate of 9% to 12% (2020: 11% to 12%) and a pre-tax discount rate of 12% (2020: 12%) have been used in the value-in-use calculation.

## 23 Deferred taxation

The analysis of the Group's deferred tax liabilities/(assets) is as follows:

	Revaluation of Investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Concession operating rights HK\$'000	Deferred income HK\$'000	Undistributed earnings of Mainland China and joint ventures HK\$'000	Recognition of intangibles assets on business combination HK\$'000	Revaluation of land HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2020	54,737	(2,403)	185,885	(6,638)	68,359	42,814	5,158	(99,327)	(2,743)	245,842
Exchange adjustments	2,255	—	6,594	(342)	—	500	—	(8,812)	—	195
Charged/(credited) to consolidated income statement (Note 13)	11,346	12,141	(39,486)	(29,208)	(30,055)	(12,374)	—	34,754	29,052	(23,830)
At 31 December 2020 and 1 January 2021	<b>68,338</b>	<b>9,738</b>	<b>152,993</b>	<b>(36,188)</b>	<b>38,304</b>	<b>30,940</b>	<b>5,158</b>	<b>(73,385)</b>	<b>26,309</b>	<b>222,207</b>
Exchange adjustments	2,356	—	3,071	(3,865)	—	—	—	(62)	(708)	792
Charged/(credited) to consolidated income statement (Note 13)	137,012	3,550	(24,374)	(9,928)	—	—	—	18,541	(836)	123,965
At 31 December 2021	<b>207,706</b>	<b>13,288</b>	<b>131,690</b>	<b>(49,981)</b>	<b>38,304</b>	<b>30,940</b>	<b>5,158</b>	<b>(54,906)</b>	<b>24,765</b>	<b>346,964</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 23 Deferred taxation (continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	173,764	177,691
Deferred tax liabilities	(520,728)	(399,898)
	<b>(346,964)</b>	(222,207)

At the end of the reporting period, the Group has the following deductible temporary differences and unused tax losses not recognised in the consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Unused tax losses (Note)	<b>6,455,368</b>	6,736,830

Note: No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of approximately HK\$2,039,105,000 (2020: HK\$3,200,444,000) that will expire within five years. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, withholding tax is levied on dividends declared to foreign investors from foreign enterprises established in Mainland China and applies to earnings after 31 December 2007. The aggregate amount of temporary differences attributable to the unremitted earnings associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$31,606,500,000 (2020: HK\$25,320,305,000) as at 31 December 2021.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 24 Trademark, project backlogs, licences and goodwill

	Trademark HK\$'000	Project backlogs HK\$'000	Licences HK\$'000	Goodwill HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2020	216,708	45,359	176,351	577,664	1,016,082
Exchange adjustments	—	—	8,084	—	8,084
At 31 December 2020 and 1 January 2021	<b>216,708</b>	<b>45,359</b>	<b>184,435</b>	<b>577,664</b>	<b>1,024,166</b>
Exchange adjustments	—	—	<b>6,876</b>	—	<b>6,876</b>
At 31 December 2021	<b>216,708</b>	<b>45,359</b>	<b>191,311</b>	<b>577,664</b>	<b>1,031,042</b>
<b>Amortisation</b>					
At 1 January 2020	83,973	45,359	19,969	—	149,301
Charge for the year	10,836	—	6,618	—	17,454
Exchange adjustments	—	—	1,331	—	1,331
At 31 December 2020 and 1 January 2021	<b>94,809</b>	<b>45,359</b>	<b>27,918</b>	—	<b>168,086</b>
Charge for the year	<b>10,836</b>	—	<b>7,131</b>	—	<b>17,967</b>
Exchange adjustments	—	—	<b>1,223</b>	—	<b>1,223</b>
At 31 December 2021	<b>105,645</b>	<b>45,359</b>	<b>36,272</b>	—	<b>187,276</b>
<b>Carrying values</b>					
At 31 December 2021	<b>111,063</b>	—	<b>155,039</b>	<b>577,664</b>	<b>843,766</b>
At 31 December 2020	121,899	—	156,517	577,664	856,080

The intangible assets include trademark, project backlogs, construction licences and goodwill recognised from various acquisitions of subsidiaries by the Group.

The estimated useful lives of trademark and project backlogs of 20 and 3 years, respectively, are based on the terms of existing contracts and historical data.

A Mainland China construction licence was acquired as part of a business combination. It is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life of 25 years. Its carrying amount is approximately HK\$145,089,000 (2020: HK\$146,567,000) as at 31 December 2021.

The construction licences with carrying amount of approximately HK\$9,950,000 (2020: HK\$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

Goodwill is allocated to the Group's CGU of the CSC Development Group. For impairment assessment of goodwill, the recoverable amount of the CSC Development Group cash-generating unit as at 31 December 2021 was determined based on fair value less costs of disposal by making reference to its market share price.

The recoverable amount of the CSC Development Group cash-generating unit as at 31 December 2020 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 20.5% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%.

Based on the impairment testing at the end of the reporting period, the management considered that there is no impairment of the Group's construction licences and goodwill.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 25 Financial assets at fair value through other comprehensive income

### (i) Classification of equity and debt securities at FVOCI

Equity and debt securities at FVOCI comprise:

- Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers the classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

### (ii) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Unlisted securities		
Equity securities (Note)	<b>197,294</b>	199,132

On disposal of these equity securities, any related balance within the investment revaluation reserve is reclassified to retained profits.

Note: At 31 December 2021, an amount of approximately HK\$140,811,000 (2020: HK\$140,811,000) included in the carrying amount of equity securities are those issued by subsidiaries of China Overseas Land & Investment Ltd. ("COLI"), a fellow subsidiary of the Group.

### (iii) Debt securities at FVOCI

Debt securities at FVOCI comprise the following individual investments in listed bonds:

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Listed securities		
— Debt securities listed in Hong Kong (Note)	<b>254,752</b>	226,796
— Debt securities listed in overseas	<b>241,344</b>	264,030
	<b>496,096</b>	490,826

On disposal of these debt securities, any related balance within the investment revaluation reserve is reclassified to consolidated income statement.

Note: At 31 December 2021, an amount of approximately HK\$62,063,000 (2020: HK\$64,304,000) included in the carrying amount of debt securities listed in Hong Kong, represents debentures issued by a subsidiary of COLI, a fellow subsidiary of the Group.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets is either past due or impaired. No impairment loss on debt securities is recognised as the issuers of the securities have high credit ratings and no default interest payment have occurred in the past.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 25 Financial assets at fair value through other comprehensive income (continued)

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	141,852	143,841
RMB	3,962	3,811
US\$	496,096	490,826
Macao Pataca ("MOP")	51,480	51,480
	<b>693,390</b>	689,958

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months from the end of the reporting period.

## 26 Amounts due from investee companies

Amounts due from investee companies are unsecured, interest free and repayable on demand. No repayment is expected within next twelve months from the end of the reporting period.

The fair values of these amounts on initial recognition are determined based on effective interest rate ranging from 5.94% to 7.83% (2020: 5.94% to 7.83%) per annum. The balances are denominated in RMB.

At 31 December 2021, these amounts include advances to subsidiaries of COLI, a fellow subsidiary of the Group, amounting to approximately HK\$192,178,000 (2020: HK\$192,178,000).

## 27 Trade and other receivables

	2021 HK\$'000	2020 HK\$'000
Trade receivables and retention receivables	97,611,273	83,260,760
Less: allowance for doubtful debts	(24,400)	(29,896)
	<b>97,586,873</b>	83,230,864
Other receivables	16,087,530	8,659,065
Trade and other receivables (Note (a))	113,674,403	91,889,929
Less: Current portion	(59,239,650)	(38,160,276)
Non-current portion (Note (b))	<b>54,434,753</b>	53,729,653

Notes:

- (a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK\$6,689,381,000 (2020: HK\$6,140,308,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK\$211,521,000 (2020: HK\$369,184,000), which are unsecured, interest free and repayable on demand.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 27 Trade and other receivables (continued)

Notes: (continued)

- (b) The balances of non-current portion were mainly attributable to certain construction related investment projects 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 2023 to 2031, with approximately HK\$21,030,034,000 in 2023, HK\$11,081,544,000 in 2024, HK\$6,449,094,000 in 2025 and HK\$15,874,081,000 in 2026 to 2031. As a result, they are classified as non-current.

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:

	2021 HK\$'000	2020 HK\$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	23,896,383	7,989,334
31–90 days	3,588,257	6,662,752
Over 90 days	64,754,514	64,554,824
	92,239,154	79,206,910
Retention receivables	5,347,719	4,023,954
Other receivables	16,087,530	8,659,065
Trade and other receivables	113,674,403	91,889,929
Less: Current portion	(59,239,650)	(38,160,276)
Non-current portion	54,434,753	53,729,653

Included in the receivables aged over 90 days are receivables attributable to the construction related investment projects amounting to approximately HK\$52,112,570,000 (2020: HK\$57,081,750,000).

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 2021, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$3,131,498,000 (2020: HK\$2,102,585,000).

Except for the receivables arising from construction contracts, including construction related investment projects 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 days to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

At 31 December 2021, trade receivables of approximately HK\$15,336,068,000 (2020: HK\$12,714,602,000) are pledged to secure banking facilities granted to the Group (Note 36).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 27 Trade and other receivables (continued)

### Movement in the allowance for doubtful debts

	2021 HK\$'000	2020 HK\$'000
1 January	29,896	22,573
Exchange adjustments	635	1,388
(Reversal of)/impairment losses recognised on receivables	(6,131)	5,935
31 December	24,400	29,896

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.

Trade and other receivables are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	6,103,379	14,732,916
RMB	104,424,227	74,809,932
MOP	2,740,793	1,852,368
US\$	97,991	177,140
Others	308,013	317,573
	113,674,403	91,889,929

## 28 Amounts due from/(to) joint ventures and loans to joint ventures

Amounts due from/(to) joint ventures are unsecured, interest free and repayable on demand. The balances are mainly denominated in RMB.

Current portion of the loans to joint ventures is unsecured, carrying interest at 4.75% to 5.88% (2020: 4.75%) per annum and is expected to be repaid within twelve months after the end of the reporting period. The balances are denominated in RMB.

Non-current portion of the loans to joint ventures is unsecured, carrying interest at 5.5% (2020: 5.00% to 5.88%) per annum and is not expected to be repaid within twelve months after the end of the reporting period. The balance is denominated in HKD (2020: RMB).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 29 Inventories

	2021 HK\$'000	2020 HK\$'000
Raw materials and consumables	259,784	234,259
Work in progress	9,448	11,571
Finished goods	97,735	164,242
	<b>366,967</b>	410,072

## 30 Properties under development

	2021 HK\$'000	2020 HK\$'000
Properties under development	<b>6,312,434</b>	4,311,691

Note: Included in the amount are properties under development of approximately HK\$5,596,185,000 (2020: HK\$4,300,855,000) not expected to be completed and ready for sale within twelve months from the end of the reporting period.

## 31 Contract assets and contract liabilities

The Group has recognised the following assets/(liabilities) related to contracts with customers:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$'000
Contract assets related to construction services (Note (i))	<b>13,467,619</b>	11,981,742	12,115,947
Contract liabilities related to (Note (ii))			
— Construction services	<b>(9,092,852)</b>	(7,979,011)	(7,476,139)
— Thermoelectricity business	<b>(1,237,073)</b>	(1,224,408)	(1,042,638)
	<b>(10,329,925)</b>	(9,203,419)	(8,518,777)
Less: Current portion	<b>9,662,819</b>	8,547,294	7,830,567
Non-current portion	<b>(667,106)</b>	(656,125)	(688,210)

Notes:

- (i) Contract assets are related to construction services and consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.
- (ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from construction services.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 31 Contract assets and contract liabilities (continued)

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year and the amount relating to performance obligations that were satisfied in previous years:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Construction services	4,769,483	5,441,234
— Thermoelectricity business	525,430	524,309
	5,294,913	5,965,543
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods		
— Construction services	70,025	83,869

The following table shows the amount of unsatisfied performance obligations:

	2021 HK\$'000	2020 HK\$'000
Expected to be recognised within one year	105,549,565	103,845,303
Expected to be recognised after one year	52,939,339	38,962,376
	158,488,904	142,807,679

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For retention receivables, please refer to note 27 for details.

## 32 Amounts due from/(to) associates

Amounts due from/(to) associates are unsecured, interest free and repayable on demand. The balances are mainly denominated in RMB.

## 33 Bank balances and cash

	2021 HK\$'000	2020 HK\$'000
Pledged bank deposits	67,548	41,254
Deposits with financial institutions	—	2,419
Bank balances and cash	24,339,871	22,411,689
	24,407,419	22,455,362

### Pledged bank deposits

Bank deposits are pledged and earn interest at fixed rates of 0.3% to 2.75% (2020: 0.6%) per annum.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 33 Bank balances and cash (continued)

### Deposits with financial institutions

As at 31 December 2020, deposits with financial institutions comprised deposits with original maturity dates of one month earning interest at fixed rates of 2.76% per annum.

### Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 1.725% (2020: 0.001% to 2.76%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

Bank balances include balances with a fellow subsidiary of the Group, which is a non-bank financial institution in Mainland China, amounting to approximately HK\$992,944,000 (2020: HK\$1,415,487,000).

Pledged bank deposits, deposits with financial institutions, bank balances and cash are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	5,598,591	3,696,406
RMB	16,908,190	13,551,978
MOP	1,725,858	1,735,580
US\$	96,335	3,358,881
Others	78,445	112,517
	<b>24,407,419</b>	22,455,362

In respect of the balance denominated in RMB of the Group's subsidiaries incorporated in Mainland China, conversion into foreign currencies is subject to the Regulations of the People's Republic of China on the Management of Foreign Exchanges and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 34 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:

	2021 HK\$'000	2020 HK\$'000
Trade payables, aged:		
0-30 days	35,871,788	15,236,908
31-90 days	1,089,962	7,711,229
Over 90 days	9,684,973	16,652,246
	<b>46,646,723</b>	39,600,383
Retention payables	5,967,206	5,859,313
Other payables and accruals	7,947,435	5,828,550
	<b>60,561,364</b>	51,288,246

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 34 Trade payables, other payables and accruals (continued)

Other payables and accruals comprise primarily staff cost, other tax and other operating expenses payables, and included balances with related companies amounting to approximately HK\$528,549,000 (2020: HK\$340,933,000), which were unsecured, interest free and repayable on demand.

Trade payables and retention payables include balances with related companies amounting to approximately HK\$16,330,237,000 (2020: HK\$16,114,134,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements.

The average credit period on trade and construction cost payables is 60 days. At 31 December 2021, the amount of retention payables expected to be settled after more than one year is approximately HK\$3,386,125,000 (2020: HK\$3,071,208,000).

Trade payables, other payables and accruals are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	9,991,935	9,697,593
RMB	46,576,850	38,565,497
MOP	3,755,099	2,757,045
US\$	18,971	33,978
Others	218,509	234,133
	<b>60,561,364</b>	51,288,246

## 35 Amount due to a related company

The amount due is unsecured, interest free and repayable on demand.

## 36 Borrowings

	2021 HK\$'000	2020 HK\$'000
Bank loans, secured	18,474,397	16,042,864
Bank loans, unsecured	39,478,883	29,153,388
	<b>57,953,280</b>	45,196,252
Less: Current portion	<b>(10,104,945)</b>	(9,707,491)
Non-current portion	<b>47,848,335</b>	35,488,761
Carrying amount repayable:		
Within one year or on demand	10,104,945	9,707,491
More than one year but not exceeding two years	18,213,834	10,712,508
More than two years but not more than five years	21,216,807	18,331,144
More than five years	8,417,694	6,445,109
	<b>57,953,280</b>	45,196,252

The fair values of borrowings approximate their carrying amounts as the impact of discounting is not significant.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 36 Borrowings (continued)

The secured bank loans are secured by property, plant and equipment, interests in infrastructure project investments and trade receivables. The unsecured bank loans including the bank loans with financial covenant are required to fulfil by the Group to the banks.

Borrowings are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	6,628,382	5,714,783
RMB	50,888,103	39,199,303
Canadian Dollar ("CAD")	436,795	281,340
US\$	—	826
	<b>57,953,280</b>	45,196,252

The effective interest rates of borrowings are as follows:

	2021			2020			
	HK\$ %	RMB %	CAD %	HK\$ %	RMB %	CAD %	US\$ %
Bank loans, secured	—	4.68	4.24	—	4.76	4.24	—
Bank loans, unsecured	1.19	4.07	2.56	2.12	4.38	2.83	4.00

## 37 Loans from fellow subsidiaries

As at 31 December 2021, loan from a fellow subsidiary is unsecured, carrying interests ranging from 3.50% to 3.60% per annum and repayable on demand. The balance is denominated in RMB.

As at 31 December 2020, loans from fellow subsidiaries were unsecured, carrying interests ranging from 3.41% to 3.60% per annum and repayable on demand. The balances were mainly denominated in RMB and US\$.

## 38 Leases

### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Right-of-use assets</b>		
Prepaid land lease payment (Note)	417,417	488,881
Land and buildings and plant and machinery	30,853	31,834
Others	106,708	50,657
	<b>554,978</b>	571,372
<b>Lease liabilities</b>		
Current	51,154	27,499
Non-current	58,454	24,882
	<b>109,608</b>	52,381

Note: The Group has prepaid land lease payment for leasehold land located in Mainland China with PRC government under medium term leases.

Additions to the right-of-use assets during the year were approximately HK\$110,083,000 (2020: HK\$116,943,000) of which non-cash addition were approximately HK\$110,015,000 (2020: HK\$29,267,000).

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 38 Leases (continued)

### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Prepaid land lease payment	11,896	8,944
Land and buildings and motor vehicles	981	829
Others	55,848	43,873
	<b>68,725</b>	53,646
Interest expense (included in finance costs)	5,341	3,664
Expense relating to short-term leases (included in cost of sales and administrative, selling and other operating expenses)	427,731	397,003

The total cash outflow for leases during the year was approximately HK\$486,306,000 (2020: HK\$533,090,000).

### (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 9 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

### (iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### (v) Further information about the leasing activities of the Group as a lessor is disclosed in note 47 to the financial statements.

## 39 Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
At 1 January 2020, 31 December 2020 and 1 January 2021	5,049,156,668	126,229
Cancellation of shares repurchased (Note)	(11,540,000)	(289)
At 31 December 2021	5,037,616,668	125,940

Note: The Company repurchased its 11,540,000 shares on the SEHK at a total consideration of approximately HK\$54,725,000. The repurchased shares were then cancelled during the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 40 Share premium and reserves

	Share premium HK\$'000	Special reserve HK\$'000 (Note (a))	Capital redemption reserve HK\$'000 (Note (b))	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note (c))	Retained profits HK\$'000 (Note (d))	Total HK\$'000
At 1 January 2020	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941
Profit for the year	—	—	—	—	—	—	6,015,368	6,015,368
Loss on fair value changes of debt securities at FVOCI, net of tax	—	—	—	(38,168)	—	—	—	(38,168)
Gain on fair value changes of equity securities at FVOCI, net of tax	—	—	—	69,595	—	—	—	69,595
Exchange differences on translation of subsidiaries	—	—	—	—	1,919,441	—	—	1,919,441
Exchange differences on translation of joint ventures	—	—	—	—	606,150	—	—	606,150
Exchange differences on translation of associates	—	—	—	—	25,217	—	—	25,217
Total comprehensive income for the year	—	—	—	31,427	2,550,808	—	6,015,368	8,597,603
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	—	14,223	—	—	—	—	—	14,223
Exercise of incentive shares (Note 44)	—	(7,844)	—	—	—	—	7,844	—
2019 final dividend paid	—	—	—	—	—	—	(807,865)	(807,865)
2020 interim dividend paid	—	—	—	—	—	—	(858,357)	(858,357)
Transfer to statutory reserve	—	—	—	—	—	5,037	(5,037)	—
Total transactions with owners, recognised directly in equity	—	6,379	—	—	—	5,037	(1,663,415)	(1,651,999)
At 31 December 2020	20,540,459	(6,578,796)	337	122,254	(538,842)	593,150	34,828,983	48,967,545

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 40 Share premium and reserves (continued)

	Share premium HK\$'000	Special reserve HK\$'000 (Note (a))	Capital redemption reserve HK\$'000 (Note (b))	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note (c))	Retained profits HK\$'000 (Note (d))	Total HK\$'000
At 1 January 2021	20,540,459	(6,578,796)	337	122,254	(538,842)	593,150	34,828,983	48,967,545
Profit for the year	–	–	–	–	–	–	6,800,879	6,800,879
Loss on fair value changes of debt securities at FVOCI, net of tax	–	–	–	(9,662)	–	–	–	(9,662)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	–	–	–	269	–	–	–	269
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development	–	–	–	100,429	–	–	–	100,429
Exchange differences on translation of subsidiaries	–	–	–	–	1,856,854	–	–	1,856,854
Exchange differences on translation of joint ventures	–	–	–	–	442,184	–	–	442,184
Exchange differences on translation of associates	–	–	–	–	136,293	–	–	136,293
Total comprehensive income for the year	–	–	–	91,036	2,435,331	–	6,800,879	9,327,246
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	44,540	–	–	–	–	–	44,540
Lapse of incentive shares (Note 44)	–	(753)	–	–	–	–	753	–
Exercise of incentive shares (Note 44)	–	(7,747)	–	–	–	–	7,747	–
2020 final dividend paid	–	–	–	–	–	–	(957,147)	(957,147)
2021 interim dividend paid	–	–	–	–	–	–	(1,007,523)	(1,007,523)
Transfer to statutory reserve	–	–	–	–	–	99,386	(99,386)	–
Repurchase and cancellation of shares	(54,436)	–	–	–	–	–	–	(54,436)
Total transactions with owners, recognised directly in equity	(54,436)	36,040	–	–	–	99,386	(2,055,556)	(1,974,566)
At 31 December 2021	20,486,023	(6,542,756)	337	213,290	1,896,489	692,536	39,574,306	56,320,225

Notes:

(a) Special reserve arose from:

- (i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macao) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司, China Overseas Technology Holdings Limited and its subsidiaries and China Overseas Port Investment Company and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe Global Limited and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 40 Share premium and reserves (continued)

Notes: (continued)

- (a) Special reserve arose from: (continued)
- (ii) In 2012, the Group obtained control over CSC Development which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of CSC Development at a price of HK\$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK\$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK\$57 million and the carrying amount of the attributable share of net assets of CSC Development of approximately HK\$23 million, was credited to the special reserve.
- (iii) In 2016, the CSC Development Group further acquired 38.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK\$229,666,000 has been transferred from non-controlling interests to special reserve in equity.
- (iv) In 2018, the Group disposed its wholly owned subsidiary, 中海監理有限公司 and its subsidiary to a subsidiary of CSC Development Group, resulted in an addition of 25.94% non-controlling interest. The net assets value of 中海監理有限公司 and its subsidiary of HK\$25,975,000 has been transferred from special reserve in equity to non-controlling interests.
- (b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.
- (c) Statutory reserve of the Group represents a general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.
- (d) Included in retained profits as at 31 December 2021 is the proposed 2021 final dividend of approximately HK\$1,032,711,000 (2020: HK\$957,525,000).

## 41 Perpetual capital securities

On 3 December 2018, a subsidiary of the Group issued US\$500 million 6.0% senior perpetual capital securities (the "Perpetual Capital Securities I"). The Perpetual Capital Securities I do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities I at the distribution rates as defined in the subscription agreements. On 3 December 2021, the Group redeemed all of the outstanding Perpetual Capital Securities I.

On 3 December 2019, a subsidiary of the Group issued US\$500 million 4.0% subordinated perpetual capital securities (the "Perpetual Capital Securities II"). The Perpetual Capital Securities II do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities II at the distribution rates as defined in the subscription agreements.

On 9 June 2021, a subsidiary of the Group issued US\$500 million 3.4% subordinated perpetual capital securities (the "Perpetual Capital Securities III"). The Perpetual Capital Securities III do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities III are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities III at the distribution rates as defined in the subscription agreements.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 42 Guaranteed notes payables and corporate bonds

	Notes	2021 HK\$'000	2020 HK\$'000
US\$550,000,000 3.375% guaranteed notes	(a)	<b>4,286,155</b>	4,282,071
US\$250,000,000 3.875% guaranteed notes	(b)	<b>1,940,634</b>	1,939,254
RMB2,000,000,000 3.48% corporate bonds	(c)	<b>2,460,203</b>	2,365,258
RMB500,000,000 3.45% corporate bonds	(d)	<b>615,763</b>	592,417
RMB1,000,000,000 3.52% corporate bonds	(e)	<b>1,231,527</b>	—
RMB1,500,000,000 3.10% corporate bonds	(f)	<b>1,847,291</b>	—
		<b>12,381,573</b>	9,179,000
Less: Current portion		<b>(4,286,155)</b>	—
Non-current portion		<b>8,095,418</b>	9,179,000

Notes:

- (a) In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$550 million (the "2017 Notes I"). The 2017 Notes I bear fixed interest at the rate of 3.375% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2017 Notes I shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2017 Notes I will mature on 29 November 2022 at the principal amount. The fair value of the 2017 Notes I at 31 December 2021 was estimated at approximately HK\$4,347 million (2020: HK\$4,415 million), which was determined based on the closing market price of the 2017 Notes at that date and is within level 1 of the fair value hierarchy.
- (b) In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$250 million (the "2017 Notes II"). The 2017 Notes II bear fixed interest at the rate of 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2017 Notes II shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2017 Notes II will mature on 29 November 2027 at the principal amount. The fair value of the 2017 Notes II at 31 December 2021 was estimated at approximately HK\$2,039 million (2020: HK\$2,077 million), which was determined based on the closing market price of the 2017 Notes II at that date and is within level 1 of the fair value hierarchy.
- (c) On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of RMB2,000 million (the "2020 Bonds I") to professional investors in Mainland China. The 2020 Bonds I have a maturity of 3 years and the coupon rate is 3.48% per annum. The 2020 Bonds I were listed on the Inter-bank Bond Market. The 2020 Bonds I will mature on 29 July 2023 at the principal amount. The fair value of the 2020 Bonds I at 31 December 2021 was estimated at approximately HK\$2,484 million (2020: HK\$2,366 million), which was determined based on the closing market price of the 2020 Bonds I at that date and is within level 1 of the fair value hierarchy.
- (d) On 26 October 2020, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB500 million (the "2020 Bonds II") in Mainland China. The 2020 Bonds II have a maturity of 3 years and the coupon rate is 3.45% per annum. The 2020 Bonds II were listed on the Inter-bank Bond Market. The 2020 Bonds II will mature on 28 October 2023 at the principal amount. The fair value of the 2020 Bonds II at 31 December 2021 was estimated at approximately HK\$621 million (2020: HK\$583 million), which was determined based on the closing market price of the 2020 Bonds II at that date and is within level 1 of the fair value hierarchy.
- (e) On 31 May 2021, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB1,000 million (the "2021 Bonds I") in Mainland China. The 2021 Bonds I have a maturity of 3 years and the coupon rate is 3.52% per annum. The 2021 Bonds I were listed on the Inter-bank Bond Market. The 2021 Bonds I will mature on 31 May 2024 at the principal amount. The fair value of the 2021 Bonds I at 31 December 2021 was estimated at approximately HK\$1,245 million, which was determined based on the closing market price of the 2021 Bonds I at that date and is within level 1 of the fair value hierarchy.
- (f) On 29 December 2021, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB1,500 million (the "2021 Bonds II") in Mainland China. The 2021 Bonds II have a maturity of 3 years and the coupon rate is 3.10% per annum. The 2021 Bonds II were listed on the Inter-bank Bond Market. The 2021 Bonds II will mature on 29 December 2024 at the principal amount. The fair value of the 2021 Bonds II at 31 December 2021 was estimated at approximately HK\$1,847 million, which was determined based on the closing market price of the 2021 Bonds II at that date and is within level 1 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 43 Loan from a joint venture

Loan from a joint venture is related to two sale and purchase agreements, which were entered by the Group on 11 March 2019, to dispose intra-group loans and loan to an associate with carrying amount of approximately HK\$2,781,600,000 and HK\$1,000,000,000 respectively to a joint venture company. The Group owns 50% issued share capital of the joint venture company and another shareholder entered into a Shareholder Facility Agreement with the joint venture company to provide a shareholder loan up to maximum limit of US\$800,000,000 to the joint venture company. The Group also entered into a Standby Letter of Credit Facility Agreement with the joint venture company, to provide the joint venture company up to a maximum limit of US\$800,000,000 to fund the joint venture company's purchase of financial assets, to pay any interest shortfall (but not any repayment of principal) under the Shareholder Facility Agreement, and to pay any joint venture company's operating expenses incurred by the joint venture company.

Loan from a joint venture is unsecured, carrying interest at 6.8% (2020: 6.8%) per annum and expected to be matured in 2024.

## 44 Share-based payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan (Phase II)") of CSCECL, an intermediate holding company of the Company, 10,485,000 incentive shares were granted to certain employees of the Company (including five directors and certain senior management) on 29 December 2016 (the "Grant Date (Phase II)") with an exercise price of RMB4.866 per share, subject to a lock-up period of two years' service from the Grant Date (Phase II) (the "Lock-Up Period (Phase II)"). During the Lock-Up Period (Phase II), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase II). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase II) determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date (Phase II), exercise price of RMB4.866 per share, share-based payments cap at 40% of the respective employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares on 3 May 2018, there was an increase in number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date (Phase II) remained RMB2.21 per share, the number of incentive shares granted on the Grant Date (Phase II) and the exercise price per share were adjusted to 14,679,000 shares and RMB3.476 per share respectively.

In 2018, except for 1,218,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

In 2019, 4,487,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). Exercised incentive shares have become publicly traded in stock market since 14 February 2020. In addition, except for 658,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 44 Share-based payments (continued)

In 2020, 4,088,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). In addition, except for 308,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

During the year, 3,920,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). No other incentive shares were lapsed or cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 18,870,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 26 December 2018 (the "Grant Date (Phase III)") with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the Grant Date (Phase III) (the "Lock-Up Period (Phase III)"). During the Lock-Up Period (Phase III), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase III) determined using a comparable generally accepted methodology was RMB2.112 per share. The significant inputs into the methodology include closing price of RMB5.58 per share on the Grant Date (Phase III), exercise price of RMB3.468 per share and share-based payments cap at 30% of respective two years' employees' remuneration.

In 2019, except for 630,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

In 2020, except for 1,080,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

During the year, 5,480,000 incentive shares were exercised in accordance with the Incentive Plan (Phase III). In addition, except for 720,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase IV) (the "Incentive Plan (Phase IV)") of CSCECL, 34,620,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 23 December 2020 (the "Grant Date (Phase IV)") with an exercise price of RMB3.060 per share, subject to a lock-up period of two years' service from the Grant Date (Phase IV) (the "Lock-Up Period (Phase IV)"). During the Lock-Up Period (Phase IV), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase IV). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 44 Share-based payments (continued)

The fair value of incentive shares on the Grant Date (Phase IV) determined using a comparable generally accepted methodology was RMB1.94 per share. The significant inputs into the methodology include closing price of RMB5 per share on the Grant Date (Phase IV), exercise price of RMB3.060 per share and share-based payments cap at 40% of respective two years' employees' remuneration.

In 2020, no other incentive shares were exercised, lapsed or cancelled.

During the year, except for 300,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

## 45 Cash flow information

### Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities					
	Guaranteed notes payables and corporate bonds	Lease liabilities	Loans from fellow subsidiaries	Loan from a joint venture	Borrowings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	6,216,049	68,006	2,340,000	2,711,864	39,388,586	50,724,505
Cash flows	2,802,479	(48,411)	664,452	—	3,961,441	7,379,961
Foreign exchange adjustments	—	39	46,448	131,738	1,847,917	2,026,142
Other non-cash movements	160,472	32,747	—	—	(1,692)	191,527
At 31 December 2020 and 1 January 2021	<b>9,179,000</b>	<b>52,381</b>	<b>3,050,900</b>	<b>2,843,602</b>	<b>45,196,252</b>	<b>60,322,135</b>
Cash flows	<b>3,026,634</b>	<b>(58,507)</b>	<b>(2,339,223)</b>	<b>—</b>	<b>11,050,223</b>	<b>11,679,127</b>
Foreign exchange adjustments	<b>—</b>	<b>1,296</b>	<b>28,029</b>	<b>112,063</b>	<b>1,690,713</b>	<b>1,832,101</b>
Other non-cash movements	<b>175,939</b>	<b>114,438</b>	<b>—</b>	<b>—</b>	<b>16,092</b>	<b>306,469</b>
At 31 December 2021	<b>12,381,573</b>	<b>109,608</b>	<b>739,706</b>	<b>2,955,665</b>	<b>57,953,280</b>	<b>74,139,832</b>

## 46 Contingent liabilities

As at 31 December 2021, the Group provided guarantees amounted to approximately HK\$290,702,000 (2020: HK\$34,668,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 47 Operating lease arrangements (continued)

### The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of approximately HK\$4,643,331,000 (2020: HK\$4,352,893,000) were let out under operating leases.

Property rental income earned, net of direct outgoings, during the year was approximately HK\$104,353,000 (2020: HK\$116,854,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to six years without termination options granted to tenants.

At 31 December 2021 and 2020, the Group had contracted with tenants for the following future minimum lease payments:

	2021 HK\$'000	2020 HK\$'000
Within one year	120,220	101,159
After one year but within two years	44,347	61,266
After two years but within three years	22,062	15,018
After three years but within four years	8,424	7,549
After four years but within five years	1,240	4,046
After five years	695	1,313
	<b>196,988</b>	190,351

## 48 Commitments

At 31 December 2021 and 2020, the Group has the following commitments contracted but not provided for in the consolidated financial statements.

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for		
— construction in progress for property, plant and equipment	<b>23,569</b>	163,256

For unpaid committed investments relating to the Group's interests in joint ventures, please refer to note 20 for details.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 49 Related party transactions

Apart from the balances due from or to related parties detailed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, a related company, associates and joint ventures during the year:

### Transactions

	2021 HK\$'000	2020 HK\$'000
Fellow subsidiaries		
Rental income	4,862	2,512
Rental expenses	1,570	1,542
Security service payment	17,169	11,044
Revenue from construction contracts	8,414,041	3,331,799
Project consultancy services income	85,344	71,536
Construction costs	14,067,655	12,156,603
Revenue from connection service	18,649	17,595
Insurance premium income	1,349	1,305
Interest income	6,573	6,249
Interest expenses	52,395	92,322
Associates		
Purchase of construction materials	326,339	178,800
Revenue from construction contracts	2,073,457	2,810,407
Interest income	125,614	96,977
Management fee income	35,837	43,882
Joint ventures		
Revenue from construction contracts	9,774,847	4,786,862
Rental income from lease of machinery	7,355	3,936
Sales of building materials	1,295	18,411
Insurance premium income	18,047	15,187
Management fee income	—	1,560
Interest income	51,662	26,377
Interest expenses	216,983	210,634
Immediate holding company		
Revenue from construction contracts	7,929	18,948
Insurance premium income	2,036	1,635
Intermediate holding company		
Revenue from construction contracts	849,363	2,324,629
Related company		
Revenue from construction contracts	953,733	—
Project consultancy services income	36,877	—

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 49 Related party transactions (continued)

### Significant transactions with other government-related entities in Mainland China

Certain of the Group's business are operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the PRC government. In addition, the Group itself is part of a larger group of companies under CSCEC which is controlled by the PRC government.

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, related company, associates and joint ventures of the Group, the Group has entered into transactions with other government-related entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

Certain of the Company's subsidiaries had entered into various transactions with government-related entities, including general banking facilities transactions with certain banks and financial institutions which are government-related entities, in their ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

### Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	88,644	91,149
Post-employment benefits	270	270
	<b>88,914</b>	91,419

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 50 Company Statement of Financial Position and Reserve Movement

	2021 HK\$'000	2020 HK\$'000
<b>Non-current Assets</b>		
Interests in subsidiaries	15,657,804	16,963,560
Loan to a subsidiary	170,000	230,000
	<b>15,827,804</b>	17,193,560
<b>Current Assets</b>		
Deposits, prepayments and other receivables	—	297
Amounts due from subsidiaries	10,462,020	10,452,167
Amount due from a joint venture	1,560	1,560
Tax recoverable	—	3,348
Bank balances and cash	141,302	793,954
	<b>10,604,882</b>	11,251,326
<b>Current Liabilities</b>		
Other payables	47,877	50,561
Borrowings	1,496,007	1,215,314
Tax payable	849	—
Loans from a fellow subsidiary	—	2,340,000
	<b>1,544,733</b>	3,605,875
<b>Net Current Assets</b>	<b>9,060,149</b>	7,645,451
<b>Total Assets less Current Liabilities</b>	<b>24,887,953</b>	24,839,011
<b>Capital and Reserves</b>		
Share capital	125,940	126,229
Share premium and reserves (Note)	20,857,298	21,156,696
	<b>20,983,238</b>	21,282,925
<b>Non-current Liabilities</b>		
Borrowings	1,444,512	1,190,828
Corporate bonds	2,460,203	2,365,258
	<b>3,904,715</b>	3,556,086
	<b>24,887,953</b>	24,839,011

On behalf of the Board

**Zhang Haipeng**  
Director

**Zhou Hancheng**  
Director

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 50 Company Statement of Financial Position and Reserve Movement (continued)

Note:

	Share Premium HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	20,540,459	41,790	337	259,550	20,842,136
Profit and total comprehensive income for the year	—	—	—	1,967,152	1,967,152
Capital contribution relating to share-based payment borne by an intermediate holding company	—	13,630	—	—	13,630
Exercise of incentive shares	—	(7,844)	—	7,844	—
2019 final dividend paid	—	—	—	(807,865)	(807,865)
2020 interim dividend paid	—	—	—	(858,357)	(858,357)
At 31 December 2020 and 1 January 2021	<b>20,540,459</b>	<b>47,576</b>	<b>337</b>	<b>568,324</b>	<b>21,156,696</b>
Profit and total comprehensive income for the year	—	—	—	<b>1,681,814</b>	<b>1,681,814</b>
Capital contribution relating to share-based payment borne by an intermediate holding company	—	<b>37,894</b>	—	—	<b>37,894</b>
Lapse of incentive shares	—	<b>(753)</b>	—	<b>753</b>	—
Exercise of incentive shares	—	<b>(7,747)</b>	—	<b>7,747</b>	—
2020 final dividend paid	—	—	—	<b>(957,147)</b>	<b>(957,147)</b>
2021 interim dividend paid	—	—	—	<b>(1,007,523)</b>	<b>(1,007,523)</b>
Repurchase and cancellation of shares	<b>(54,436)</b>	—	—	—	<b>(54,436)</b>
At 31 December 2021	<b>20,486,023</b>	<b>76,970</b>	<b>337</b>	<b>293,968</b>	<b>20,857,298</b>

## 51 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Directly held by the Company:</b>					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK\$300,000,000	<b>100</b>	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK\$150,000	<b>100</b>	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK\$655,569,190 and 844,430,810 non-voting deferred shares of HK\$844,430,810	<b>100</b>	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK\$100	<b>100</b>	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	<b>100</b>	100	Investment holding

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Directly held by the Company: (continued)</b>					
Zetson Enterprises Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US\$1	100	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
China State Construction International Investments Limited	Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
China State Construction Finance (Cayman) II Limited	Cayman Islands/ Hong Kong	1 ordinary share of US\$1	100	100	Issuance of guaranteed notes
China State Construction Finance (Cayman) III Limited	Cayman Islands/ Hong Kong	1 ordinary share of US\$1	100	100	Issuance of guaranteed notes
China State Construction Hailong Technology Group Limited	Cayman Islands/ Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
<b>Indirectly held by the Company:</b>					
China Overseas Building Construction Limited	Hong Kong	49,999,900 ordinary shares of HK\$499,999,900 and 100 non-voting deferred shares of HK\$1,000	100	100	Building construction project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK\$50,000,000	100	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK\$19,999,000 and 100 non-voting deferred shares of HK\$1,000	100	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK\$99,500,000 and 500,000 non-voting deferred shares of HK\$500,000	100	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK\$100,000,000	100	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Property investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Indirectly held by the Company: (continued)</b>					
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Mechanical and electrical engineering works and project management
Far East Façade (Hong Kong) Limited (formerly known as Far East Aluminium Works Company Limited)	Hong Kong	900,000 ordinary shares of \$90,000,000	74.06	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK\$100	100	100	Project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK\$2	74.06	74.06	Building construction
Transcendence Company Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Sales and distribution of construction materials
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US\$1 each	100	100	Investment holding
China Overseas Public Utility Investment Limited	BVI/Hong Kong	1 ordinary share of US\$1	74.06	74.06	Investment holding
China Overseas Ports Investment Company Limited	BVI/Hong Kong	US\$64,100,000	100	100	Investment holding
China Overseas Technology Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Citycharm Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
China State Hailong Construction Technology Company Limited	Hong Kong	1 ordinary share of US\$1	100	100	Manufacturing and sales of precast structures
Fuller Sky Enterprises Limited	BVI/Hong Kong	1 ordinary share of US\$1	74.06	74.06	Investment holding
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Oceanic Empire Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Value Idea Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	74.06	74.06	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	69.34	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China State Construction Development Holdings Limited (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK\$0.01 each	74.06	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	100	100	Building construction, civil and marine engineering works, project and construction management

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Indirectly held by the Company: (continued)</b>					
Far East Façade (UK) Limited	United Kingdom	1 ordinary share of GBP1	<b>74.06</b>	74.06	Installation of curtain walls, aluminium windows and other related products
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	<b>100</b>	100	Building construction, civil engineering works and investment holding
COHL (Macau) Commercial and Industrial Company Limited	Macau	MOP200,000	<b>100</b>	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	<b>100</b>	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	<b>100</b>	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	<b>74.06</b>	74.06	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	<b>100</b>	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US\$1	<b>69.34</b>	69.34	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US\$0.001 each	<b>69.34</b>	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI/Hong Kong	1 ordinary share of US\$1	<b>100</b>	100	Investment holding
On Success Development Limited	Hong Kong	10,000 shares of HK\$1 each	<b>100</b>	100	Property investment
Advocate Properties Limited	Hong Kong	10,000,000 share of HK\$1 each	<b>100</b>	100	Investment holding
中建投資(珠海)有限公司 (i)	Mainland China	HK\$10,770,000	<b>100</b>	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	Mainland China	RMB680,660,000	<b>74.06</b>	74.06	Generation and supply of heat and electricity and investment holding
中海建築有限公司 (i)	Mainland China	RMB350,000,000	<b>100</b>	100	Building construction, civil engineering works and investment holding

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Indirectly held by the Company: (continued)</b>					
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	<b>74.06</b>	74.06	Provision of project consultant services
中建海龍科技有限公司 (formerly known as 深圳海龍建築科技有限公司) (i)	Mainland China	RMB100,000,000	<b>100</b>	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	<b>100</b>	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	Mainland China	RMB100,000,000	<b>100</b>	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	Mainland China	RMB202,000,000	<b>100</b>	100	Infrastructure construction and operation
深圳市中建宏達投資有限公司 (ii)	Mainland China	RMB200,000,000	<b>100</b>	100	Investment holding
深圳市中海投資有限公司 (ii)	Mainland China	RMB500,000,000	<b>100</b>	100	Investment holding
中海創業投資(深圳)有限公司 (i)	Mainland China	US\$29,800,000	<b>100</b>	100	Investment holding
中建國際投資集團有限公司 (ii)	Mainland China	US\$2,768,000,000	<b>100</b>	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	Mainland China	US\$48,000,000	<b>100</b>	100	Infrastructure investment
重慶海建投資有限公司 (ii)	Mainland China	RMB10,000,000	<b>100</b>	100	Infrastructure investment
重慶海勝基礎設施開發有限公司 (ii)	Mainland China	RMB380,000,000	<b>100</b>	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	Mainland China	RMB460,000,000	<b>100</b>	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	<b>100</b>	100	Infrastructure investment
溫州海嘉建設有限公司 (ii)	Mainland China	RMB900,000,000	<b>100</b>	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	Mainland China	RMB200,000,000	<b>100</b>	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	Mainland China	RMB180,000,000	<b>100</b>	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	Mainland China	HK\$50,000,000	<b>100</b>	100	Provision of logistic services
深圳市中海港口物流有限公司 (ii)	Mainland China	RMB10,000,000	<b>100</b>	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB10,000,000	<b>74.06</b>	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
遠東幕牆(深圳)有限公司 (formerly known as 遠東幕牆製品(深圳)有限公司) (ii)	Mainland China	RMB20,000,000	<b>74.06</b>	74.06	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	<b>100</b>	100	Infrastructure investment
中建國際投資(湖州)有限公司 (ii)	Mainland China	RMB170,000,000	<b>100</b>	100	Infrastructure investment
中建國際投資(杭州)有限公司 (ii)	Mainland China	RMB240,000,000	<b>100</b>	100	Infrastructure investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021	2020	
			%	%	
<b>Indirectly held by the Company: (continued)</b>					
中建國際投資(山東)有限公司 (ii)	Mainland China	RMB140,000,000	100	100	Infrastructure investment
中建國際投資(淮安)有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
中建國際投資(句容)有限公司 (ii)	Mainland China	RMB200,000,000	90	90	Infrastructure investment
嘉興海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
資陽海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
濱州海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淮安海嘉建設有限公司 (ii)	Mainland China	RMB438,000,000	100	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
深圳裕龍建築有限公司 (ii)	Mainland China	RMB2,000,000	100	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Manufacture and sales of precast structures
中建國際投資(台州)有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
中建國際投資(安徽)有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
杭州海榮建設有限公司 (ii)	Mainland China	RMB160,000,000	90	90	Infrastructure investment
淄博海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
鄭州海河建設工程有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
鄭州海欣建設工程有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
淄博海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淄博海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淮安海悅建設有限公司 (ii)	Mainland China	RMB120,000,000	100	100	Infrastructure investment
嘉興海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
嘉興海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
杭州海悅建設有限公司 (ii)	Mainland China	RMB140,000,000	100	100	Infrastructure investment
中建國際投資(嘉興)有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
成都海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
中建國際投資(陝西)有限公司 (formerly known as 西安海嘉建設發展有限公司) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
長沙海嘉建設有限公司 (ii)	Mainland China	RMB692,200,000	90	90	Infrastructure investment
句容海嘉建設有限公司 (ii)	Mainland China	RMB20,000,000	90	90	Infrastructure investment
平和海嘉建設有限公司 (ii)	Mainland China	RMB150,000,000	80	80	Infrastructure investment
濟寧海嘉建設有限公司 (ii)	Mainland China	RMB355,000,000	100	100	Infrastructure investment
安康中建建設發展有限公司 (ii)	Mainland China	RMB150,000,000	90	90	Infrastructure investment
淄博海榮建設有限公司 (ii)	Mainland China	RMB200,000,000	99	99	Infrastructure investment
溫州海耀建設有限公司 (ii)	Mainland China	RMB350,000,000	100	100	Infrastructure investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Indirectly held by the Company: (continued)</b>					
句容海悅建設有限公司 (ii)	Mainland China	RMB150,000,000	90	90	Infrastructure investment
南昌海博建設有限公司 (ii)	Mainland China	RMB100,000,000	94	94	Infrastructure investment
南昌海悅建設有限公司 (ii)	Mainland China	RMB167,000,000	94	94	Infrastructure investment
龍山海嘉建設有限公司 (ii)	Mainland China	RMB98,251,100	79	79	Infrastructure investment
成都海旭建設有限公司 (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
臨沂海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
汝陽縣海耀建設工程有限公司 (ii)	Mainland China	RMB58,000,000	80	80	Infrastructure investment
杭州海騰建設有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
徐州海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	100	100	Infrastructure investment
濟寧海耀建設有限公司 (ii)	Mainland China	RMB238,600,000	99	99	Infrastructure investment
貴州海投建設有限公司 (ii)	Mainland China	RMB250,000,000	100	100	Infrastructure investment
濰博海新建設有限公司 (ii)	Mainland China	RMB150,000,000	100	100	Infrastructure investment
商丘海嘉建築工程有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
宿州海龍建築科技有限公司 (ii)	Mainland China	RMB10,000,000	100	100	Manufacturing and sales of precast structure
合肥海嘉建築有限公司 (formerly known as 商丘海河建築工程 有限公司) (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
武穴海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	90	90	Infrastructure investment
溫州海騰建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
六安中建國際投資發展有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
長葛海嘉建設工程有限公司 (ii)	Mainland China	Nil (2020: RMB100,000,000)	—	100	Infrastructure investment
中建國際投資(徐州)有限公司 (ii)	Mainland China	RMB361,500,000	90	90	Infrastructure investment
濟南海嘉建設有限公司 (ii)	Mainland China	RMB70,000,000	100	100	Infrastructure investment
湖州海榮建設有限公司 (ii)	Mainland China	RMB220,000,000	80	80	Infrastructure investment
杭州海旭建設有限公司 (ii)	Mainland China	RMB60,000,000	100	100	Infrastructure investment
中建國際工程有限公司 (ii)	Mainland China	RMB137,000,000	100	100	Building construction, civil engineering works and investment holding
安徽中建國際投資置業有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Property development
中建興業投資(湖南)有限公司 (ii)	Mainland China	RMB200,000,000	74.06	74.06	Infrastructure investment
湖南遠東力進建築工程有限公司 (ii)	Mainland China	RMB50,000,000	74.06	74.06	Construction and related engineering services
十堰海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
鄭西海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	75	75	Infrastructure investment
新沂海悅建設有限公司 (ii)	Mainland China	RMB140,000,000	90	90	Infrastructure investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
<b>Indirectly held by the Company: (continued)</b>					
新沂海耀建設有限公司 (ii)	Mainland China	RMB287,500,000	90	90	Infrastructure investment
湖州海旭建設有限公司 (ii)	Mainland China	RMB100,000,000	90	90	Infrastructure investment
杭州海勝建設有限公司 (ii)	Mainland China	RMB116,000,000	93	93	Infrastructure investment
邯鄲海嘉建設有限公司 (ii)	Mainland China	RMB283,950,900	95	95	Infrastructure investment
保山海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
綿陽海升建設有限公司 (ii)	Mainland China	RMB360,000,000	90	90	Infrastructure investment
泉州海嘉建設有限公司 (ii)	Mainland China	RMB30,000,000	80	80	Infrastructure investment
泉州海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
樂平海嘉建設有限公司 (ii)	Mainland China	RMB50,000,000	95	95	Infrastructure investment
十環海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
北京海悅置業有限公司 (ii)	Mainland China	RMB500,000,000	100	100	Infrastructure investment
濰州海嘉同創建設管理有限公司 (ii)	Mainland China	RMB160,000,000	69	69	Infrastructure investment
濟南海新建設有限公司 (ii)	Mainland China	RMB56,000,000	100	100	Infrastructure investment
煙臺海嘉建設有限公司 (ii)	Mainland China	Nil (2020: RMB100,000,000)	—	100	Infrastructure investment
安福海福建設有限公司 (ii)	Mainland China	RMB100,000,000	95	95	Infrastructure investment
台州海旭建設有限公司 (ii)	Mainland China	RMB157,120,000	90	90	Infrastructure investment
湖州海悅實業發展有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
武漢海榮建設有限公司 (ii)	Mainland China	RMB220,000,000	100	100	Infrastructure investment
鹽城海銳置業有限公司 (ii)	Mainland China	RMB20,000,000	100	100	Property development
溫州海恒建設發展有限公司 (ii)	Mainland China	RMB40,000,000	100	100	Infrastructure investment
台州海創建設有限公司 (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
湖州海嘉建設發展有限公司 (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
台州海恒建設有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment
莆田海恒建設有限公司 (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
濰博海創置業有限公司 (ii)	Mainland China	RMB18,000,000	100	100	Property development
鹽城海建置業有限公司 (ii)	Mainland China	RMB20,000,000	55	55	Property development
江蘇鹽城城投海銘建設發展有限公司 (ii) (iv)	Mainland China	RMB200,000,000	80	—	Infrastructure investment
溫州海銳建設發展有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment
溫州海澤建設發展有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment
西安海盛紡織城建設發展有限公司 (ii) (iv)	Mainland China	RMB22,222,200	90	—	Infrastructure investment
洛陽海誠建設發展有限公司 (ii) (iv)	Mainland China	RMB179,000,000	80	—	Infrastructure investment
淮南海嘉建設有限公司 (ii) (iv)	Mainland China	RMB200,000,000	100	—	Infrastructure investment
湖州海創建設有限公司 (ii) (iv)	Mainland China	RMB60,000,000	100	—	Infrastructure investment
溫州海榮建設發展有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

## 51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021	2020	
			%	%	
<b>Indirectly held by the Company: (continued)</b>					
溫州海揚建設發展有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment
中建澳門 (廣東橫琴) 發展有限公司 (ii) (iv)	Mainland China	RMB42,221,520	100	—	Investment holding
泰州海鑫建設發展有限公司 (ii) (iv)	Mainland China	RMB20,000,000	100	—	Infrastructure investment
濰坊海創產業發展有限公司 (ii) (iv)	Mainland China	RMB315,280,000	100	—	Property development
濰州海悅建設發展有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment
寧波海昱建設有限公司 (ii) (iv)	Mainland China	RMB30,000,000	100	—	Infrastructure investment

Notes:

- (i) Registered as foreign owned enterprise
- (ii) Limited liability company registered in Mainland China
- (iii) Listed company
- (iv) Incorporated in 2021

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year, except for China State Construction Finance (Cayman) II Limited and 中建國際投資集團有限公司, which have issued US\$800,000,000 (2020: US\$800,000,000) guaranteed notes payable and RMB3,000,000,000 (2020: RMB500,000,000) medium-term notes, respectively (Note 42).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

# Five Year Financial Summary

## Consolidated Results

	For the year ended 31 December				
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Revenue	50,152,524	55,626,304	61,669,678	62,458,009	<b>77,309,614</b>
Profit before finance costs	6,968,040	6,939,577	8,190,659	8,342,932	<b>10,901,326</b>
Share of profits of					
Joint ventures	731,380	705,024	452,654	701,944	<b>369,246</b>
Associates	160,300	342,621	920,143	1,879,577	<b>782,808</b>
Finance costs	(1,069,754)	(1,781,717)	(2,278,985)	(2,679,977)	<b>(2,668,202)</b>
Profit before tax	6,789,966	6,205,505	7,284,471	8,244,476	<b>9,385,178</b>
Income tax expense, net	(1,255,662)	(1,648,872)	(1,560,891)	(1,760,302)	<b>(1,949,294)</b>
Profit for the year	5,534,304	4,556,633	5,723,580	6,484,174	<b>7,435,884</b>
Profit for the year attributable to:					
Owners of the Company	5,490,091	4,500,148	5,413,208	6,015,368	<b>6,800,879</b>
Holders of perpetual capital securities	—	17,000	260,166	407,246	<b>465,132</b>
Non-controlling interests	44,213	39,485	50,206	61,560	<b>169,873</b>
	5,534,304	4,556,633	5,723,580	6,484,174	<b>7,435,884</b>

## Five Year Financial Summary (continued)

### Consolidated Net Assets

	For the year ended 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3,818,806	4,149,806	4,726,378	5,390,547	<b>5,698,336</b>
Investment properties	4,750,265	4,680,776	5,067,333	4,643,331	<b>5,126,232</b>
Interests in infrastructure project investments	3,294,041	3,680,414	4,747,131	5,713,846	<b>5,726,639</b>
Prepaid lease payments	391,306	367,032	—	—	—
Interests in joint ventures	9,956,111	11,709,355	14,012,737	16,453,237	<b>18,388,085</b>
Interests in associates	4,570,740	5,654,865	6,300,683	6,829,830	<b>9,347,225</b>
Concession operating rights	5,414,282	4,154,800	3,837,846	3,812,526	<b>3,784,772</b>
Deferred tax assets	222,580	198,830	157,833	177,691	<b>173,764</b>
Trademark, project backlogs and licences	334,686	308,535	289,117	278,416	<b>266,102</b>
Goodwill	577,664	577,664	577,664	577,664	<b>577,664</b>
Available-for-sale investments	411,234	—	—	—	—
Financial assets at fair value through other comprehensive income	—	505,416	658,355	689,958	<b>693,390</b>
Amounts due from investee companies	204,061	211,806	211,806	211,806	<b>211,806</b>
Trade and other receivables	29,094,860	38,047,727	44,317,072	53,729,653	<b>54,434,753</b>
Loans to joint ventures	—	1,612,397	1,020,307	295,761	<b>898,754</b>
	63,040,636	75,859,423	85,924,262	98,804,266	<b>105,327,522</b>
<b>CURRENT ASSETS</b>	55,477,637	60,262,668	75,499,641	88,007,041	<b>113,956,903</b>
<b>TOTAL ASSETS</b>	118,518,273	136,122,091	161,423,903	186,811,307	<b>219,284,425</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	(20,592,443)	(32,033,950)	(29,347,618)	(35,488,761)	<b>(47,848,335)</b>
Guaranteed notes payables and corporate bonds	(6,206,053)	(6,210,963)	(6,216,049)	(9,179,000)	<b>(8,095,418)</b>
Contract liabilities	—	(740,010)	(688,210)	(656,125)	<b>(667,106)</b>
Deferred income	(809,431)	—	—	—	—
Deferred tax liabilities	(446,655)	(427,087)	(403,675)	(399,898)	<b>(520,728)</b>
Loan from a joint venture	—	—	(2,711,864)	(2,843,602)	<b>(2,955,665)</b>
Lease liabilities	—	—	(43,152)	(24,882)	<b>(58,454)</b>
Obligations under finance leases	(2,499)	(1,842)	—	—	—
	(28,057,081)	(39,413,852)	(39,410,568)	(48,592,268)	<b>(60,145,706)</b>
<b>CURRENT LIABILITIES</b>	(51,998,281)	(53,629,989)	(71,105,770)	(79,939,492)	<b>(92,922,448)</b>
<b>TOTAL LIABILITIES</b>	(80,055,362)	(93,043,841)	(110,516,338)	(128,531,760)	<b>(153,068,154)</b>
<b>NET ASSETS</b>	38,462,911	43,078,250	50,907,565	58,279,547	<b>66,216,271</b>

## Particulars of Major Investment Properties

Address	Use	Lease term	Approximate gross floor area (sq.ft)	Group's interest %
(a) 11th, 12th and 13th Floors, China Construction Commercial Building, Rua do Campo No: 88-96 and Rua de Santa Clara No: 1-3A, Macau	Commercial	Freehold	15,672	100
(b) 1st, 2nd, 3rd, 13th, 14th, 22nd and 23rd Floors, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	60,692	100
(c) No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	1,057	100
(d) Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road South Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	1,134	100
(e) Shop A on Ground Floor and Car Parking Spaces Nos. 1 to 24 on 1st Floor, Fu Po Garden, Estrada Marginal do Hipodromo No: 70-76, Macau	Commercial	Medium-term lease	6,542	100
(f) Shops on Basement, Ground Floor and 1st Floor, Car Parking Spaces Nos. 1 to 6 on 1st Floor and Nos. 15 to 16 on 2nd Floor, Edificio Ou Va, Rua do Ribeira do Patane No: 109-115, Avenida Marginal do Patane No: 26-36, Macau	Commercial	Freehold	16,175	100
(g) Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, office floors Room A, B, E, F 4th Floor, Room B to D 5th Floor, 6th Floor, Room B to F 7th Floor, 8th Floor, Room B to F 9th Floor, Room A to E 10th Floor, Room C to F 11th Floor, Room A to B 12th Floor, Room C to E 15th Floor, Room C to F 16th Floor, Room A to E 18th Floor, 19th to 22nd Floors and Room B, E, F 24th Floor, 6 car parking spaces on basement floor and 61 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease	129,505	100
(h) Room 201-401. Building #1, 371 Ding Mao Qiao Road, Zhenjiang, Jiangsu Province, Mainland China	Commercial	Medium-term lease	389,380	100



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