



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 2020

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.





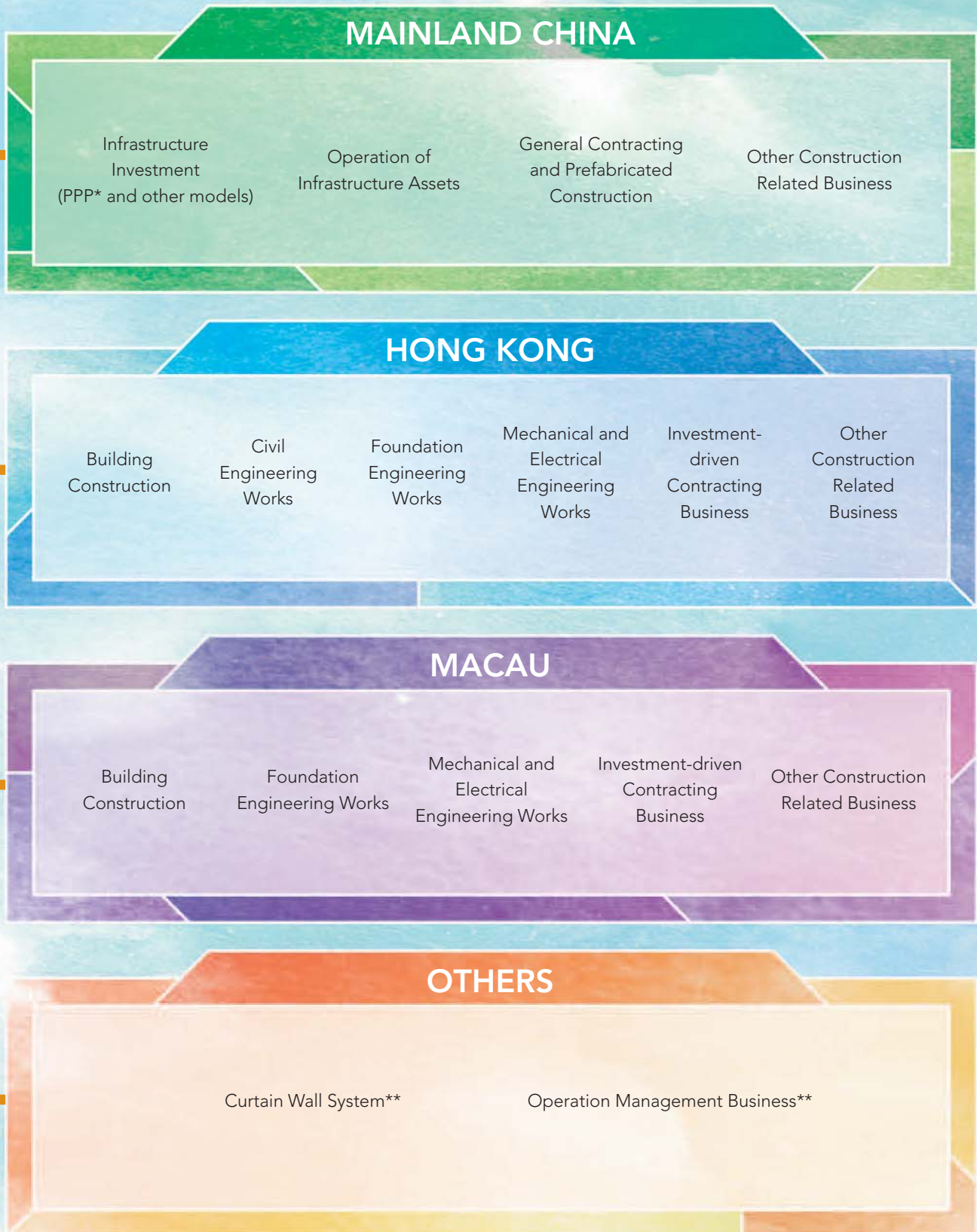
Contents

2	Corporate Structure
4	Board of Directors and Committees
5	Corporate Information
7	Financial Highlights
8	Major Events of the Year
14	Chairman's Statement
22	Management Discussion and Analysis
28	Business Review
44	Major Awards and Accolades
46	Corporate Citizenship <ul style="list-style-type: none">• Staff Development and Personal Growth• Environmental Policy• The Group and Community• Investor Relations
58	Directors and Organisation
66	Corporate Governance Report
77	Directors' Report
86	Connected Transactions
99	Audited Consolidated Financial Statements <ul style="list-style-type: none">• Independent Auditor's Report• Consolidated Income Statement• Consolidated Statement of Comprehensive Income• Consolidated Statement of Financial Position• Consolidated Statement of Changes in Equity• Consolidated Statement of Cash Flows• Notes to the Consolidated Financial Statements
202	Five Year Financial Summary
204	Particulars of Major Investment Properties

Corporate Structure



中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED



* "PPP" means "Public-Private-Partnership"

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

Board of Directors and Committees

BOARD OF DIRECTORS

Chairman and Non-executive Director

Yan Jianguo

Executive Directors

Zhang Haipeng *(Chief Executive Officer)*

Tian Shuchen

Zhou Hancheng

Hung Cheung Shew

Independent Non-executive Directors

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

COMMITTEES

Audit Committee

Lee Shing See *(Chairman)*

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Remuneration Committee

Adrian David Li Man Kiu *(Chairman)*

Raymond Leung Hai Ming

Lee Shing See

Nomination Committee

Lee Shing See *(Chairman)*

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Sustainability Committee

Zhou Hancheng *(Chairman)*

Zhang Haipeng

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

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

Corporate Communications Department

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

Public Relations

Corporate Communications Department

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

Legal Advisor

Mayer Brown

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

Corporate Information (continued)

Financial Calendar

Interim Results Announcement

21 August 2020

Closure of Register of Members — Interim Dividend

22 September 2020

2020 Interim Dividend Payable

6 October 2020

Final Results Announcement

24 March 2021

Closure of Register of Members — Annual General Meeting

4 June 2021 to 9 June 2021 (both days inclusive)

Annual General Meeting

9 June 2021

Closure of Register of Members — Final Dividend

21 June 2021

Payment of Proposed Final Dividend

6 July 2021

Financial Highlights

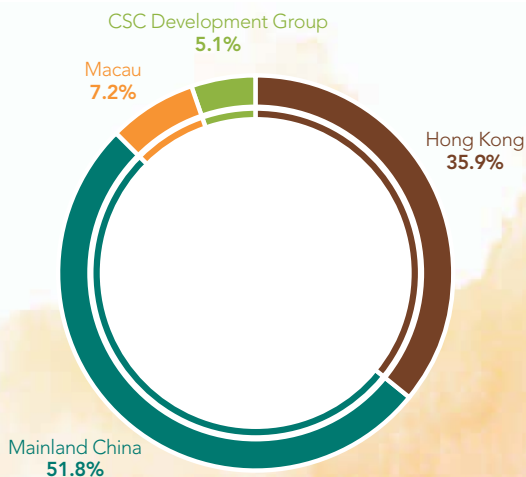
	For the year ended 31 December				
	2016	2017	2018	2019	2020
Results (HK\$'000)					
Revenue	46,207,508	50,152,524	55,626,304	61,669,678	62,458,009
EBITDA (Note a)	7,061,232	8,223,304	8,369,258	10,044,381	11,339,973
Profit attributable to owners of the Company	5,130,066	5,490,091	4,500,148	5,413,208	6,015,368
Financial Ratios					
Net margin (%)	11.1	11.0	8.1	8.8	9.6
Current ratio (times)	1.01	1.07	1.12	1.06	1.10
Financial Information Per share					
Earnings (HK cents) (Note b)	119.51	118.85	89.13	107.21	119.14
Dividend (HK cents)	33.00	35.00	27.00	32.00	36.00
Net assets (HK\$)	5.72	7.62	8.53	10.08	11.54
Other Information					
Value of incomplete contracts at 31 December (HK\$ billion)	153.89	188.01	236.56	227.07	252.37

Notes:

- (a) EBITDA represents Profit before Tax, Finance costs, Depreciation and Amortisation charged to the 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. The earnings per share for the corresponding year of 2016 have been retrospectively adjusted to reflect the bonus element of the rights issue.

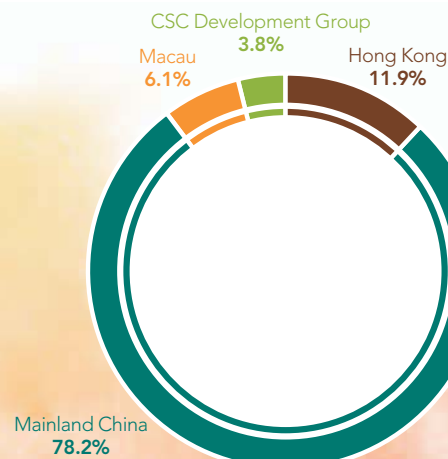
Breakdown of Segment Revenue

for the year ended 31 December 2020



Breakdown of Segment Results*

for the year ended 31 December 2020



* Excluding loss of Overseas Segment

Major Events of the Year

JANUARY

CSCI participated in the "Walk for Millions" in Hong Kong

On 5 January 2020, the "2019/2020 Hong Kong & Kowloon Walk" was successfully held. Leaders such as Yan Jianguo, the Chairman of CSCI, and Zhang Haipeng, Chief Executive Officer of CSCI, have taken part in the event with over 400 colleagues and their families.



MARCH

CSC Macau, which is under CSCI, completed the construction of accommodation for foreign employees at a high speed within 21 days

The accommodation for foreign employees of China Construction Engineering (Macau) Company Limited with a site area of 11,700 sq.m. was erected with a total of 17 buildings which can accommodate 1132 foreign employees. The project started from 18 February and ended on 10 March, with only 21 days used from design and construction to delivery for use! It contributed to the prevention and control of the pandemic in Macau SAR for CSC and set a new record for CSC construction speed in the construction and engineering sector in the Macau SAR.



CSCI was awarded 11 ISA International Safety Awards 2020

On 12 March, as 11 CSCI projects were awarded the ISA International Safety Awards 2020 announced on the website of the British Safety Council under the list of awards for the International Safety Awards 2020.



APRIL

CSC Macau, which is under CSCI, has practising qualification in Hengqin, Zhuhai

On 16 April, the SAIC in Hengqin New Area of Zhuhai officially issued the first business license for Hong Kong and Macau construction enterprises to enter the Mainland China. CSC Macau, which is under CSCI, has become the first construction enterprise that has obtained the qualification for operation in the Mainland through the filing system and secured the unified social credit code. It can carry out relevant business activities in Hengqin, including opening bank account, conducting material transaction, tax payment and so forth.



MAY

CSC Volunteer Branch carried out the volunteer activity of "CSC Care • Love Lunch Boxes Heart To Heart (中國建築顯關懷•愛心飯盒心連心)"

On 24 April and 8 May, the CSC volunteer branch carried out volunteer activity of "CSC Care • Love Lunch Boxes Heart To Heart (中國建築顯關懷•愛心飯盒心連心)" with more than 50 volunteers participating within CSCI and the accumulated service hours exceeding 130 hours. Hung Cheung Shew, the Chairman of CSC Volunteer Branch and an executive director and a vice president of CSCI, and Zhao Xiaoqi, a vice president of CSCI, have also participated in the event.



JUNE

The Upper Structure Project of Light-Rail Train Plant in Macau has won the International Safety Awards 2020 (Overall Country Winner-China)

The upper structure project of light-rail train plant of CSC Macau, which is under CSCI, won the International Safety Awards 2020 (Overall Country Winner-China) issued by the British Safety Council for its excellent performance in occupational safety and health, and became one of the 16 projects in the world with this award.



The volunteer activity of "China Overseas Celebration Day • Environmental Charity Walk (中海司慶日•環保公益行)" was successfully held

On 13 June, the CSC volunteer team and the CSC volunteer branch for "Caring for Society (關愛社會)" jointly carried out volunteer activity of "China Overseas Celebration Day • Environmental Charity Walk (中海司慶日•環保公益行)", and more than 100 CSCI employees and their family members shared the joy of the celebration through their participation in person in environmental activities that serve the society.



CSCHK was awarded the NEC International Contractor Award (NEC國際承建商大獎) for Year 2020

On 17 June, the Institution of Civil Engineers of the United Kingdom released the list of 2020 New Engineering Contract (NEC) Awards under which the work of APM and BHS Tunnels on Existing Airport Island (Contract No. 3801) undertaken by CSCHK won the NEC Contractor Award (NEC承建商大獎) for year 2020 by means of its high level of team spirit comprising mutual trust and support.



JULY

The shares of CSCI have been elected as the constituent stocks of the FTSE4Good Index Series for four consecutive years

On 10 July, CSCI was confirmed by FTSE Russell that its shares have been elected as the constituent stocks of the FTSE4Good Index Series for four consecutive years.



CSCI was granted the Gold Award for Volunteer Service (Organization) 2019 by the Social Welfare Department

CSCI was granted the “Gold Award for Volunteer Service (Organization)” through the “Volunteer Movement” spearheaded by the Social Welfare Department of the HKSAR Government. The award was endorsed under the signatures of the Chief Secretary for Administration and the Director of Social Welfare of the HKSAR Government in recognition of CSCI’s active participation in voluntary works in 2019.



CSCI successfully issued the panda corporate bonds at RMB2 billion

On 27 July, CSCI successfully issued the panda corporate bonds at RMB2 billion with a term of 3 years and a coupon rate of 3.48%. China Securities was the lead underwriter and CITIC Securities was the joint lead underwriter for the issuance, and CCXI and United Ratings* (聯合信用) have awarded AAA ratings to CSCI and the issuance respectively with the bonds listed on the Shanghai Stock Exchange. The issuance has attracted keen participation and subscription from a number of institutional investors such as large commercial banks and funds, with an over-subscription of 3.02 times.



AUGUST

Temporary Quarantine Centre Project at Penny's Bay, Hong Kong

In face of the challenge arising from the pandemic, CSCI undertook the temporary quarantine centre project at Penny's Bay, Hong Kong, demonstrating its responsibilities and commitments as a state-owned enterprise in Hong Kong. The owner of the project is the Architectural Services Department of Hong Kong, which adopts a modular integrated construction (MiC) to quickly build 700 units with 1,400 beds in 73 days. Finally, the project was successfully delivered 2 days in advance and put into operation on 18 July.



CSCI and 中建資本 entered into a strategic cooperation agreement

On 11 August, CSCI and 中建資本控股有限公司 entered into a strategic cooperation agreement. Zhang Haipeng, an executive director and the Chief Executive Officer of CSCI, and 孫震, the Chairman and General Manager of 中建資本, attended the signing ceremony.



The opening ceremony of the CSCI construction technology research institute was successfully held

On 27 August, the opening ceremony of the CSCI construction technology research institute was successfully held. Zhang Haipeng, an executive director and the Chief Executive Officer of CSCI, delivered a speech and unveiled the plaque for the construction technology research institute.



SEPTEMBER

CSC Macau, which is under CSCI, won the first tender for cross-border practice in Hengqin

CSC Macau, which is under CSCI, has won the tender for the integrated service platform project in relation to the new home community in Hengqin, Zhuhai, which is the first case for construction enterprises in Hong Kong or Macau to win the bid for the engineering projects in mainland China through public tender. So far, legal filing of 21 Hong Kong or Macau enterprises (4 in Hong Kong and 17 in Macau) has been completed in the new district in Hengqin, Zhuhai.



OCTOBER

CSCHK was granted several awards in the Construction Safety Week 2020

In October, the Development Bureau of the HKSAR government and Construction Industry Council jointly organized the "Construction Safety Week 2020". CSCHK was awarded 27 awards in total (6 Gold, 6 Silver, 3 Bronze and 12 Merit) for its excellent, organized and well-managed performance of site work.



NOVEMBER

The topping out of the Hong Kong Palace Museum

On 18 November, the topping out of the main structure of the Hong Kong Palace Museum, of which CSCI was the contractor, was held, with Carrie Lam, the Chief Executive of HKSAR, officiating at the ceremony.



DECEMBER

It was the fifth time for CSCI in consecutive years and the first time for CSCHK to be awarded the "Carboncare ESG Label" by CarbonCare Innolab

It was the fifth time for CSCI in consecutive years to be awarded the "Carboncare ESG Label" by CarbonCare Innolab and the third time in consecutive years to be awarded LEVEL 4, the highest level of label rating. CSCHK, which is under CSCI, was awarded the "Carboncare ESG Label" for the first time, and obtained the LEVEL 2 label rating. It is the only non-listed company awarded this year. Hung Cheung Shew, an executive director and a vice president of CSCI as well as the general manager of CSCHK, attended the award ceremony and received the award on behalf of the Company.



Chairman's Statement





In the year, the Group secured

126 new contracts

with attributable contract value of approximately

111.08

HK\$ billion



Mr. Yan Jianguo

*Chairman and
Non-executive
Director*

Chairman's Statement (continued)

Review of Operation

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

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

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

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

Mainland China Market

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

Hong Kong and Macau Markets

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

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

Curtain Wall Market

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

Corporate Governance

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

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

Chairman's Statement (continued)

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

Risk Management

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

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

Financial Management

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

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

Human Resources

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

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

Technological innovation

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

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

Social responsibility

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

Chairman's Statement (continued)

Business Prospects

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

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

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

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, 24 March 2021

Management Discussion and Analysis

Profit attributable to owners of
the Company was

**HK\$6,015
million,**

represents a year-on-year
increase of **11.1%**.

Overall performance

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

During the year, Hong Kong, Macau and Mainland China remained the core markets and the major contributors of the Group. 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. In Mainland China, the Group focused on infrastructure investment projects and construction related businesses, its scale has gradually expanded. China State Construction Development Holdings Limited and its subsidiaries (together, the "CSC Development Group") mainly focused on façade contracting business, general contracting business and operating management 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

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

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

Mainland China

Infrastructure Investment Projects and Construction Related Business

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

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

(1) Infrastructure Investment Projects

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

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

(2) Operation Infrastructure Projects

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

(3) Construction related business

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

Management Discussion and Analysis (continued)

China State Construction Development Holdings Limited

CSC Development Group focused on the façade 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.

Investment Income, Other Income and Other Gains, net

Investment Income, Other Income and Other Gains increased 53.8% to HK\$979 million, the increase was mainly contributed by the gain on disposal of a joint venture, whose main business is port operation.

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\$1,880 million, up about 1 time over last year, 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 infrastructure investment projects in the form of joint ventures. The share of profits of joint ventures amounting HK\$702 million as compared to HK\$453 million for the last year, the growth was mainly due to higher profit noted from more projects in harvest period.

Finance Costs

During the year, the finance costs charged to profit for the year increased by 17.6% to HK\$2,680 million (2019: HK\$2,279 million). The increase was mainly due to the increase of borrowings for investment purpose during the year.

Earnings Per Share

Basic earnings per share increased by 11.1% to HK119.14 cents for the year ended 31 December 2020. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$6,015 million and on the weighted average number of 5,049,157,000 ordinary shares in issue during the year.

CORPORATE FINANCE

Financial Position of the Group

(a) Shareholder's Equity

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK\$58,280 million as at 31 December 2020 (2019: HK\$50,908 million). The increase was mainly attributable to the profit for the year of HK\$6,015 million and the decrease of translation reserve (loss) due to the appreciation of RMB.

(b) Bank Balances and Cash

At 31 December 2020, the Group had bank balances and cash of HK\$22,455 million (2019: HK\$22,624 million), representing 12.0% of the total assets. The portfolio of the currencies of bank deposits is listed as follow:

	2020	2019
	%	%
Hong Kong Dollars	16	23
Renminbi	60	43
Macao Patacas	8	12
United State Dollars	15	21
Others	1	1

Management Discussion and Analysis (continued)

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.

(c) Borrowings

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. We 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 RMB2,500 million corporate bonds in Mainland China, raised an approximately HK\$2,802 million, net of expenses.

At 31 December 2020, the total borrowings of the Group (including the unsecured guaranteed notes denominated in US dollars issued by the Group November 2017 and the corporate bonds denominated in RMB issued during the year) were HK\$54,375 million, Hong Kong dollars, US dollars and Renminbi accounted for 11%, 11% and 77% of the total borrowings respectively. Bank borrowings were bearing interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate ("HIBOR") or People's Bank of China ("PBOC") reference rate (overall the condition is favorable) while the Notes bear fixed interest rate. Foreign exchange rate risk is naturally hedged by currency matching.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2020 and 2019:

	2020 HK\$' million	2019 HK\$' million
Bank and other borrowings		
On demand or within one year	9,707	10,041
More than one year but not exceeding two years	10,713	5,071
More than two years but not more than five years	18,331	13,554
More than five years	6,445	10,723
Total bank and other borrowings	45,196	39,389
Unsecured guaranteed notes payable and corporate bonds	9,179	6,216
Total borrowings	54,375	45,605

At 31 December 2020, the Group had net borrowings of HK\$31,920 million (2019: HK\$22,981 million) and the Group's net gearing ratio was 54.8% (2019: 45.1%). This ratio is calculated as net debt divided by total equity. 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. At 31 December 2020, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK\$65,599 million.

(d) Cash Flows Analysis

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

Management Policies for Financial Risks

1. Interest Rate Risk

The Group’s fair value and cash flow interest rate risk mainly related to variable rate borrowings. 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

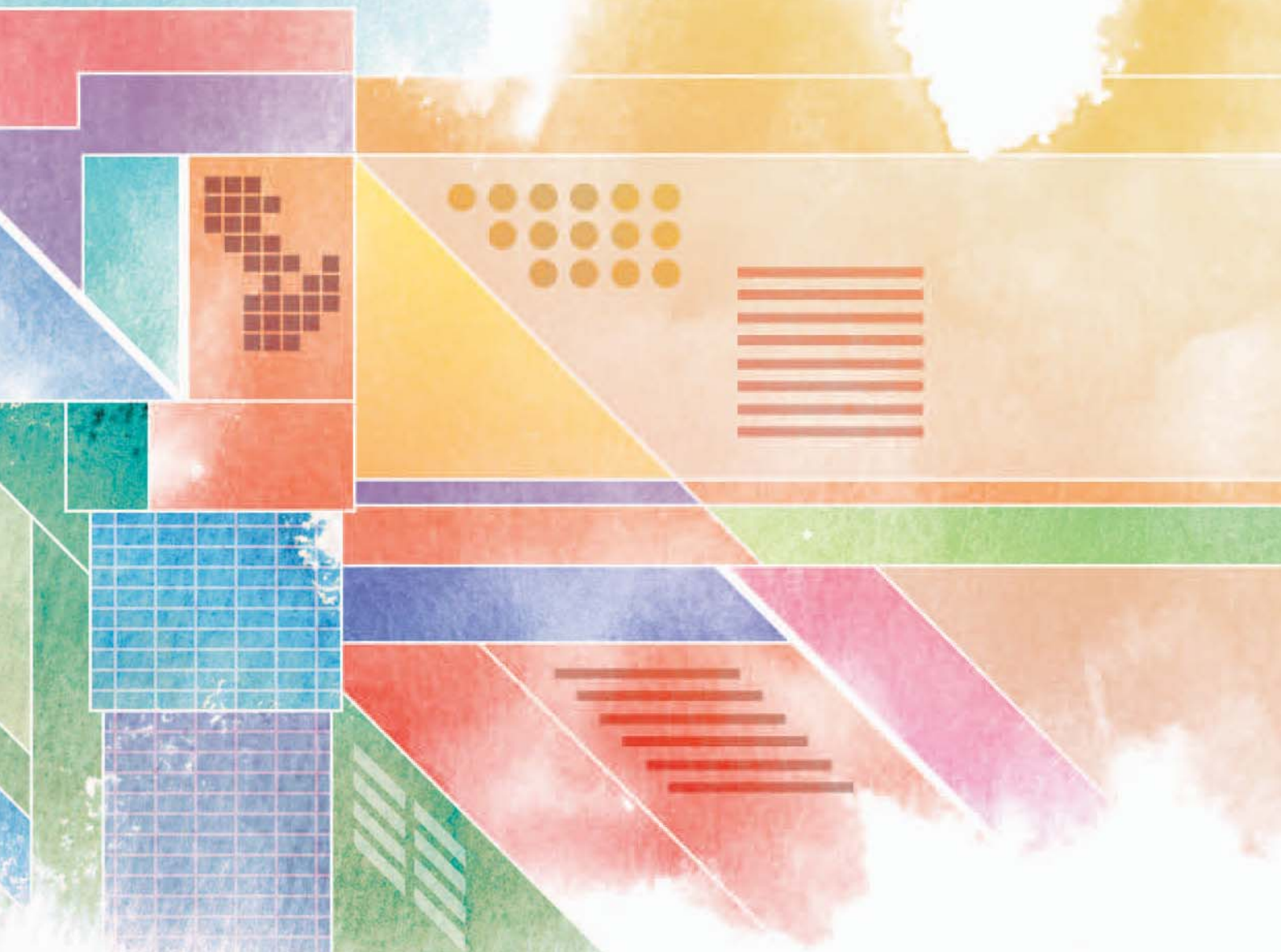
The Group undertakes certain transactions denominated in foreign currencies, primarily with respect to the Renminbi and United States dollar, hence exposures to foreign exchange risk. The Group manages this risk by closely reviewing the fluctuation of the exchange rate and adjusting the financing structure if needed.



Business Review

At the end of 2020, the Group has
**307 projects in
progress** an aggregated
attributable contract value of

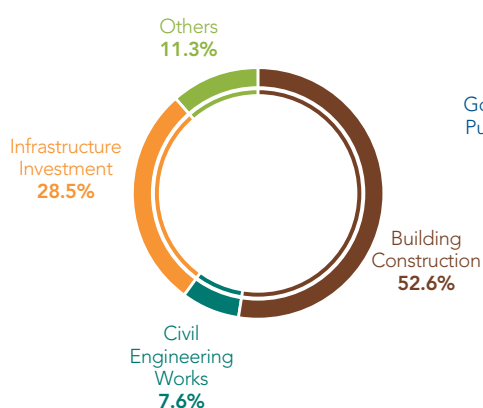
450.28
HK\$ billion



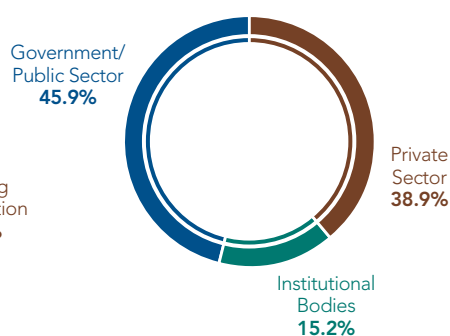
Major Completed Projects in 2020

No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
Building Construction				
1	Residential Development at Tai Po Town, Shan Tong Road, Lai Chi Shan			•
2	The Chinese University of Hong Kong Medical Centre		•	
3	Main Contract Works for the Proposed Residential and Kindergarten Development at Tuen Mun Town LOT No. 541 at So Kwun Wat Road, Tuen Mun, N.T.			•
4	Proposed Property Development at West Rail Long Ping Station (South), Yuen Long Town Lot No. 512			•
5	Proposed Residential Redevelopment at STTL601, Whitehead, Ma On Shan, N.T.			•
6	北安O1地段多功能政府大樓設計連建造工程	•		
7	澳門科學館鋁質幕牆板優化設計及全部更換總額承攬工程			•
8	澳門國際機場跑道與聯絡橋邊界圍網安裝工程	•		
Civil Engineering Works				
1	Widening of Fanling Highway — Tai Hang to Wo Hop Shek Interchange	•		
Infrastructure Investment				
1	Public Facilities and Relocation Housing PPP Project, Huaian, Jiangsu Province	•		
2	Underground Integrated Corridor and Other Infrastructure Investment Projects, Zibo, Shandong Province	•		
3	Xiaoshan Beigan Relocation Housing, Hangzhou, Zhejiang Province	•		
4	Affordable Housing BT Project in Huangyan District of Taizhou, Zhejiang Province	•		
5	Construction Industrialization Project, Reservoir Water Conservation District, Hefei, Anhui Province	•		
6	Infrastructure PPP Project, Jining, Shandong Province	•		
7	Infrastructure Project, Hechuan District, Chongqing	•		
8	山東省濟寧曲阜市尼山鎮人民政府魯源新村項目	•		
9	河南省洛陽市大安至牌路主干道改造工程PPP項目	•		

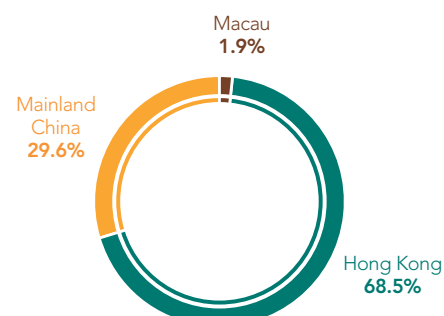
By Categories



By Customers



By Market

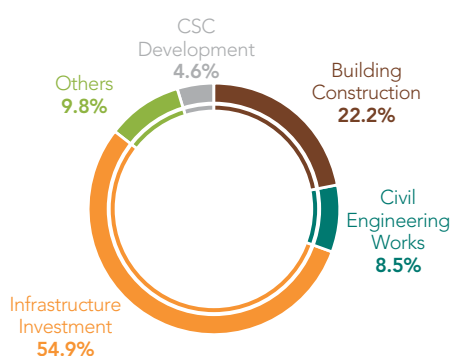


New Projects Awarded in 2021

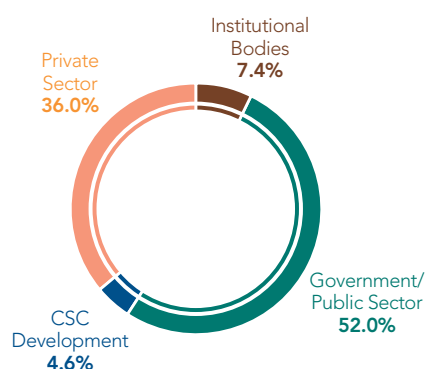
Summary for the year

- 126 new projects awarded
- Attributable contract value for new projects awarded was HK\$111.08 billion

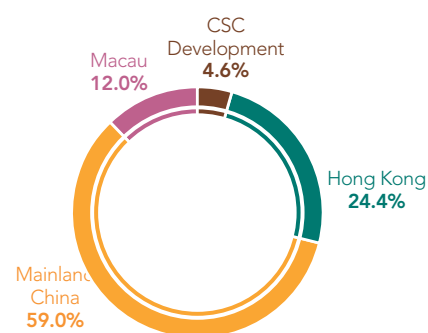
By Categories



By Customers



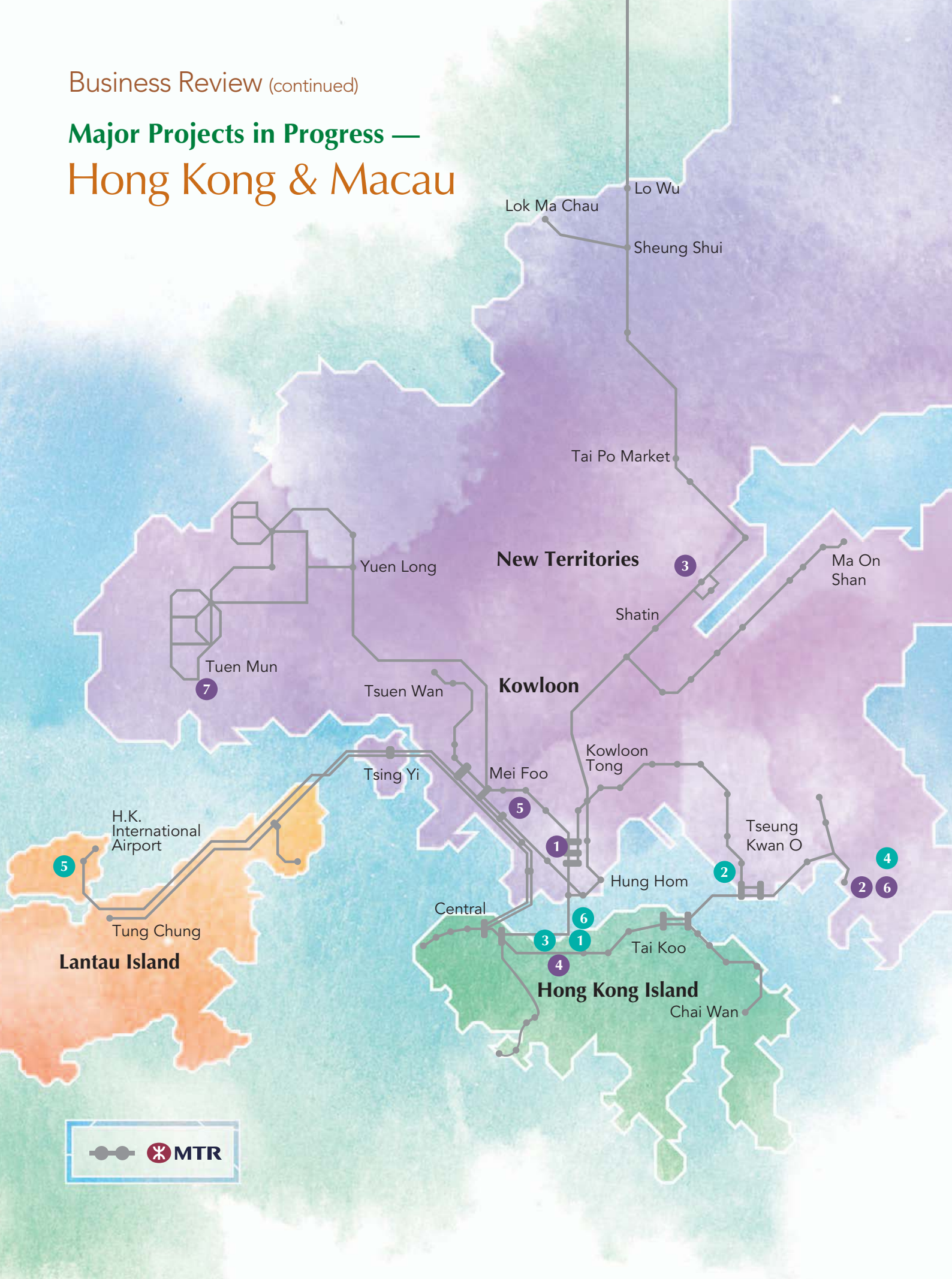
By Market



Projects in Progress in 2020

	31 December 2020		
	No.	Attributable contract value	Value of incompleted contract
		HK\$'Million	HK\$'Million
Mainland China	199	299,917	172,775
Hong Kong	81	88,235	53,001
Macau	27	43,657	17,707
China State Construction Development Holdings Limited	–	18,467	8,885
Total	307	450,276	252,368

Major Projects in Progress — Hong Kong & Macau



Major Projects in Progress — Hong Kong

No.	Project Name
Building Construction	
1	Contract for Redevelopment of Kwong Wah Hospital (Phase 1)
2	Lohas Park Package 7A & B Residential and Commercial Development Project, Tseung Kwan O
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)

Contract for Redevelopment of Kwong Wah Hospital (Phase 1)



Residential Development at Hing Wah Street, Cheung Sha Wan

Construction of Public Housing Development at Tuen Mun Area 54 Sites 3 & 4 (East)



Major Projects in Progress — Hong Kong (continued)

No. Project Name	
Civil Engineering Works	
1	Central — Wan Chai Bypass Tunnel (Slip Road 8 Section)
2	Tseung Kwan O — Lam Tin Tunnel and Related Projects
3	Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link
4	Design, Build and Operate First Stage of Tseung Kwan O Desalination Plant
5	APM and BHS Tunnels on Existing Airport Island
6	Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link

Tseung Kwan O
— Lam Tin Tunnel



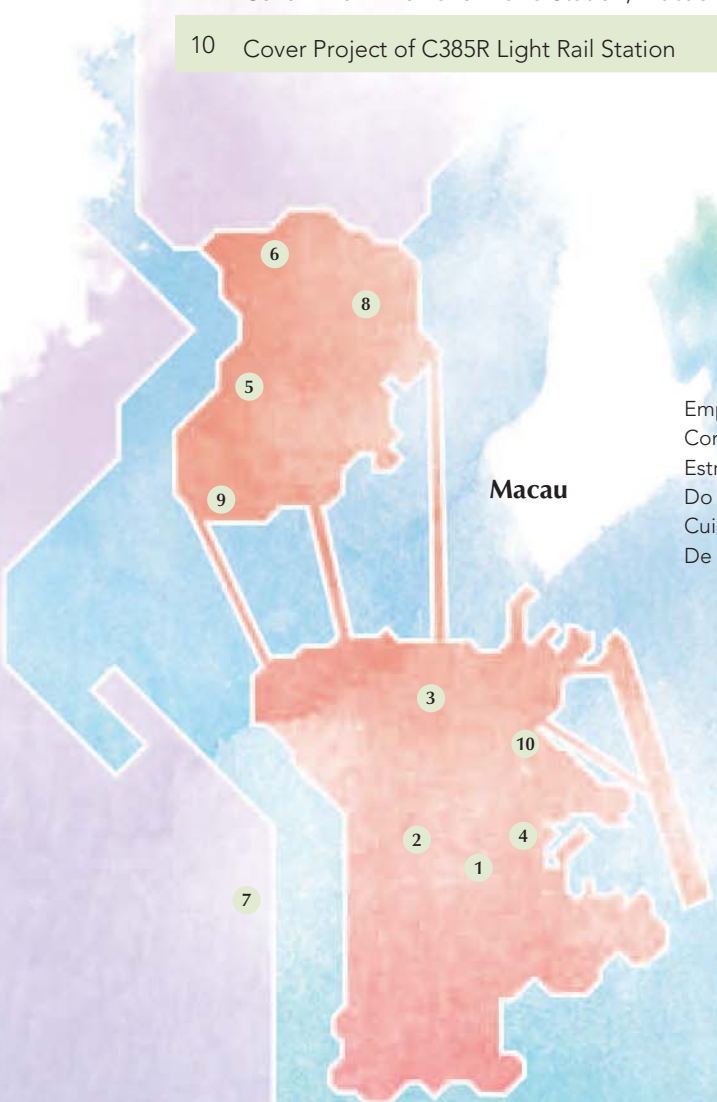
First Stage of Tseung Kwan O
Desalination Plant



Construction Project of
Cross Harbor Tunnel
Railway (North South
Corridor) of Shatin to
Central Link

Major Projects in Progress — Macau

No.	Project Name
1	Empreitada De Construç ã O Das Estruturas Principais Do Complexo De Cuidados De Saú De Das Ilhas
2	Studio City Phase 2 — Main Contract Works
3	The Construction of the Residential and Commercial Development Project of Nova City Phase 5
4	Theme Park Resort Hotel Complex Development Project
5	The Residential Development Project at C Section, John Street, Fai Chi Kei
6	Section 1 & 2 of Public Housing in Ilha Verde
7	Plot A03 Development Project, Service Zone of Hengqin Port, Zhuhai, Guangdong Province
8	Requalificação do Centro Desportivo de Mong Há, Habitação Social em Mong Há-2ªFase
9	C340B-Main Works for Barra Station, Macao LRT
10	Cover Project of C385R Light Rail Station

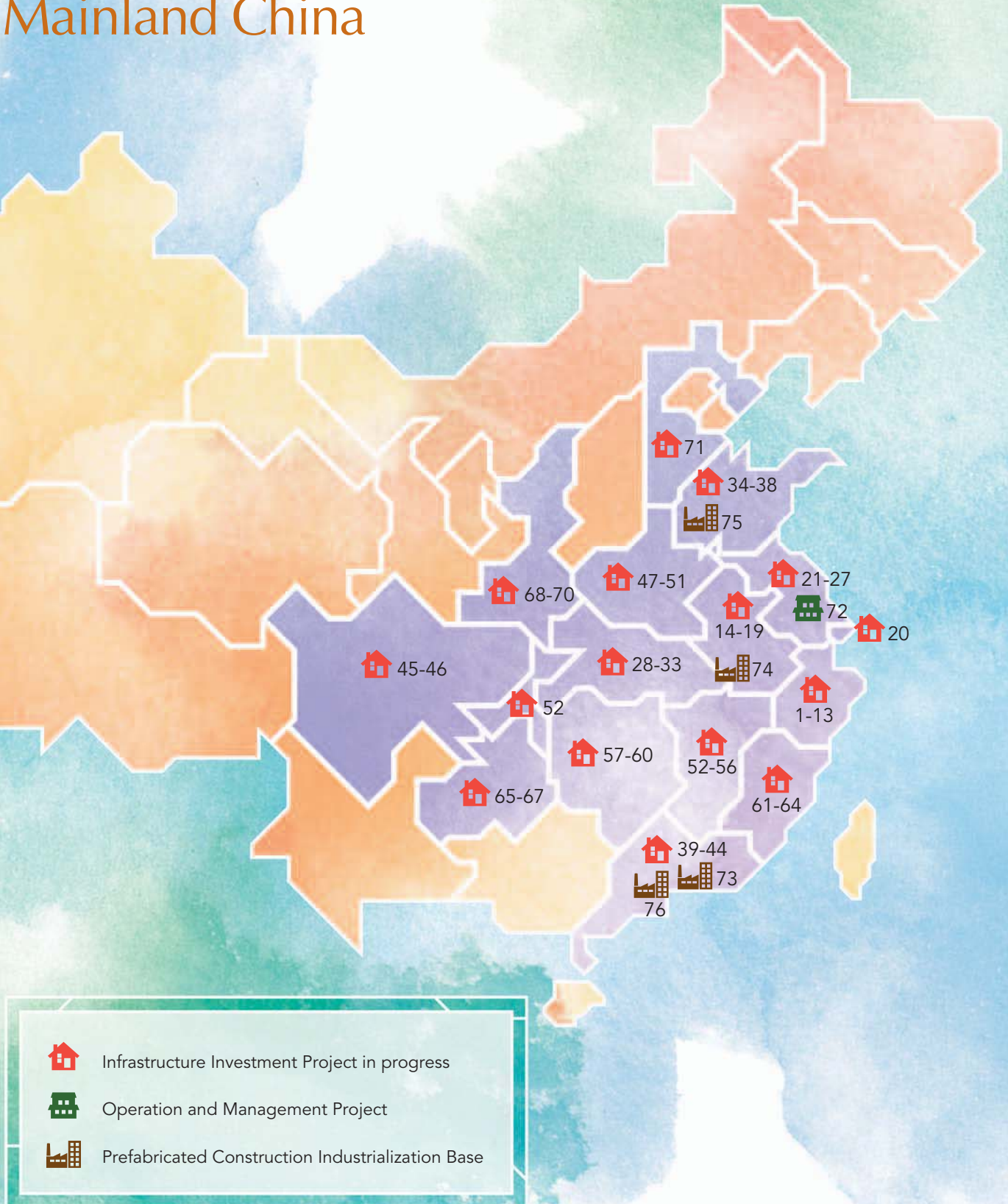


Empreitada De Construç ã O Das Estruturas Principais Do Complexo De Cuidados De Saú De Das Ilhas



The Construction of the Residential and Commercial Development Project of Nova City Phase 5

Major Projects in Progress — Mainland China



Major Projects in Progress — Mainland China

No.	Project Name
Major Infrastructure Investment Projects in Progress	
1	Wuxing District People's Hospital and Infrastructure PPP Project, Huzhou, Zhejiang Province
2	Infrastructure of High-speed Railway New Town PPP Project, Huzhou, Zhejiang Province
3	Public Housing, Industrial Plant and Infrastructure PPP Project, Huzhou, Zhejiang Province (Phase I)
4	High-speed Railway New Town Project, Huzhou, Zhejiang Province
5	Government Targeted Repurchase Project (Plot E-25b), Lucheng District, Wenzhou, Zhejiang Province
6	Government Targeted Repurchase Project (Plot E-28a), Lucheng District, Wenzhou, Zhejiang Province
7	BT Contract of Affordable Housing Construction, Lucheng District, Wenzhou, Zhejiang Province (Phase I, II, III)
8	Relocation Housing BT Project, Pingyang, Wenzhou, Zhejiang Province
9	Affordable Housing and Infrastructure Project, Jiaxing, Zhejiang Province
10	Relocation Housing BT Project, Pinghu, Jiaxing, Zhejiang Province (Phase I, II)
11	Investment Project of Comprehensive Construction in (Qianjin Village) Xucun Town, Haining, Jiaxing, Zhejiang Province
12	Hushan Sports Park PPP Project, Jiangshan, Quzhou, Zhejiang Province



Hushan Sports Park PPP Project, Jiangshan, Quzhou, Zhejiang Province



Government Targeted Repurchase Project (Plot E-28a), Lucheng District, Wenzhou, Zhejiang Province

Business Review (continued)

Major Projects in Progress — Mainland China (continued)

No. Project Name

Major Infrastructure Investment Projects in Progress

- 13 Government's Targeted Repurchase Project, No. 9 Feilonguhu, Luqiao District, Taizhou, Zhejiang Province
- 14 Relocation Housing Project, Hefei, Anhui Province
- 15 Shanty Town Relocation Housing Project, Hefei, Anhui Province
- 16 Commercial Land of CSC Industry Base, Hefei, Anhui Province
- 17 Shanty Town Relocation Project, Xuancheng, Anhui Province
- 18 Highway Project, Bengbu, Anhui Province
- 19 Innovation City PPP Project Chuzhou, Anhui Province (Phase I)
- 20 Xinyefang Industrial Park Investment Project, Hongkou, Shanghai
- 21 Government's Targeted Repurchase Project of Relocation Housing, Yancheng, Jiangsu Province
- 22 Government's Targeted Repurchase Project of Relocation Housing (Plot No. 200801), Yancheng, Jiangsu Province
- 23 Investment Project of Comprehensive Construction, Xianfengdao, Yancheng, Jiangsu Province
- 24 Government's Targeted Repurchase Project of Changba (Phase III), Tinghu District, Yancheng, Jiangsu Province

Commercial Land of
CSC Industry Base,
Hefei, Anhui Province



Investment Project of
Comprehensive Construction,
Xianfengdao, Yancheng,
Jiangsu Province

Major Projects in Progress — Mainland China (continued)

No.	Project Name
Major Infrastructure Investment Projects in Progress	
25	Integrated Underground Tunnels PPP Project, Xuzhou, Jiangsu Province
26	Core Area of Biomedical Science and Technology Service Platform Project, Xuzhou, Jiangsu Province
27	Head Office Building and Labour Apartment of High Technology Industrial Park EPC Project, Nanjing, Jiangsu Province
28	Relocation Housing Project, Wahan, Hubei Province
29	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province
30	Industrial Park for Poverty Alleviation PPP Project, Shiyan, Hubei Province
31	Industrial Park and Infrastructure PPP Project, Shiyan, Hubei Province
32	Science and Technology Park PPP Project, High-tech District, Xiangyang, Hubei Province (Phase 1)
33	Municipal Infrastructure Project, Huanggang, Hubei Province
34	The Infrastructure of Transportation, Hengtai Country, Zibo, Shandong Province
35	Government's Targeted Repurchase Project of Commodity Housing Sales + Relocation Housing Purchase, Zichuan District, Zibo, Shandong Province
36	Affordable Housing Project in Chengyang District, Qingdao, Shandong Province

The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province



Science and Technology Park PPP Project, High-tech District, Xiangyang, Hubei Province (Phase 1)

Major Projects in Progress — Mainland China (continued)

No. Project Name

Major Infrastructure Investment Projects in Progress

- 37 Investment and Construction Project of Shanty Town Redevelopment, Jining, Shandong Province
- 38 Integrated Development Project Of Cultural Tourism Town, Nishan, Qufu, Shandong Province (Phase I)
- 39 Urban Comprehensive Development PPP Project, Foshan, Guangdong Province
- 40 International Convention and Exhibition Center (Tanzhou) Project, Foshan, Guangdong Province (Phase 2)
- 41 Xijiao Industrial Park Renovation Project, Ronggui, Foshan, Guangdong Province
- 42 Guotong Square Industrial Park Investment Project, Foshan, Guangdong Province
- 43 Industrial Park Infrastructure PPP Project, Jiangmen, Guangdong Province
- 44 Industrial Reconstruction Project (Phase II), Xingchaqijiao, Jun'an, Shunde, Guangdong Province
- 45 The Hongyong Garden Relocation Housing Project, Chengdu, Sichuan Province
- 46 North First Line and Underground Integrated Corridor EPC General Contracting Project, Chengdu, Sichuan Province
- 47 "F + General Contracting" Project of Yellow River Cultural Tourism Facilities, Luoyang, Henan Province
- 48 "F + General Contracting" Project for Phase I of Yishui Hotel, Luoyang, Henan Province



Guotong Square Industrial Park Investment Project, Foshan, Guangdong Province

North First Line and Underground Integrated Corridor EPC General Contracting Project, Chengdu, Sichuan Province

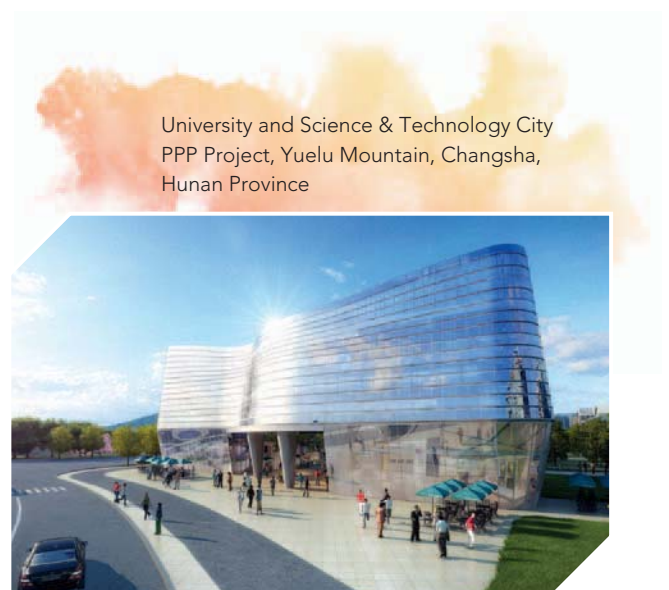


Major Projects in Progress — Mainland China (continued)

No.	Project Name
Major Infrastructure Investment Projects in Progress	
49	Government's Targeted Repurchase Project of Relocation Housing, Grand Canal, Jianhe District, Luoyang, Henan Province
50	Shanty Town Redevelopment Project, Liangyuan District, Shangqiu, Henan Province
51	Shanty Town Redevelopment Project, Pingdingshan, Henan Province
52	Infrastructure PPP Project, Wangcheng New District, Nanchang, Jiangxi Province
53	Xingfuhe Community PPP Project, Nanchang, Jiangxi Province
54	Rongjiang Community Shanty Town Relocation EPC Project, Ganzhou, Jiangxi Province
55	Commercial BT Shanty Town Redevelopment Project, Ganzhou, Jiangxi Province
56	Infrastructure PPP Project, Ji'an, Jiangxi Province
57	Infrastructure PPP Project, Bonded Area, Changsha, Hunan Province
58	University and Science & Technology City PPP Project, Yuelu Mountain, Changsha, Hunan Province
59	Industrial New Town PPP Project, West Station of High Speed Rail (Phase I), Changsha, Hunan Province
60	F + EPC Project for Farmers Relocation Housing, Yuanbojiayuen, Yuhua District, Changsha, Hunan Province



Xingfuhe Community PPP Project, Nanchang, Jiangxi Province



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

Major Projects in Progress — Mainland China (continued)

No. Project Name

Major Infrastructure Investment Projects in Progress

- 61 Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province
- 62 Shanty Town Redevelopment Government Procurement Services Project, Baisha, Quanzhou, Fujian Province
- 63 Railway Station E-Commerce Park Project, Putian, Fujian Province (Phase I)
- 64 Commercial BT Shanty Town Redevelopment Project, Longdejing and Goutoupian District, Putian, Fujian Province
- 65 Zheng'an-Xishui Expressway PPP Project, Zunyi, Guizhou Province
- 66 Highway PPP Project from Yinjiang, Guizhou Province to Xiushan, Chongqing
- 67 Leishan-Rongjiang Expressway PPP Project, Qiandongnan, Guizhou Province
- 68 Urban Revitalization Commercial BT Project, Zaoyuansucun, Baqiao District, Xi'an, Shaanxi Province
- 69 Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province
- 70 Municipal Infrastructure PPP Project, Ankang, Shaanxi Province
- 71 Road Network PPP Project, Handan, Hebei Province

Highway PPP Project from Yinjiang, Guizhou Province to Xiushan, Chongqing



Leishan-Rongjiang Expressway PPP Project, Qiandongnan, Guizhou Province

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

No. Project Name

Infrastructure Management Project

72 Nanjing No. 2 Yangtze River Bridge

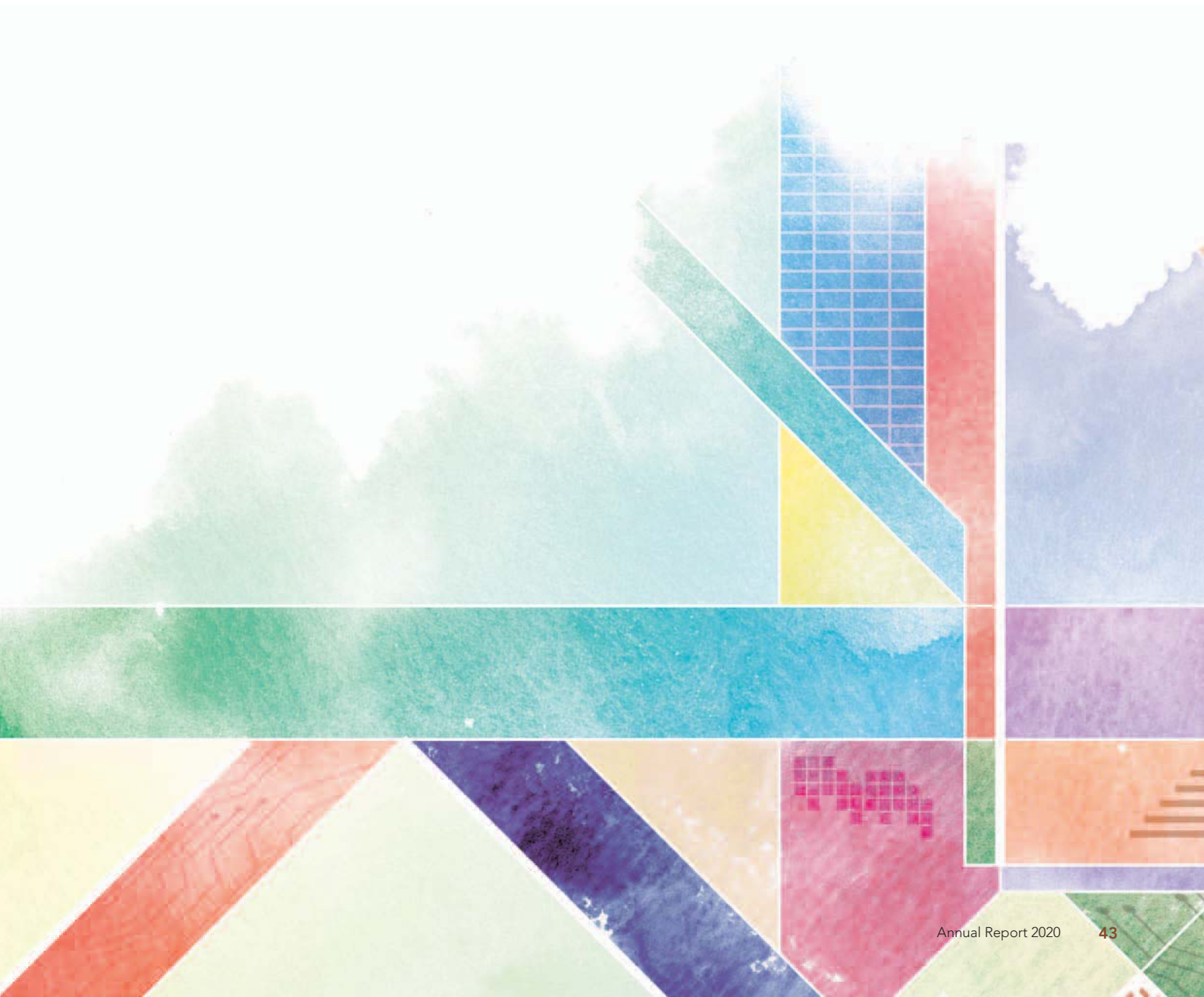
Prefabricated Construction Industrialization Base

73 Shenzhen Hailong Construction Products Plant

74 Anhui Hailong Construction Products Plant

75 Shandong Hailong Construction Products Plant

76 Zhuhai Hailong Construction Products Plant



Major Awards and Accolades



Comprehensive Strength, Corporate Governance, Branding Category

Award	Unit	Organisation
CarbonCare ESG Label	China State Construction International Holdings Limited China State Construction Engineering (Hong Kong) Ltd.	CarbonCare Asia
Asia's Most Outstanding Contractors Of The Year	China State Construction Engineering (Hong Kong) Ltd.	CORPHUB
NEC contractor of the year	China State Construction Engineering (Hong Kong) Ltd.	Institution of Civil Engineers
Outstanding Infrastructure Project	China State Construction Engineering (Hong Kong) Ltd.	Build4Asia and PRC
CIC BIM Achievement	China State Construction Engineering (Hong Kong) Ltd.	Construction Industry Council
Partner Employer Award	China State Construction Engineering (Hong Kong) Ltd.	The Hong Kong General Chamber of Small and Medium Business
Best HR Awards — Platinum	China State Construction Engineering (Hong Kong) Ltd.	CT goodjobs
An ERB Credit — Manpower Developer	China State Construction Engineering (Hong Kong) Ltd.	Employees Retraining Board

CSR Category

Award	Unit	Organisation
Gold Award for Volunteer Service (Organization)	China State Construction International Holdings Limited	The Social Welfare Department
"Most Supportive Organisation" and "Merit Awards for Participation" at the Construction Industry Volunteer Award Presentation Ceremony	China State Construction International Holdings Limited	Construction Industry Council
"Caring Company 5+" Label	China State Construction Development Holdings Limited	The Hong Kong Council of Social Service

Quality and Technology Category

Award	Unit	Organisation
Beam Plus Final Platinum Rating	Design and Construction of Centre of Excellence Paediatrics at Kai Tak Development	Hong Kong Green Building Council
Brunel Medal — Highly Commended 2020	MiC Quarantine Camp at Lei Yue Mun, Hong Kong	Institution of Civil Engineers
Gold Award of China's Construction Engineering Steel Structure	International Convention and Exhibition Center (Tanzhou) Project, Foshan, Guangdong Province (Phase 2) Huanghua Comprehensive Bonded Zone Import and Export Commodity Exhibition and Trading Center, Chengsha, Hunan Province	住建部、中國建築金屬結構協會
BIM Projects	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction Civil Department/Contract 3801 (APM and BHS Tunnels on Existing Airport Island) Design, Build and Operate First Stage of Tseung Kwan O	Construction Industry Council
珠海市首屆BIM技術應用競賽設計類一等獎	澳門信德橫琴地盤	珠海市總工會
澳門特區優質土木工程與結構獎 — 城市公共交通工程	Cover Project of C385R Light Rail Station	Macau Construction Industry Association
澳門特區優質土木工程與結構獎 — 住宅建築工程	The Construction of the Residential and Commercial Development Project of Nova City Phase 5 The Residential Development Project at C Section, John Street, Fai Chi Kei	Macau Construction Industry Association
澳門特區優質土木工程與結構獎 — 公共建築工程	北安O1地段多功能政府大樓設計連建造工程 Section 1 & 2 of Public Housing in Ilha Verde	Macau Construction Industry Association
澳門特區優質土木工程與結構獎 — 鋼結構建築工程	Theme Park Resort Hotel Complex Development Project	Macau Construction Industry Association
Australian Institute of Building NSW & Hong Kong Professional Excellence in Building Awards — High Commendation in Infrastructure	Expansion of Tai Po Water Treatment Works	The Australia Institute of Building

Major Awards and Accolades (continued)



Environmental Protection Category

Award	Unit	Organisation
CIC Sustainable Construction Award — Gold Award of Project Owner (Public Sector)	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	Construction Industry Council
Hong Kong Awards for Environmental Excellence	APM and BHS Tunnels on Existing Airport Island	Jointly organized by 9 organizations including the Environmental Campaign Committee, Environmental Protection Department, Environment and Nature Conservation Fund
Projects Division Quality, Safety, Environmental and Stakeholder Engagement Awards — Gold Environmental Award	Shatin to Central Link Project	MTR
Build4Asia Awards — Safe Contractor of the Year	APM and BHS Tunnels on Existing Airport Island	Build4Asia and PRC
The International Safety Awards	Comprehensive Development at Nos. 1–11 Au Pui Wan Street, Sha Tin Town Lot No. 576, Fo Tan, N.T Lohas Park Package 10, Site I of TKO TL 70RP, Proposed Residential Development	British Safety Council
The British Safety Council's International Safety Awards Scheme — Overall Country Winner – China	Macau LRT C385R (LRT Depot)	British Safety Council
Innovative Safety Initiative Award — Safety Management System, Training and Promotion (Gold)	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction (4D CAVE Integrated Safety Design, Planning, Management and Safety Training System)	Development Bureau, Construction Industry Council and Hong Kong Construction Association
Lifting Safety Promotional Campaign — Lifting Safety Management System (Gold)	China State Construction Engineering (Hong Kong) Ltd.	Development Bureau, Construction Industry Council and Hong Kong Construction Association
Lifting Safety Promotional Campaign — Innovative Enhancement for Lifting Safety (Gold)	Central Kowloon Route — Kai Tak East	Development Bureau, Construction Industry Council and Hong Kong Construction Association
Construction Industry Safety Award Scheme — Gold Prize — Building Site (Private Sector)	Hong Kong Palace Museum	Jointly organized by 16 organizations including the Labour Department, Occupational Safety and Health Bureau, and Development Bureau
Construction Industry Safety Award Scheme — Gold Prize — Civil Engineering Site Category	Hiram's Highway Improvement Stage 1 — between Clear Water Bay Road and Marina Cove	Jointly organized by 16 organizations including the Labour Department, Occupational Safety and Health Bureau, and Development Bureau
26th Considerate Contractors Site Award Scheme — Considerate Contractors Site Award (Gold) — (Non-Public Works — New Works — Group A)	Proposed Residential Development at Site I of TKOTL 70RP, LOHAS Park Package 10	Development Bureau, Construction Industry Council
26th Considerate Contractors Site Award Scheme — Considerate Contractors Site Award (Gold) — (Public Works — New Works)	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	Development Bureau, Construction Industry Council
26th Considerate Contractors Site Award Scheme — Outstanding Environmental Management & Performance Award (Gold)	Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	Development Bureau, Construction Industry Council
The Construction Sites Safety and Housekeeping Award Scheme — Grand Award	DC/2018/05 — Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction	Drainage Services Department
Site Safety Award	North Commercial District Enabling Works	Airport Authority Hong Kong

Corporate Citizenship

For a successful construction project,

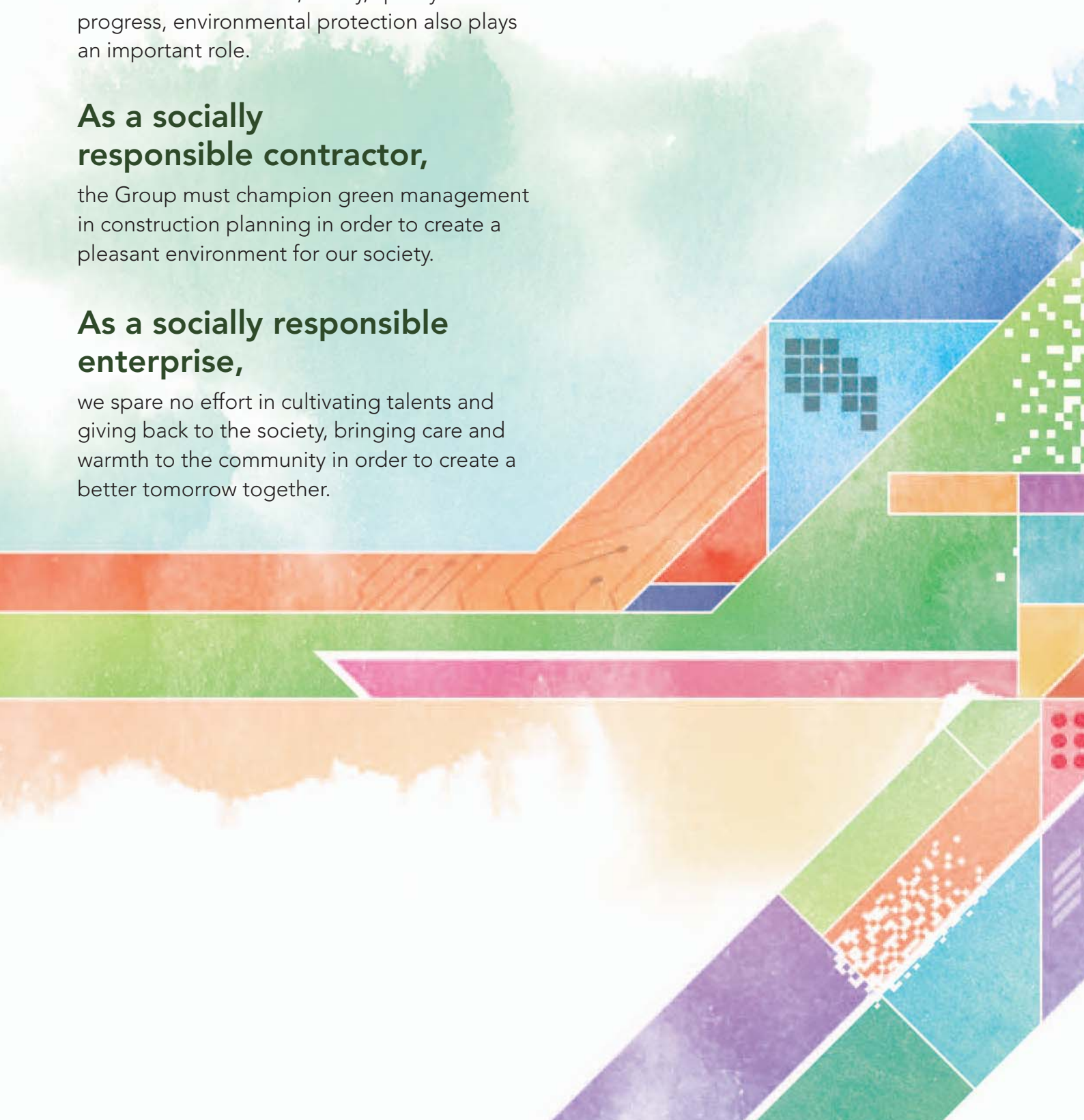
other than cost control, safety, quality and progress, environmental protection also plays an important role.

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.





Building Happiness and Leading the Trend

CSCI, as a member of 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 insight 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 trends and actively fulfilled our corporate responsibilities.

Staff Development and Personal Growth

The Group regards the comprehensive development of staff as its first priority, and adheres to the talent concept of “Gathering strivers and inspiring the promising” by combining the establishment of a talent team with the creation of a corporate culture and adhering to the striver-oriented principle with a focus on the aspects of “talent selection, cultivation and employment” in terms of human resources, aiming at striving to provide employees with simple and harmonious interpersonal relationships, challenging work, good development room and satisfactory welfare.

During the year, the Group was committed to building a diversified team to maximize local knowledge and international experience and thus to maintain its leading position in the market. As of the end of 2020, the Group had a total of 13,615 employees, including 5,878 in Hong Kong and Macau, 7,420 in mainland China and 317 overseas.

Staff Recruitment Plan

The Group is committed to providing a broad and diversified development platform for professionals in various fields such as construction investment and increasing efforts to attract high-end talents in the industry, so as to gather more top talents in the industry to support the rapid development of the Company’s diversified business. In addition, the Group also attaches great importance to the development and cultivation of young talents by making full use of the advantages of operations covering the mainland, based in Hong Kong and Macau, to attract young talents. Every year, the Group recruits outstanding young talents from renowned universities in Hong Kong, Macau or mainland China through recruitment programs such as “Engineer Trainee” and “Haizhizi”, so as to reserve talents for the Group.

Staff Training and Development

The Group fully supports employees’ lifelong learning and self-enhancement, and has set up the “Staff Education Fund” with special funds and set up the “Education Subsidy and Examination Leave” to encourage employees to pursue further education. In response to the development of diversified business and the expansion of organizational scale, the Group has developed training programs for employees of different professions and levels based on working requirements and employees’ interests, covering corporate system, management knowledge, occupational skills, team building, communication skills and so forth. During the period, more than 21,000 times of participation were recorded in various special training courses and more than 580 training activities were conducted.

Through the comprehensive “Talent Pool Scheme (人才庫計劃)”, the “Engineer Trainee Training Scheme” and the “Apprentice Training Scheme”, the Group has improved the training and management system for middle and senior management and management trainees, established a complete and multi-channel talent development ladder, and provided employees with job opportunities of different kinds. Leveraging the above, employees’ quality could be comprehensively improved generally, while talent reserves could be made for the Group’s team building. The Group also takes advantage of its multi-regional operating advantages, implements an effective communication and exchange system for outstanding talents, opens employees’ eyes for international insight and cultivates their cross-cultural operation and management capabilities. A total of over 200 employees have benefited from this plan within four years.

Incentive Mechanism

The Group's incentive mechanism is designed and implemented based on the strategy of the Company to ensure the attractiveness and fairness of the Company's remuneration and benefits. Through the implementation of the "System of Operation and Management Objectives and Responsibilities" and the "System of Contracting Responsibility of Sites", all entities under the Group have formulated key performance indicators as an important basis for performance appraisal in accordance with the annual operation and management objectives, and thoroughly implemented differentiated performance incentive policies. Various incentive mechanisms such as the "Marketing Award (市場營銷獎)", the "Integrated Site Management Award (地盤綜合管理獎)" and the "Technological Achievement Award (科技成果獎勵)" were implemented to further recognize the contributions made by employees and teams. From time to time, the Group conducts salary survey and reviews the welfare policies to align the corporate development and employees' satisfaction. During the year, employee welfare policies were comprehensively optimized, and measures such as improving the dispatched work welfare and setting up volunteer leave in Hong Kong and Macau were implemented.

Employee Relations

The Group attaches great importance to the establishment of harmonious employee relations. It also tries to collect and adopt opinions and suggestions from employees through various communication channels such as employee opinion surveys, performance communication, employee seminars, workshops, associations and team building activities, so as to continuously promote the improvement of the Company's operation standard and the perfection of internal management, and to create a good working atmosphere.

Environmental Policy

It is the Group's policy to protect the environment. The Group is committed to:

- comply with statutory, contractual and other requirements;
- prevent environmental pollution;
- reduce construction wastes; and
- minimize the consumption of natural resources.

The Group has set up its 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 violating the environmental laws, 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 Standard Operating Procedures Manual to operate the project.

The Group's Safety and Environmental Protection Department (S&EP Department) responsible for providing technical supports as well as monitoring the sites ensuring all sites are complying with statutory requirements. For management of noise issue which is our top priority concern, 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. For tackling air pollution issues associated with construction activities, Task Force Site Inspection will be conducted regularly for sites with extensive dusty processes. Should any deficiencies be found during the Task Force Site Inspection, the site will be required to provide photos on carrying out dust suppression on the deficiencies spotted to S&EP Department on a daily basis until situation improved. Regarding sites with deficiencies in wastewater treatment system, technical assistances will be jointly provided by S&EP Department and Plants Department. The sites concerned will be required to provide photos on proper operation of wastewater treatment plant as well as the conditions of the discharge point on a daily basis to S&EP Department until situation improved to ensure that no substandard discharge from sites. 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 2020.

Environmental Protection and Promotion

As a socially responsible contractor, the Group always champions green management in construction planning in order to create a pleasant environment to our society. The Group has actively adopted technologically innovative measures and green practices for example the Modular Integrated Construction (MiC) and Design for Manufacture and Assembly (DfMA) to reduce carbon footprint and help averting global warming, take up our corporate responsibility to improve the environment. China State Construction Engineering (Hong Kong) Limited 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 ISO50001:2018 certification in 2019. There was no non-compliance or Area for Improvement (AFI) raised during the system external audit conducted in 2020.

In line with the rising concern of the community on building environmental performance and expectation of clients on green building construction, China State Construction Engineering (Hong Kong) Limited 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 gain the BEAM Pro status to provide endless professional inputs to project management. Currently, nearly 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 Proposed Residential Development at Site I of TKOTL 70RP, LOHAS Park Package 10 Project won the Public Works (New Works) and Non-Public Works (New Works) — Gold Award respectively in the 26th 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 Outstanding Environmental Management & Performance Award — Gold Award in the same Considerate Contractors Site Award Scheme. In addition, our Relocation of Sha Tin

Sewage Treatment Works to Caverns —Site Preparation and Access Tunnel Construction project and the Proposed Residential Development at Site B of Wong Chuk Hang Station Property Development Project respectively won the Gold Award of Project Owner (Public Sector) and Silver Award of Developer (Private Sector) in the 2020 CIC Sustainable Construction Award. Our Contract 1121 of the Shatin to Central Link (SCL) project won the MTR Projects Division Quality, Safety, Environmental and Stakeholder Engagement Awards — Gold Environmental Award. Besides, China State Construction Engineering (Hong Kong) Ltd, China Overseas Building Construction Limited and China State Foundation Engineering Limited won the Hong Kong Construction Environmental Awards — 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. 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. Regular site meetings were held with subcontractors to discuss environmental protection related issues. Moreover, the Group also organised training on environmental management systems for its staff and subcontractors to arouse their awareness on environmental protection. Our staff were also encouraged to explore and adopt low carbon and innovative construction methods to save energy and resources throughout the execution of construction projects, thereby achieving 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 continual review and provide sufficient resources to continual optimize and improve the

company's safety management system. The Group also actively promote safety culture to improve our safety management level. The company's safety management system was successfully converted from OHSAS 18001:2007 to ISO 45001:2018 in 2019, 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, 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 has also prepared an 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 3 Gold awards in the Construction Industry Safety Award Scheme 2019/2020, 2 Gold and 3 Silver awards in the 26th Considerate Contractors Site Award Scheme (New Works), Gold award in Construction Safety Week 2020 Innovative Safety Initiative Award and 2020 Lifting Safety Promotional Campaign, Grant Award in Drainage Services Department Construction Site Safety and Housekeeping Award Scheme 2019, Site Safety Award in Airport Authority Third Runway Division First Quarter 2020, etc. This shows that the Group's safety and health management policies and implementation have been widely recognized by the industry.

The Group and Community

“Serving the Community” represents a longstanding corporate value of the Group. The Group is committed to providing a role model for corporate citizenship by undertaking various kinds of projects. The fulfillment of the duties of a corporate citizen is integral to the Group’s core values. The Group is also actively involved in various types of community campaigns and encourages its staff to do the same for the benefit of the needy and the community.

Caring for the Community, Participation in the Society

Under the leadership of China Overseas Holdings Limited, China State Construction International Holdings Limited officially established CSC “Caring for Society (關愛社會)” Volunteer Branch (“3311 Volunteer Branch”) in June 2019. Over 1,400 volunteers have been registered to date. At the beginning of its establishment, the 3311 Volunteer Branch conducted a series of investigations and exploration, actively mobilized the power of internal employees, and expanded the resources of all sectors of the community, and initially established the working system of “4 + X” (Care for the Elderly, Contribute your Skills, Care for Teenagers, Care for your Home and Innovative Space for Employees). At the beginning of 2020, the 3311 Volunteer Branch timely adjusted the annual work plan based on the current social urgent needs for anti-epidemic and poverty alleviation, carried out targeted activities such as epidemic prevention material donation, food distribution, home inspection and maintenance, and actively mobilized the Company and social forces to provide assistance to people and groups in need.

In 2020, under the huge difficulties of the pandemic, 3311 Volunteer Branch still carried out more than 30 activities under a safe manner, with 2,159 participants and 11,002 volunteering hours. We achieved the annual target of 10,000 hours in advance in early December, ranking first in terms of annual service hours among the state-owned enterprises of the SASAC in Hong Kong, realizing “happiness in social operation” with actions, and continuously building a public welfare brand of 3311 with actively undertaking social responsibilities.

The 3311 Volunteer Branch has received a number of external recognitions during the year, including the Gold Award for Volunteer Service (Organization) by the Social Welfare Department (under the signatures of Matthew Cheung Kin-chung, the Chief Secretary for Administration), the annual volunteer awards of the “Most Supportive Organisation (最積極參與機構)” and the “Merit Awards for Participation” issued by the Construction Industry Council in Hong Kong, verbal or written appreciation from over 30 government departments, primary and secondary schools and social welfare organizations in HKSAR and also regional organizations and a range of its activities has been widely reported by the government, superior units and newspapers.





In less than two years since its establishment, the 3311 Volunteer Branch has become a sizeable corporate volunteer brand in Hong Kong, which is influential to certain extent. In future, the 3311 Volunteer Branch will continue to adhere to the principle of “prospering Hong Kong and serving the society (繁榮香港·服務社會)”, and strive to realize the “Culture of leading the trend (領潮文化)” of China Overseas Group (中海集團) and undertake its social corporate responsibility.

Supplies Donation Activities

Taking into account the urgent needs in the society for anti-epidemic and poverty alleviation, the 3311 Volunteer Branch has carried out a number of activities in relation to anti-epidemic supplies and food donation during the year, serving the needy such as over 4,000 elderly, children and ethnic minorities in Hong Kong.

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 (翼下之風-成長導航計劃)” organized by the Hong Kong Playground Association, and arranges “1 to 1” matching of volunteers and children of low-income families, so that the volunteers could become the navigators and guidance for the growth of the children. 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 and the organizer has given much appreciation and gratitude to this.



Corporate Citizenship (continued)

Activities Centre Project for Nepal Ethnic

To support the integration of ethnic minorities into Hong Kong, the 3311 Volunteer Branch has arranged volunteers to provide volunteer manpower support such as repaint, power supply application and related mechanical and electrical equipment installation for the service centre of the Nepal Association (尼泊爾聯會), which was built to deal with issues such as children education, employment, family violence and women for Nepal ethnic minorities in Hong Kong. The branch has also been supporting the centre with necessary office furniture in an environmentally friendly way.

In this regard, Caspar Tsui Ying-wai, the Secretary for Home Affairs of the HKSAR government and the representative of the Nepal Association (尼泊爾聯會) have presented a certificate of appreciation to the 3311 Volunteer Branch in recognition of its volunteers' contributions to the renovation and fitting-out works for the service centre of the Nepal Association (尼泊爾聯會).



Volunteer Activities for dormitory renovation for Po Lin Monastery

The 3311 Volunteer Branch has arranged volunteers to carry out renovation works such as whitewashing the walls, water-proofing, light bulb replacement and exhaust fan installation in dormitories in a state of disrepair in Po Lin Monastery. In aggregate, 148 volunteers have participated in the event, serving with 1,219 hours.



Home Maintenance in the Yau Tsim Mong District

The 3311 Volunteer Branch continues to carry out district maintenance activities in cooperation with the Urban Renewal Authority to provide appropriate assistance to the people in need and to improve their home safety and environmental hygiene. A total of 74 volunteers have participated in the event, serving with 626 hours and helping repair over 120 units.

Supporting the Repair Services after the Fire on the Stilted House in Tai O

Volunteers have been arranged to visit Tai O to provide emergency volunteer services of home repair for residents affected by the fire. A total of 61 volunteers participated, serving 582 hours.



"China Overseas Celebration Day • Environmental Charity Walk (中海司慶日•環保公益行)"

The volunteer activity of the "China Overseas Celebration Day • Environmental Charity Walk (中海司慶日•環保公益行)" is one of the 41st anniversary celebration activities of the China Overseas Group (中海集團). The 3311 Volunteer Branch has arranged over 100 employees and their family members to share the joy of the celebration through their participation in person in environmental activities that serve the society. The activity aimed at encouraging employees to spread the positive energy of happiness by actively fulfilling our responsibilities as a corporate citizen so as to promote the "Culture of leading the trend (領潮文化)" of China Overseas (中海).



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 Company's capability to create value. Apart from results announcement conferences, the management of the Group also attended a number of roadshows and investment banking forums to directly responded to investors' questions and expectations and listened to their opinions, which served as an important consideration in formulating the development strategy of the Group.

Diversified Communication Approach

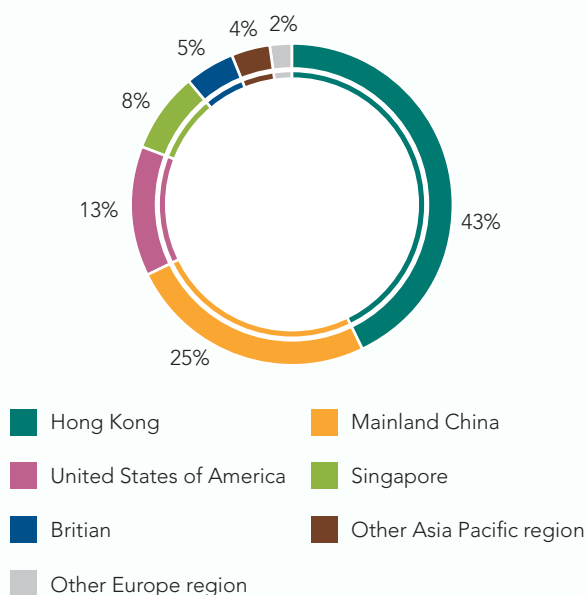
The Group adheres to a transparent, efficient, proactive and comprehensive attitude, and maintains regular and efficient communications with shareholders and investors. In 2020, the Group participated in a number of investment banking conferences and forums, meeting more than 200 investors, to share 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 Company.

In addition, the Group has managed to cope with the impact of the novel coronavirus epidemic and, on the premise of epidemic prevention and social distance, invited investors to visit the Hailong Technology (海龍科技) production base twice. Through on-site inspections, investors can experience the business development of the Group.

Expanding Investor Channels

In view of the market trend of increasing turnover of Stock Connect (Southbound), the Group has enhanced interaction and communication with Mainland Chinese investors, the percentage of shareholders and investors trading via this channel increased significantly during the year. In addition, the Group further explored the mainland capital market by successfully issuing Panda bonds and medium-term notes through the mainland platform, and established a two-way communication mechanism with fixed income investors in the Mainland.

Distribution of meetings with shareholders and investors by region



Major Investor Relations Activities in 2020

JANUARY

- BofA Securities Greater China Insight

MARCH

- 2019 Annual Results Investors and Analysts Briefing
- Investor Telephone Conference for 2019 Annual Results

APRIL

- Investor Telephone Conference for Q1 Results

MAY

- Citibank Pan-Asia Regional Investor Conference 2020

JUNE

- Citibank Industrials/Logistics/SME Virtual Conference
- BofA Securities 2020 Innovative China Conference
- CITIC Securities Capital Marker Forum 2020
- Site Visit to Hailong Technology (海龍科技) Shenzhen Production Base

AUGUST

- 2020 Interim Results Investors and Analysts Briefing
- Investor Telephone Conference for 2020 Interim Results
- Site Visit to Hailong Technology (海龍科技) Zhuhai Production Base

SEPTEMBER

- Jefferies Asia Forum
- Guosheng Securities Prefabricated Construction and Home Decoration Forum

OCTOBER

- Investor Telephone Conference for Q3 Results
- BofA Securities 2020 Asian Credit Conference

NOVEMBER

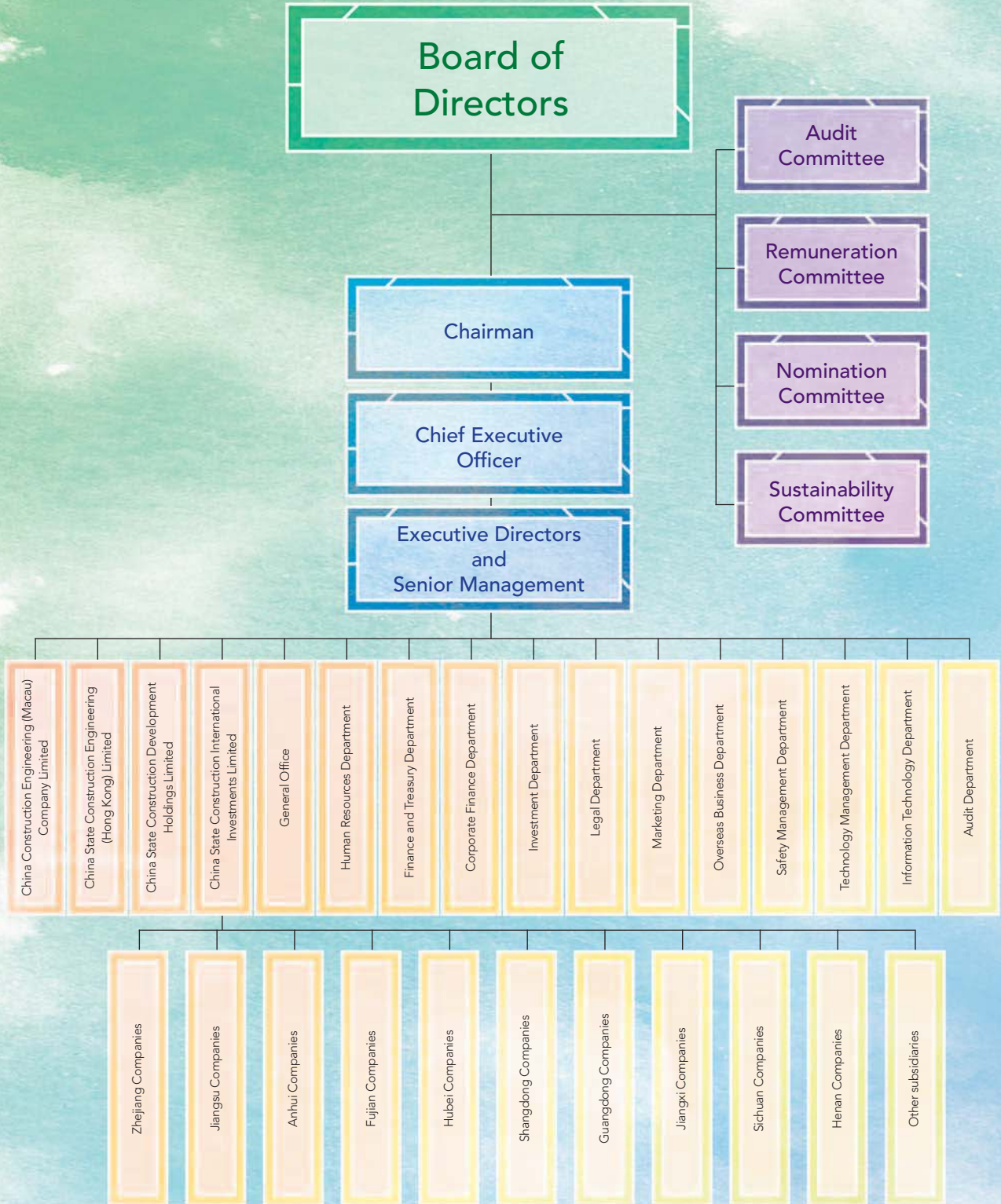
- Goldman Sachs China Conference 2020
- Citibank China Investor Conference 2020
- BofA Securities 2020 China Conference
- CICC Investment Forum

Directors and Organisation



1. Mr. Yan Jianguo
2. Mr. Zhang Haipeng
3. Mr. Tian Shuchen
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 54, 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, a Non-executive Director of China Overseas Grand Oceans Group Limited, and also a director of

certain subsidiaries of COLI. During the period from June 2017 to February 2020, Mr. Yan had served as the Chairman and Non-executive Director of China Overseas Property Holdings Limited and the Chairman of China Overseas Grand Oceans Group Limited. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Yan has about 31 years' experience in construction business, real estate investment and management.

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

Mr. ZHANG Haipeng

*Executive Director and Chief Executive Officer
Sustainability Committee Member*

Aged 45, 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 21 years' experience in construction engineering management.

Mr. TIAN Shuchen

Executive Director, Vice President

Aged 55, was appointed as an Executive Director of the Company on 12 August 2010. 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 33 years' experience in construction engineering and project management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Chairman of the Sustainability Committee

Aged 51, 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 29 years' experience in corporate finance, financial accounting and investment management.

Mr. HUNG Cheung Shew

Executive Director, Vice President

Aged 62, 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 39 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 47, 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. 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 of the HKSAR and deputies of the HKSAR to the 13th National People's Congress. He also sits on the Judging Panel of the BAI Global Innovation Awards. 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, and is 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. He is also a member of Mastercard's Asia Pacific Advisory Board.

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 66, 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 44 years of experience in engineering, investment, construction and project management. Dr. Leung was previously an independent non-executive director of Elec & Eltek International Company Limited (listed in Hong Kong and Singapore). 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 78, 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 55 years' experience in engineering and construction.

Senior Management

Mr. ZHAO Xiaoqi

Vice President

Aged 46, 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 24 years' experience in human resources management and personnel administration.

Mr. YANG Weidong

Vice President

Aged 51, 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 31 years' experience in construction engineering and management.

Mr. ZHOU Wenbin

Vice President

Aged 54, graduated from Zhongnan University of Economics and Law, and obtained a Master 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 32 years' experience in corporate finance, accounting and investment management.

Mr. WANG Xiaoguang

Vice President

Aged 38, 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 16 years' experience in construction engineering and management.

Mr. LUO Haichuan

Vice President

Aged 41, 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 18 years' experience in investment and financing; and human resources management.

Mr. HUANG Jiang

Assistant President

Aged 46, 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 24 years' experience in contract and project management.

Mr. ZHANG Ming

Assistant President

Aged 38, 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 15 years' experience in construction engineering, administration and human resources management.

Directors and Organisation (continued)

Mr. ZHOU Yuguang

Assistant President

Aged 56, graduated from the 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 33 years' experience in information technology management and project management.

Mr. WONG Wing Yuk

Assistant President

Aged 63, graduated from the 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 34 years' experience in construction engineering and contract management.

Mr. LAU Wing Shing

Assistant President

Aged 61, graduated from the 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 39 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.

Mr. ZHOU Zhike

Assistant President

Aged 37, 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 HKSFPA (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 13 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 6 consecutive years.

Mr. ZHANG Jie

Assistant President

Aged 37, 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 14 years' experience in construction engineering, investment and human resources management.

Mr. MI Xiang

Assistant President

Aged 45, 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 23 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 2020, 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

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.

The composition of the Board and the individual attendance (Board Meetings, 2020 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
<i>Chairman and Non-executive Director</i>			
Yan Jianguo	7/7	1/1	2/3
<i>Executive Directors</i>			
Zhang Haipeng (<i>Chief Executive Officer</i>)	7/7	1/1	2/3
Tian Shuchen	7/7	1/1	2/3
Zhou Hancheng	7/7	1/1	3/3
Hung Cheung Shew	6/7	1/1	1/3
<i>Independent Non-executive Directors</i>			
Adrian David Li Man Kiu	7/7	1/1	2/3
Raymond Leung Hai Ming	7/7	1/1	2/3
Lee Shing See	7/7	1/1	2/3

Biographical information of the directors are set out in "Directors and Organisation" section of the Company's 2020 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, seven 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 performance of the Company; to discuss the principal business risks faced by the Company; to discuss the business strategies of the Company; to consider and approve the re-appointment of each independent non-executive director; to consider and approve the change of auditor of the Company; to consider and approve the establishment of Sustainability Committee; and to consider and approve the new version of terms of reference of Board committees and policies 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 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.

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. More 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 to each newly appointed director.

Corporate Governance Report (continued)

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 Board 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. 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 arranged by the Company. 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.

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

Non-executive directors are appointed on 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.

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

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

During the meetings, the Remuneration Committee reviewed and discussed the remuneration policy and annual bonus policy of the Company, considered the salary increase of the executive directors and senior management of the Company, and made recommendation to the Board on the re-appointment of each independent non-executive director.

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 2020 Annual Report.

Corporate Governance Report (continued)

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

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

During the meeting, the Nomination Committee reviewed the size, composition and structure of the Board and Board Committees, reviewed the independence of the independent non-executive directors, reviewed the Board Diversity Policy, and made recommendation to the Board on the new version of terms of reference of the Nomination Committee and the Directors Nomination Policy.

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 as 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 2020, 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. Two directors has served the Board below 5 years; two have served the Board between 5 and 14 years; and four have served the Board between 15 and 19 years.

The Nomination Committee hopes to increase the level of board diversity when refreshing and renewing board membership. However, the appointments are made on merit, the applicants' skill and experience and the development of the Group. The Nomination Committee will continue to consider the board diversity.

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 code and disclosure in the Corporate Governance Report.

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

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 (Chairman)	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 2019; the Audit Committee Report for the year ended 31 December 2019; the connected transactions report; the internal audit report; the Group's 2020 unaudited first quarter results; the Group's unaudited accounts for the six months ended 30 June 2020; and the Group's 2020 unaudited third quarter results, and made recommendation to the Board on the change of auditor of the Company and new version of terms of reference of the Audit Committee. The retired external auditor, PricewaterhouseCoopers, was invited to attend 2019 final results meeting and discussed various accounting issues and findings with the Audit Committee during the meeting. The newly appointed external auditor, Ernst & Young, Hong Kong ("EY") was invited to attend 2020 unaudited third quarter results meeting and discussed audit plan for 2020 Group results with the Audit Committee during the 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.

Corporate Governance Report (continued)

Auditor's Remuneration

The Company's external auditor is EY. For the financial year ended 31 December 2020, 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\$9,248,000, including audit services fee of the Group of approximately HK\$8,380,000 and non-audit services fee of approximately HK\$868,000. 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.

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 (Chairman)	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 appointment of external independent consultants and made recommendation to the Board on the framework of sustainability report and the sustainability policy.

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 2020, 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 2020 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.

Company Secretary

The company secretary supports the chairman, Board and Board committees by ensuring good information flow and Board policy 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/her for advice and assistance at any time in respect of his/her 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.

Corporate Governance Report (continued)

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 finance departments. 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.

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 risk is properly managed and mitigate the defect. 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 the 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 management, income management, funding management, etc. The Audit Department also reviewed the Group's continuing connected transactions for the year ended 31 December 2020 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.

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 move new resolutions at general meetings under the Cayman Islands Companies Laws or the Articles of Association of the Company. Shareholders who wish to move 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 four general meetings during 2020. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

Corporate Governance Report (continued)

An AGM was held on 10 June 2020. 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 and nomination 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.

EGMs were held on 15 April 2020 (which was adjourned to 27 May 2020) and 10 June 2020. 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) 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.

On 10 June 2020, shareholders of the Company have passed a special resolution in the AGM to adopt the amended and restated Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company. A copy of the latest version of the Company's Memorandum of Association and Amended and Restated Articles of Association is posted on the websites of the Company and the HKEx.

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 2020.

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 2020 are set out in the audited consolidated financial statements.

An interim dividend of HK17 cents per share amounting to approximately HK\$858,357,000 was paid to the shareholders of the Company during the year. The board of Directors (the "Board") recommended the payment of a final dividend of HK19 cents per share to the shareholders whose names appear on the register of members on 21 June 2021, amounting to approximately HK\$957,525,000.

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 2020 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

The environmental and social matters of the Group for the year ended 31 December 2020 are set out in the Company's Sustainability Report 2020, which will be published in May 2021. 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 2020 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 achieved its profit target 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.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$50,000.

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 2020 was 5,049,156,668 ordinary shares of HK\$0.025 each.

During the period between 26 January 2021 and 5 February 2021 (both days inclusive), the Company repurchased a total of 9,552,000 of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the 9,552,000 ordinary shares were cancelled on 23 February 2021. The Company's total issued share capital as at 23 February 2021 was 5,039,604,668 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 2020 amounted to HK\$21,108,783,000.

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.

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

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

On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of RMB2 billion to professional investors in the People's Republic of China. The corporate bonds had a maturity of 3 years and the coupon rate was 3.48% per annum. The net proceeds, after deducting relevant fees and commission, amounted to approximately RMB1,996 million and were used by the Company and its subsidiaries to repay corporate debts and as general working capital. The corporate bonds were listed on the Shanghai Stock Exchange.

Directors' Report (continued)

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 in the People's Republic of China. The medium-term notes had a maturity of 3 years and the coupon rate was 3.45% per annum. The net proceeds, after deducting relevant fees and commission, amounted to approximately RMB499 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 National Association of Financial Market Institutional Investors.

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

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

Directors

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

Chairman & Non-executive Director

Mr. Yan Jianguo

Executive Directors

Mr. Zhang Haipeng (*Chief Executive Officer*)

Mr. Tian Shuchen

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

Note:

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Zhang Haipeng, Mr. Tian Shuchen and Dr. Raymond Leung Hai Ming, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

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.

With effect from 1 February 2021, the monthly salary of Mr. Hung Cheung Shew was changed from HK\$259,800 to HK\$265,000. The Directors' fees of other Directors remain unchanged.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of his 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 are 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 the non-executive Directors are appointed for a fixed period but 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 2020, the interests 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 were as follows:

- (a) As at 31 December 2020, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 shares of the Company, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of shares in issue of the Company. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners.
- (b) As at 31 December 2020, Mr. Yan Jianguo held 2,500,000 share options (including (1) 700,000 share options with an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive) at an exercise price of HK\$25.850 per share and (2) 1,800,000 share options with an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive) at an exercise price of HK\$18.724 per share) of China Overseas Land & Investment Ltd. ("COLI", an associated corporation of the Company), representing 0.023% of shares in issue of COLI. Mr. Hung Cheung Shew held 7,095 shares of COLI, representing 0.000% of shares in issue of COLI. All the share options/shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners.
- (c) As at 31 December 2020, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Hung Cheung Shew respectively held 3,750,000; 10,000,000; and 30,000 shares of China State Construction Development Holdings Limited ("CSC Development", a non-wholly owned subsidiary of the Company), representing 0.174%; 0.464%; and 0.001% of shares in issue of CSC Development. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners.
- (d) As at 31 December 2020, Mr. Hung Cheung Shew held 2,365 shares of China Overseas Property Holdings Limited ("COPHL", an associated corporation of the Company), representing 0.000% of shares in issue of COPHL. All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner.

Directors' Report (continued)

- (e) As at 31 December 2020, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 1,298,000; 854,000; and 1,254,000 shares of China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company), representing 0.003%; 0.002%; and 0.003% of shares in issue of CSCECL. All the shares held by the Directors are being personal interests, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phases II and IV).

Save as disclosed above, as at 31 December 2020, 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 Model Code.

Save as disclosed above, at no time during the year ended 31 December 2020 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 2020, 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.

Interests and Short Positions of Substantial Shareholders/Other Persons

As at 31 December 2020, 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 ¹
China Overseas Holdings Limited ("COHL")	Long position	Beneficial owner/Interest of a controlled corporation ²	3,264,976,136	64.66
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of a controlled corporation ³	3,264,976,136	64.66
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of a controlled corporation ⁴	3,264,976,136	64.66

* 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 ¹
GIC Private Limited	Long position	Investment manager	253,131,313	5.01

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 2020 (i.e. 5,049,156,668 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 2020, 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.

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 2020 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' Report (continued)

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, 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.

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\$215 million. No forfeited contributions under these schemes is available to reduce the contribution payable in future years.

Auditor

Messrs. PricewaterhouseCoopers ("PwC") had acted as auditor of the Company since 2012. PwC retired and did not offer themselves for re-appointment as auditor of the Company for the year ended 31 December 2020; and a resolution to appoint Ernst & Young ("EY") as auditor of the Company in place of PwC had been duly passed at the annual general meeting of the Company held on 10 June 2020.

The consolidated financial statements for the year ended 31 December 2020 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, 24 March 2021

Connected Transactions

A. Connected Transactions under the Listing Rules

A.1 Formation of Joint Venture with 中國建築第五工程局有限公司 (China Construction Fifth Engineering Division Corp. Ltd.*) for the Changsha Project

On 7 January 2020, 中建國際投資集團有限公司 (China State Construction International Investments Limited*) (“CSCIIL”, a wholly-owned subsidiary of the Company), 中建國際工程有限公司 (China State Construction International Engineering Limited*) (“CSCIE”, a wholly-owned subsidiary of the Company) and 中國建築第五工程局有限公司 (China Construction Fifth Engineering Division Corp. Ltd.*) (“CCFED”, a subsidiary of 中國建築股份有限公司 (China State Construction Engineering Corporation Limited, an intermediate holding company of the Company)) entered into a cooperation agreement (“JV Agreement”) whereby CSCIIL, CSCIE and CCFED agreed to form a joint venture (“Changsha JV”) with 長沙先導高鐵西城建設投資有限公司 (Changsha Pilot High Speed Rail West City Construction & Investment Co., Ltd.*) (“Changsha West City”) and 長沙市望城區城市建設投資集團有限公司 (Changsha Wangcheng Urban Construction Investment Group Co., Ltd.*) (“Changsha Wangcheng”) for the purpose of investing into a public-private-partnership project (phase I) relating to the construction, management and operation of a new industrial city at West Station of Changsha High-speed Railway, Hunan, the PRC (中國湖南長沙高鐵西站產業新城一期工程的政府和社會資本合作(PPP)項目) (the “Changsha Project”). CSCIIL, CSCIE, CCFED, Changsha West City and Changsha Wangcheng shall hold 32%, 1%, 18%, 39% and 10% equity interest in Changsha JV respectively.

Changsha JV shall have a registered capital of RMB200,000,000 to which CSCIIL and CSCIE shall contribute RMB64,000,000 and RMB2,000,000 respectively. The project capital (exclusive of the registered capital) of Changsha JV shall be RMB985,410,000 to which CSCIIL and CSCIE shall contribute RMB315,331,200 and RMB9,854,100 respectively. Pursuant to the JV Agreement, CSCIIL and CSCIE shall also provide a performance bond for construction in the sum of RMB6,274,510 and RMB196,078, respectively, to 湖南湘江新區管委會 (The Management Committee of Hunan Xiangjiang New District*) and 望城區人民政府 (The People’s Government of Wangcheng District*). Any additional funding requirements of the Changsha Project (other than the registered capital and the project capital) shall be arranged by Changsha JV with banks or financial institutions. The respective contribution to the registered capital and the project capital of Changsha JV was determined after arm’s length negotiations between the parties with reference to the proposed capital requirements of the Changsha Project and the parties’ interests in Changsha JV.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement exceeded 0.1% but all were less than 5%, the transaction was subject to reporting and announcement requirements but exempted from independent shareholders’ approval requirement.

Details of the transaction were disclosed in an announcement dated 7 January 2020.

A.2 Formation of Joint Venture with 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*) in Yancheng City, Jiangsu, The PRC

On 6 March 2020, 深圳市中海投資有限公司 (Shenzhen China Overseas Investment Company Limited*) (“SCOI”, a wholly-owned subsidiary of the Company), 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*) (“COGOP”, a wholly-owned subsidiary of China Overseas Grand Oceans Group Limited (an associate of the Company)) and 鹽城市城南房地產開發有限責任公司 (Yancheng Chengnan Real Estate Development Company Limited*, “Yancheng Chengnan”) entered into a cooperation agreement (“JV Agreement”) whereby SCOI, COGOP and Yancheng Chengnan agreed to form a joint venture (“Yancheng JV”) for the purpose of investing into a project relating to the development and construction of government resettlement housing on the land at Genghuo, Gaoxin District, Yannan, Yancheng City, Jiangsu, the PRC (中國江蘇鹽城市鹽南高新區耿夥安置房政府定購項目) (the “Yancheng Project”). SCOI, COGOP and Yancheng Chengnan shall hold 55%, 35% and 10% equity interest in Yancheng JV respectively.

Yancheng JV shall have a project capital of RMB650,900,000 (inclusive of the registered capital of RMB20,000,000 and a contribution for the purchase price of land use rights of the land with respect to the Yancheng Project in the sum of RMB592,049,000) to which SCOI shall contribute RMB357,995,000. Any additional funding of the Yancheng Project (other than the project capital) shall be arranged by Yancheng JV with banks. The contribution to the project capital of Yancheng JV was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Yancheng Project and the parties' interests in Yancheng JV.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement exceeded 0.1% but all were less than 5%, the transaction was subject to reporting and announcement requirements but exempted from independent shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 6 March 2020.

A.3 Formation of Joint Venture with 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*) in Zibo City, Shandong Province, The PRC

On 14 October 2020, 淄博海新建設有限公司 (Zibo Haixin Construction Company Limited*) ("Zibo Haixin", a wholly-owned subsidiary of the Company) and COGOP entered into a cooperation agreement ("JV Agreement") whereby Zibo Haixin and COGOP agreed to form a joint venture ("Zibo JV") for the purpose of investing into a project relating to the development of Phase I of Southern New City Area, Qilu Fashion Valley on the land at Zichuan District, Zibo City, Shandong Province, the PRC (中國山東省淄博市淄川區齊魯時尚谷項目南部新城片區一期) (the "Zibo Project"). Zibo Haixin and COGOP shall hold 51% and 49% equity interest in Zibo JV respectively.

Zibo Project shall have a capital commitment of RMB843,660,000 (inclusive of the registered capital of RMB35,294,100 and a contribution for the purchase price of land use rights of the land with respect to the Zibo Project in the sum of RMB643,120,000) to which Zibo Haixin shall contribute RMB430,266,600. Any additional funding of the Zibo Project (other than the capital commitment) shall be arranged by Zibo JV with banks. The contribution to the capital commitment of Zibo JV was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Zibo Project and the parties' interests in Zibo JV.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement exceeded 0.1% but all were less than 5%, the transaction was subject to reporting and announcement requirements but exempted from independent shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 14 October 2020.

A.4 Formation of Joint Venture with 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*) in Zhuzhou City, Hunan Province, The PRC

On 19 November 2020, 中建國際投資(湖南)有限公司 (China State Construction International Investments (Hunan) Limited*) ("CSC Hunan", a wholly-owned subsidiary of the Company) and COGOP entered into a cooperation agreement ("JV Agreement") whereby CSC Hunan and COGOP agreed to form joint venture through 株洲中海地產有限公司 (Zhuzhou Zhonghai Real Estate Company Limited*, "Zhuzhou JV 1") and 株洲中海商業發展有限公司 (Zhuzhou Zhonghai Commercial Development Company Limited*, "Zhuzhou JV 2"), both are wholly-owned subsidiaries of COGOP (collectively "Zhuzhou JVs"), for the purpose of investing into a project relating to the development of a land consists of six land parcels all located in Wuguang Area, Zhuzhou City, Hunan Province, the PRC (中國湖南省株州市武廣片區) (the "Zhuzhou Project"). CSC Hunan and COGOP shall hold 30% and 70% equity interest in Zhuzhou JVs respectively.

Connected Transactions (continued)

The total capital commitment for the Zhuzhou Project is RMB3,500,000,000 (inclusive of, among other things, (i) a contribution to the registered capital of Zhuzhou JVs; (ii) a contribution for the purchase price of land use rights of the land together with the relevant taxes and part of the development costs with respect to the Zhuzhou Project; and (iii) the bank guarantee to be provided by the parties) to which CSC Hunan shall contribute RMB1,050,000,000. Any additional funding of the Zhuzhou Project (other than the capital commitment) shall be arranged by Zhuzhou JVs with banks. The contribution to the capital commitment of Zhuzhou JVs was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Zhuzhou Project and the parties' interests in Zhuzhou JV 1 and Zhuzhou JV 2.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement exceeded 0.1% but all were less than 5%, the transaction was subject to reporting and announcement requirements but exempted from independent shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 19 November 2020.

A.5 Formation of Joint Venture with China Overseas Land & Investment Limited in relation to land in Kai Tak

On 14 December 2020, the Company, China Overseas Land & Investment Limited ("COLI", an associate of the Company) and Honour Vision Limited ("HVL", the joint venture company and an indirect wholly-owned subsidiary of COLI) entered into a shareholders' agreement ("JV Agreement") whereby the Company agreed to procure Citycharm Investments Limited ("CIL", an indirect wholly-owned subsidiary of the Company) to subscribe for, and HVL agreed to allot and issue, twenty (20) ordinary shares in the share capital of HVL ("JV Shares") at a subscription price of US\$1 per JV Share. The subscription price was determined based on the amount paid up or regarded as paid up. Following completion, HVL was owned as to 80% and 20% by Windy Summer Limited ("WSL", an indirect wholly-owned subsidiary of COLI) and CIL, respectively for the purpose of the development project of a parcel of land situated at New Kowloon Inland Lot No. 6603, Kai Tak Area 4E, Site 1, Kai Tak, Kowloon.

Pursuant to the JV Agreement, the Company shall also pay, or procure a member of the Group to pay, to Chung Hoi Finance Limited ("COLI Finance", a wholly-owned subsidiary of COLI), as a shareholder's loan, a sum equivalent to 20% of HK\$427,300,000, being the principal amount of an inter-company loan advanced by COLI Finance to HVL, plus interest accrued thereon (the "CSC Loan"). As a result, upon completion, HVL shall become indebted to the Group and COLI and its subsidiaries (the "COLI Group") in the proportion of 20:80. The aggregate working capital contributed by the COLI Group and the Group to HVL shall not exceed HK\$5,300,000,000 (which comprises the CSC Loan). Any additional working capital requirements of HVL shall be funded from other financing sources.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement exceeded 0.1% but all were less than 5%, the transaction was subject to reporting and announcement requirements but exempted from independent shareholders' approval requirement.

Details of the transaction were disclosed in an announcement dated 14 December 2020.

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

B. Continuing Connected Transactions under the Listing Rules

B.1 CSCECL Sub-construction Engagement Agreement (dated 6 October 2017)

(1 January 2018 to 31 December 2020)

On 6 October 2017, the Company and China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company) entered into a CSCECL Sub-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 2018 and ended on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement for each of the three financial years ended 31 December 2020 shall not exceed RMB55,000 million ("the CSCECL Sub-construction Engagement Cap"); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commenced from 1 January 2018 and ended on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement for each of the three financial years ended 31 December 2020 shall not exceed RMB25,000 million (the "CSC Sub-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 Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Sub-construction Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the CSCECL Sub-construction Engagement Agreement was made on 6 October 2017 and a circular dated 6 November 2017 containing details of the CSCECL Sub-construction Engagement Agreement was despatched to the shareholders of the Company. The CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 November 2017.

On 19 October 2020, the Company and CSCECL entered into a New CSCECL Construction Engagement Agreement to renew the CSCECL Sub-construction Engagement Agreement (which was expired on 31 December 2020) for a further 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 New CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB55,000 million (the "New CSCECL Construction Engagement Cap") and the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the New CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB18,000 million (the "New CSC Construction Engagement Cap").

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

Connected Transactions (continued)

An announcement containing details of the New CSCECL Construction Engagement Agreement was made on 19 October 2020 and a circular dated 24 November 2020 containing details of the New CSCECL Construction Engagement Agreement was despatched to the shareholders of the Company. The New 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 2020, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement was RMB3,243,435,276.79 and the total contract sum awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement was RMB28,105,809.00.

B.2 FE-CSCECL Sub-construction Engagement Agreement (dated 11 October 2017)

(1 January 2018 to 31 December 2020)

On 11 October 2017, China States Construction Development Holdings Limited (“CSC Development”, a listed subsidiary of the Company) and CSCECL entered into a FE-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 2018 and ended on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group under the FE-CSCECL Sub-construction Engagement Agreement for each of the three financial years ended 31 December 2020 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 FE-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 FE-CSCECL Sub-construction Engagement Agreement was made on 11 October 2017.

On 19 October 2020, CSC Development and CSCECL entered into a New CSCD-CSCECL Sub-construction Engagement Agreement to renew the FE-CSCECL Sub-construction Engagement Agreement (which was expired on 31 December 2020) for a further 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 New 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 “New CSCECL Works Cap”).

As the New CSCECL Works Cap was less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New 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 New CSCD-CSCECL Sub-construction Engagement Agreement was made on 19 October 2020.

For the year ended 31 December 2020, the total contract sum awarded by the CSCECL Group to the CSC Development Group under the FE-CSCECL Sub-construction Engagement Agreement was HK\$239,784,365.51.

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

(1 July 2018 to 30 June 2021)

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 commenced from 1 July 2018 and ending 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 ending 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 Cap(s)").

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 highest COGO Engagement 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 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.

For the year ended 31 December 2020, the total contract sum awarded by COGO Group to the CSC Development Group under the COGO Framework Agreement was HK\$44,245,975.28.

Connected Transactions (continued)

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

(20 August 2018 to 30 June 2021)

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").

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 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.

For the year ended 31 December 2020, the total contract sum awarded by the COLI Group to the CSC Development Group under the COLI Works Framework Agreement was HK\$198,305,956.68.

B.5 CSCECL Framework Agreement (dated 4 June 2019) CSCECL Supplemental Agreement (dated 14 February 2020)

(4 June 2019 to 31 December 2021)

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 ending 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 ending 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 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 ending 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 exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Framework Agreement (as supplemented by the CSCECL 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 revision of the annual caps was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 May 2020.

For the year ended 31 December 2020, 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 under the Financial Services Agreement for each of the three years ending 31 December 2022 shall not exceed RMB1,200 million respectively (the "Annual Cap").

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 be 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 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 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 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 2020, 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 RMB1,194,671,236.87 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 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermoelectricity Company Limited*), 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 under the Connection Services Framework Agreement 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.

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 transactions contemplated under the Connection Services Framework Agreement were subject to the annual review, reporting and announcement requirements but exempted from 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 2020, the total contract sum awarded by the COLI Group to the CSC Development Group under the Connection Services Framework Agreement was HK\$29,997,161.72.

B.8 New Master Engagement Agreement (dated 8 April 2020)

(1 January 2020 to 31 December 2022)

On 6 October 2017, the Company and COLI entered into a Master CSC Group Engagement Agreement whereby the COLI Group may engage the Group as contractors for a term of three years commenced from 1 January 2018 and ended on 31 December 2020. 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 2020 shall not exceed HK\$7,000 million.

On 8 April 2020, the Company and COLI entered into a New Master Engagement Agreement to replace and supersede the Master CSC Group 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 under the New Master Engagement Agreement 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 exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New Master Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

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

For the year ended 31 December 2020, the total contract sum awarded by the COLI Group to the Group under the New Master Engagement Agreement was HK\$100,368,301.36.

Connected Transactions (continued)

B.9 COGO Master Engagement Agreement (dated 24 April 2020)

(1 July 2020 to 30 June 2021)

On 24 April 2020, the Company and COGO entered into a COGO Master Engagement Agreement whereby 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.

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.

An announcement containing details of the New COGO Master Engagement Agreement was made on 19 November 2020.

For the period from 1 July 2020 to 31 December 2020, the total contract sum awarded by the COGO Group to the Group under the COGO Master Engagement Agreement was HK\$968,085,134.22.

B.10 New 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 New 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 New COPL Services Agreement for the period from 1 July 2020 to 31 December 2020 shall not exceed HK\$118 million, for the financial year ending 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 New 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 New COPL Services Agreement was made on 28 April 2020.

For the period from 1 July 2020 to 31 December 2020, the total amounts payable for the services by the Group to the COPL Group under the New COPL Services Agreement was HK\$23,858,486.34.

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

Pursuant to Rule 14A.55 of the Listing Rules, the above continuing connected transactions have been approved by the Board and have been reviewed by the independent non-executive directors of the Company, who confirmed that these continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants.

Connected Transactions (continued)

The auditor has confirmed in a letter to the Board that:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- (3) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual cap during the financial year ended 31 December 2020; and
- (4) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected/continuing connected transactions.

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in the notes to the consolidated financial statements. Certain items also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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 105 to 201, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 ("HKSA") 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
<p>Revenue recognition from construction works</p> <p>For the year ended 31 December 2020, the Group recognised revenue from construction works of approximately HK\$57,612 million, including revenue from construction contracts, infrastructure 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">• understanding and evaluating the Group's process and control over contract revenue recognition and budget estimation;• testing the calculation of the revenue and profit recognised from construction contracts;• 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;• testing, on a sample basis, the actual costs incurred on construction works during the reporting period;• 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• comparing last year's budget against the current year's budget or actual costs incurred for major contracts on a sampling basis.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of trade receivables and contract assets</p> <p>As at 31 December 2020, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK\$95,213 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, aging 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"> • 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; • testing, on a sample basis, the aging of trade receivables at year end; • testing, on a sample basis, subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • 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; • 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 • obtaining and reviewing the expected credit loss calculation prepared by management.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of concession operating rights</p> <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\$3,813 million as at 31 December 2020.</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 2020 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> <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>	<p>Our audit procedures to assess impairment of concession operating rights included the following:</p> <ul style="list-style-type: none">• obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group;• assessing the external valuer's qualifications, experience and expertise and consider its objectivity and independence;• involving our internal valuation specialists to assist us in the assessment of the valuation methodology and discount rates adopted in the valuation; and• 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.

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

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

24 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	7	62,458,009	61,669,678
Costs of sales		(53,173,850)	(52,433,975)
Gross profit		9,284,159	9,235,703
Investment income, other income and other gains, net	9	979,166	636,756
Administrative, selling and other operating expenses		(1,920,393)	(1,681,800)
Share of profits of			
Joint ventures		701,944	452,654
Associates		1,879,577	920,143
Finance costs	10	(2,679,977)	(2,278,985)
Profit before tax		8,244,476	7,284,471
Income tax expenses, net	13	(1,760,302)	(1,560,891)
Profit for the year	14	6,484,174	5,723,580
Profit for the year attributable to:			
Owners of the Company		6,015,368	5,413,208
Holders of perpetual capital securities		407,246	260,166
Non-controlling interests		61,560	50,206
		6,484,174	5,723,580
Earnings per share (HK cents)	16		
Basic		119.14	107.21
Diluted		119.14	107.21

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Non-current Assets			
Property, plant and equipment	17	5,390,547	4,726,378
Investment properties	18	4,643,331	5,067,333
Interests in infrastructure project investments	19	5,713,846	4,747,131
Interests in joint ventures	20	16,453,237	14,012,737
Interests in associates	21	6,829,830	6,300,683
Concession operating rights	22	3,812,526	3,837,846
Deferred tax assets	23	177,691	157,833
Trademark, project backlogs and licences	24	278,416	289,117
Goodwill	24	577,664	577,664
Financial assets at fair value through other comprehensive income	25	689,958	658,355
Amounts due from investee companies	26	211,806	211,806
Trade and other receivables	27	53,729,653	44,317,072
Loans to joint ventures	28	295,761	1,020,307
		98,804,266	85,924,262
Current Assets			
Interests in infrastructure project investments	19	62,142	52,053
Inventories	29	410,072	259,811
Properties under development	30	4,311,691	1,810,383
Properties held for sale		1,431,447	1,716,919
Contract assets	31	11,981,742	12,115,947
Trade and other receivables	27	38,160,276	30,601,279
Deposits and prepayments		1,536,738	500,604
Loans to joint ventures	28	342,222	327,883
Amounts due from joint ventures	28	6,421,303	5,105,117
Amounts due from associates	32	846,103	373,897
Tax recoverable		47,943	12,127
Bank balances and cash	33	22,455,362	22,623,621
		88,007,041	75,499,641

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

		As at 31 December	
	Notes	2020	2019
		HK\$'000	HK\$'000
Current Liabilities			
Contract liabilities	31	8,547,294	7,830,567
Trade payables, other payables and accruals	34	51,288,246	44,699,248
Deposits received		61,326	34,352
Amounts due to joint ventures	28	1,481,867	1,353,803
Amounts due to associates	32	311,097	86
Amount due to a related company	35	137,222	–
Current tax payables		5,326,550	4,781,892
Borrowings	36	9,707,491	10,040,968
Loans from fellow subsidiaries	37	3,050,900	2,340,000
Lease liabilities	38	27,499	24,854
		79,939,492	71,105,770
Net current assets		8,067,549	4,393,871
Total assets less current liabilities		106,871,815	90,318,133
Capital and Reserves			
Share capital	39	126,229	126,229
Share premium and reserves	40	48,967,545	42,021,941
Equity attributable to owners of the Company		49,093,774	42,148,170
Perpetual capital securities	41	7,799,208	7,781,962
Non-controlling interests		1,386,565	977,433
		58,279,547	50,907,565
Non-current Liabilities			
Borrowings	36	35,488,761	29,347,618
Guaranteed notes payables and corporate bonds	42	9,179,000	6,216,049
Contract liabilities	31	656,125	688,210
Deferred tax liabilities	23	399,898	403,675
Loan from a joint venture	43	2,843,602	2,711,864
Lease liabilities	38	24,882	43,152
		48,592,268	39,410,568
		106,871,815	90,318,133

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company			Perpetual capital securities HK\$'000 (Note 41)	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 39)	Share premium and reserves HK\$'000 (Note 40)	Total HK\$'000			
At 1 January 2019	126,229	38,328,139	38,454,368	3,878,468	745,414	43,078,250
Profit for the year	–	5,413,208	5,413,208	260,166	50,206	5,723,580
Gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	–	24,990	24,990	–	–	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	–	9,376	9,376	–	–	9,376
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	–	492	492	–	–	492
Exchange differences on translation of subsidiaries	–	(250,497)	(250,497)	–	(6,404)	(256,901)
Exchange differences on translation of joint ventures	–	(101,074)	(101,074)	–	–	(101,074)
Exchange differences on translation of associates	–	(5,827)	(5,827)	–	–	(5,827)
Total comprehensive income for the year	–	5,090,668	5,090,668	260,166	43,802	5,394,636
Issuance of perpetual capital securities	–	–	–	3,877,328	–	3,877,328
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	16,898	16,898	–	–	16,898
Contribution from non-controlling interests of subsidiaries	–	–	–	–	202,482	202,482
Distribution paid on perpetual capital securities	–	–	–	(234,000)	–	(234,000)
Dividend paid to non-controlling shareholders	–	–	–	–	(14,265)	(14,265)
2018 final dividend paid	–	(605,899)	(605,899)	–	–	(605,899)
2019 interim dividend paid	–	(807,865)	(807,865)	–	–	(807,865)
Total transactions with owners, recognised directly in equity	–	(1,396,866)	(1,396,866)	3,643,328	188,217	2,434,679
At 31 December 2019	126,229	42,021,941	42,148,170	7,781,962	977,433	50,907,565

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Attributable to owners of the Company					
	Share capital	Share premium and reserves	Total	Perpetual capital securities	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 39)	(Note 40)		(Note 41)		
At 1 January 2020	126,229	42,021,941	42,148,170	7,781,962	977,433	50,907,565
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 Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Operating activities		
Profit before tax	8,244,476	7,284,471
Adjustments for:		
Finance costs	2,679,977	2,278,985
Interest income	(399,904)	(444,036)
Dividend income	(35,384)	(31,154)
Gain on disposal of debt securities at fair value through other comprehensive income, net of tax	–	(7,376)
Loss on fair value changes of investment properties, net	186,302	–
Gain on disposal of property, plant and equipment	(5,242)	(9,138)
Gain on disposal of investment properties	–	(4,028)
Gain on disposal of a joint venture	(570,035)	–
Share of profits of joint ventures	(701,944)	(452,654)
Share of profits of associates	(1,879,577)	(920,143)
Exchange losses, net	161,284	45,256
Depreciation of property, plant and equipment	197,038	193,262
Amortisation of concession operating rights	201,028	270,065
Amortisation of trademark and licences	17,454	17,598
Allowance for doubtful debts on trade and other receivables	5,935	914
Operating cash flows before working capital changes	8,101,408	8,222,022
Decrease in income receivables from infrastructure project investments	494,344	31,230
(Increase)/decrease in inventories	(130,626)	17,572
(Increase)/decrease in properties under development	(1,958,580)	532,028
Increase in properties held for sale	(55,177)	(1,026,590)
Changes in net balances in net contract assets/liabilities	1,253,151	(4,253,464)
Increase in trade and other receivables	(14,691,559)	(13,565,721)
Increase in deposits and prepayments	(986,051)	(236,706)
Increase in trade payables, other payables and accruals	4,992,385	8,101,855
Increase in deposits received	26,974	4,521
Net cash used in operations	(2,953,731)	(2,173,253)
Income taxes paid	(1,579,514)	(560,570)
Income taxes refunded	1,637	29,474
Net cash used in operating activities	(4,531,608)	(2,704,349)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Investing activities		
Interest received	276,550	249,323
Purchases of property, plant and equipment	(548,380)	(502,777)
Proceeds from disposal of property, plant and equipment	13,473	14,722
Proceeds from disposal of investment properties	–	7,101
Net movement of current accounts with joint ventures	(310,111)	(1,090,448)
Net movement of loans to joint ventures	(54,597)	685,127
Investments in joint ventures	(2,158,513)	(2,221,952)
Proceeds from disposal of a joint venture	1,359,126	–
Dividends received from joint ventures	416,036	269,688
Net movement of current accounts with associates	(133,536)	(377,302)
Decrease/(increase) in investments in associates	190,072	(1,475,294)
Dividends received from associates	1,259,450	1,841,937
Dividends received from equity securities at fair value through other comprehensive income	35,384	31,154
Acquisition of debt securities at fair value through other comprehensive income	–	(402,407)
Proceeds from disposal of equity securities at fair value through other comprehensive income	–	291,658
Acquisition of investment properties	–	(388,824)
Increase in pledged bank deposits and deposits with financial institutions	(20,414)	(21,747)
Net cash from/(used in) investing activities	324,540	(3,090,041)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Financing activities			
Finance costs paid		(2,735,526)	(1,966,621)
Dividends paid to owners of the Company		(1,666,222)	(1,413,764)
Dividends paid to non-controlling shareholders		–	(14,265)
Contribution from non-controlling interests		293,066	202,482
Proceeds from issuance of perpetual capital securities, net		–	3,877,328
Distribution paid on perpetual capital securities		(390,000)	(234,000)
Proceeds from issuance of corporate bonds, net	45	2,802,479	–
New bank loans raised	45	32,169,364	27,137,450
Repayment of bank loans	45	(28,207,923)	(22,166,065)
Loan from a joint venture	45	–	2,781,600
Loans from fellow subsidiaries	45	664,452	2,340,000
Principal elements of lease payments	45	(48,411)	(37,518)
Net cash from financing activities		2,881,279	10,506,627
(Decrease)/increase in cash and cash equivalents		(1,325,789)	4,712,237
Cash and cash equivalents at the beginning of the year		22,600,362	17,924,196
Effect of foreign exchange rate changes		1,137,116	(36,071)
Cash and cash equivalents at the end of the year		22,411,689	22,600,362
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		22,455,362	22,623,621
Less: Pledged bank deposits and deposits with financial institutions		(43,673)	(23,259)
		22,411,689	22,600,362

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 ("COHL"), 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 (together, the "Group") are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation 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 24 March 2021.

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.

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 Conceptual Framework for Financial Reporting 2018 and the following amendments to existing standards (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Materials</i>

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

(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 Framework³</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁵</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions¹</i>
HKFRS 17	<i>Insurance Contracts⁴</i>
Amendments to HKFRS 17	<i>Insurance Contract^{4,7}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{4,6}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use³</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract³</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ No mandatory effective date yet determined but available for adoption

⁶ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁷ As a consequence of the amendments to HKFRS 17, issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group will adopt the above new standards, amendments and improvements to existing standards 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 2020

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 2020.

(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.

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 2020

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.

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.

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(b) Associates (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

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 FVOCI 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.

(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.

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

(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.

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	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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

4.4 Property, plant and equipment (continued)

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.

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.

4 Principal accounting policies (continued)

4.5 Leases (continued)

The Group as a lessee (continued)

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 IT equipment and small items of office furniture.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

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.

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.

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.

4 Principal accounting policies (continued)

4.8 Services concession arrangements (continued)

Consideration given by the grantor (continued)

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.

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

4.9 Intangible assets (continued)

(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.

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.

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(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).

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

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(iv) Impairment (continued)

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.

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 to sell 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

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.

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.

4 Principal accounting policies (continued)

4.22 Borrowing costs (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 Principal accounting policies (continued)

4.23 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis difference (continued)

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.

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.

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 2020

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.

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 investment projects*

Income from interests in infrastructure investment projects 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 Public-Private-Partnership ("PPP") projects*

Interest income from PPP 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 2020

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.

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 2020

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 2020

5 Financial risk management

5.1 Financial instruments by category

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	5,775,988	4,799,184
Amounts due from investee companies	211,806	211,806
Loans to joint ventures	637,983	1,348,190
Amounts due from joint ventures	6,421,303	5,105,117
Amounts due from associates	846,103	373,897
Trade and other receivables	87,865,975	70,743,244
Deposits	54,287	36,919
Bank balances and cash	22,455,362	22,623,621
Financial assets at FVOCI	689,958	658,355
	124,958,765	105,900,333
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	50,936,300	44,500,757
Amounts due to joint ventures	1,481,867	1,353,803
Amounts due to associates	311,097	86
Amount due to a related company	137,222	–
Borrowings	45,196,252	39,388,586
Deposits received	61,326	34,352
Loans from fellow subsidiaries	3,050,900	2,340,000
Loan from a joint venture	2,843,602	2,711,864
Lease liabilities	52,381	68,006
Guaranteed notes payables and corporate bonds	9,179,000	6,216,049
	113,249,947	96,613,503

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

5 Financial risk management (continued)

5.2 Financial risk factors

The Group's activities expose it 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.

(a) Market risk

(i) Foreign exchange 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 2020, 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\$3,978,000 lower/higher (2019: HK\$62,000 higher/lower).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, 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 ("HIBOR") arising from its variable-rate borrowings, London Interbank Offered Rate ("LIBOR") arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings and trade and other receivables. Please see notes 25, 27 and 36 for details of debt securities, 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.

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 floating interest debt securities and 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 (2019: 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 (2019: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2020 would decrease/increase by approximately HK\$80,671,000 (2019: decrease/increase by HK\$59,844,000).

(b) Credit risk

As at 31 December 2020, 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(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
The Group					
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
	62,840,127	17,861,140	27,776,170	18,404,271	126,881,708
At 31 December 2019					
Trade payables, other payables and accruals	42,487,889	1,111,014	842,873	58,982	44,500,758
Deposits received	34,352	-	-	-	34,352
Amounts due to joint ventures	1,353,803	-	-	-	1,353,803
Amounts due to associates	86	-	-	-	86
Borrowings	11,601,619	6,319,374	15,809,577	11,592,819	45,323,389
Loan from a fellow subsidiary	2,340,000	-	-	-	2,340,000
Loan from a joint venture	184,406	184,407	3,104,424	-	3,473,237
Guaranteed notes payables	220,350	220,350	4,793,172	2,245,418	7,479,290
Lease liabilities	24,854	17,969	16,760	8,899	68,482
	58,247,359	7,853,114	24,566,806	13,906,118	104,573,397

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 54.8% (2019: 45.1%) as at 31 December 2020.

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).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	31 December 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Debt and equity securities at FVOCI				
Listed debt securities	490,826	–	–	490,826
Unlisted equity securities	–	–	199,132	199,132
	490,826	–	199,132	689,958

	31 December 2019			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Debt and equity securities at FVOCI				
Listed debt securities	528,994	–	–	528,994
Unlisted equity securities	–	–	129,361	129,361
	528,994	–	129,361	658,355

There were no transfers between the levels during the year (2019: Nil).

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2019:

	Equity securities at FVOCI HK\$'000
At 1 January 2019	129,788
Exchange adjustments	(919)
Change in fair value	492
At 31 December 2019 and 1 January 2020	129,361
Exchange adjustments	176
Change in fair value	69,595
At 31 December 2020	199,132

The changes in fair value of the above financial instruments in level 3 were recognised in OCI.

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

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.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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.

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 to disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

6 Critical accounting estimates and judgements (continued)

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 2020

7 Revenue

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

An analysis of the revenue is as follows:

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

Notes:

- (a) Revenue from infrastructure investment projects mainly comprises revenue generated from the provision of construction services under PPP model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the years ended 31 December 2020 and 2019 are recognised over time, except for toll road operation and sales of building materials of approximately HK\$149,895,000 (2019: HK\$166,099,000) and HK\$601,014,000 (2019: HK\$406,691,000) respectively which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 (together the "CSC Development Group") is currently managed by a separate business team. The chief operating decision maker regards the CSC Development Group as a distinct reportable segment and assesses its performance based on its overall result.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

8 Segment information (continued)

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 infrastructure investment projects, toll-road operation, sales of building materials and logistics services.

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowance for doubtful debts on trade and other receivables	-	-	-	-	-	-	5,935	914	5,935	914
Depreciation and amortisation	222,756	298,871	58,168	43,244	7,487	813	127,109	137,997	415,520	480,925
Net gain/(loss) on disposal of property, plant and equipment	75	348	5,161	9,213	-	-	6	(423)	5,242	9,138

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

8 Segment information (continued) Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Mainland China	8,260,928	7,848,009	318,504	344,629
Hong Kong	5,643,861	5,918,877	75,555	112,115
Macau	305,351	372,141	10,551	7,940
Overseas	492,344	359,311	143,770	38,093
	14,702,484	14,498,338	548,380	502,777

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.

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 2019 and 2020, no revenue from sales to a single customer represents 10 percent or more of the Group's total revenue.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

9 Investment income, other income and other gains, net

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

10 Finance costs

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eight (2019: ten) directors were as follows:

For the year ended 31 December 2020

	Yan Jianguo HK\$'000 (Note (b))	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 2020 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 (d))	-	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

For the year ended 31 December 2019

	Zhou Yong HK\$'000 (Note (a))	Yan Jianguo HK\$'000 (Note (b))	Zhang Haipeng HK\$'000	Tian Shuchen HK\$'000	Zhou Hancheng HK\$'000	Hung Cheung Shew HK\$'000	Raymond Ho Chung Tai HK\$'000 (Note (c))	Adrian David Li Man Kiu HK\$'000	Raymond Leung Hai Ming HK\$'000	Lee Shing See HK\$'000	Total 2019 HK\$'000
Fees	-	-	-	-	-	-	180	360	250	424	1,214
Other emoluments:											
Salaries and allowances	-	-	2,669	1,651	2,395	3,623	-	-	-	-	10,338
Contributions to retirement benefit schemes	-	-	18	18	18	18	-	-	-	-	72
Performance related incentive payments (Note (d))	-	-	4,840	4,064	3,290	3,500	-	-	-	-	15,694
Total emoluments	-	-	7,527	5,733	5,703	7,141	180	360	250	424	27,318

Notes:

- Mr. Zhou Yong resigned as the executive director and Chairman of the Company with effect from 22 March 2019.
- Mr. Yan Jianguo was appointed as the Chairman and non-executive director of the Company with effect from 22 March 2019.
- Mr. Raymond Ho Chung Tai resigned as the independent non-executive director of the Company with effect from 3 June 2019.
- The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 2020 and 2019.

Of the five individuals with the highest emoluments, three (2019: four) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining two (2019: one) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	3,710	2,395
Contributions to retirement benefit schemes	36	18
Performance related incentive payments	8,412	3,282
	12,158	5,695

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
HK\$5,500,001 to HK\$6,000,000	1	1
HK\$6,000,001 to HK\$6,500,000	1	–
	2	1

(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 (2019: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

12 Senior management emoluments

The emoluments of the senior management for the years were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	62,270	53,322
Contributions to retirement benefit schemes	198	234
	62,468	53,556

The emoluments of the senior management for the year were within the following bands:

	2020 No. of employees	2019 No. of employees
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	3
HK\$3,500,001 to HK\$4,000,000	2	2
HK\$4,000,001 to HK\$4,500,000	–	2
HK\$4,500,001 to HK\$5,000,000	2	3
HK\$5,000,001 to HK\$5,500,000	3	1
HK\$5,500,001 to HK\$6,000,000	3	1
HK\$6,000,001 to HK\$6,500,000	1	–
	13	13

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

13 Income tax expenses, net

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

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before tax	8,244,476	7,284,471
Share of profits of		
Joint ventures	(701,944)	(452,654)
Associates	(1,879,577)	(920,143)
	5,662,955	5,911,674
Tax at domestic income tax rate of 16.5% (2019: 16.5%)	934,387	975,426
Effect of different tax rates of profit arising from other jurisdictions	392,006	293,876
Tax effect of expenses not deductible for tax purpose	330,632	227,706
Tax effect of income not taxable for tax purpose	(35,497)	(35,500)
Tax effect of tax losses not recognised	295,034	287,859
Tax effect of utilisation of previously unrecognised tax losses	(28,010)	(28,655)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 23)	(30,055)	(15,007)
Overprovision in prior years	(96,133)	(142,877)
Others	(2,062)	(1,937)
Tax charge for the year	1,760,302	1,560,891

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

14 Profit for the year

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging/(crediting)		
Contracts assets costs recognised as expense	52,017,656	51,577,565
Cost of inventories sold	573,238	393,101
Cost of supply of heat, steam and electricity	295,193	254,931
Employee benefits expense including directors' emoluments:		
Staff costs*	4,322,931	4,354,331
Contributions to retirement benefit plans	214,962	209,623
	4,537,893	4,563,954
Less: Amounts capitalised in contract assets	(3,664,316)	(3,468,909)
	873,577	1,095,045
Depreciation of property, plant and equipment (including right-of-use assets)	359,628	344,395
Less: Amounts capitalised in contract assets	(162,590)	(151,133)
	197,038	193,262
Amortisation of concession operating rights (included in costs of sales)	201,028	270,065
Amortisation of trademark and licenses (included in administrative, selling and other operating expenses)	17,454	17,598
Auditor's remuneration:		
Audit services	8,380	9,167
Non-audit services	868	3,103
	9,248	12,270
Short-term lease expense in respect of:		
Plant and machinery	367,378	359,119
Land and buildings	29,625	12,714
	397,003	371,833
Less: Amounts capitalised in contract assets	(376,093)	(370,373)
	20,910	1,460
Rental income from investment properties, net of direct outgoings	(116,854)	(101,756)
Allowance for doubtful debts on trade and other receivables	5,935	914
Exchange losses, net	161,284	45,256

* Wage subsidies of approximately HK\$278,536,000 (2019: Nil) 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 been offset against the employee benefit expenses. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

15 Dividends

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

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

	2020 HK\$'000	2019 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	6,015,368	5,413,208

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,049,157	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 2020 and 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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
Cost							
At 1 January 2019	2,786,749	1,924,800	1,221,189	251,031	123,192	405,999	6,712,960
Exchange adjustments	(14,580)	(23,194)	(3,422)	(2,637)	(848)	(7,408)	(52,089)
Additions	39,400	22,772	31,440	41,688	10,144	357,333	502,777
Reclassification upon the completion of construction	83,012	–	22,710	319	(164)	(138,964)	(33,087)
Transfer between property, plant and equipment and investment properties	(11,305)	–	–	–	–	–	(11,305)
Disposals	(960)	(7,648)	(51,265)	(28,088)	(11,359)	–	(99,320)
At 31 December 2019 and 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	3,401,723	2,067,987	1,278,996	310,016	127,577	770,010	7,956,309
Depreciation							
At 1 January 2019	483,091	857,902	982,214	182,552	90,886	–	2,596,645
Exchange adjustments	(7,785)	(10,119)	(2,196)	(422)	(478)	–	(21,000)
Charge for the year	99,587	69,585	68,003	51,206	10,048	–	298,429
Transfer between property, plant and equipment and investment properties	(775)	–	–	–	–	–	(775)
Disposals	(246)	(6,612)	(51,265)	(25,239)	(10,374)	–	(93,736)
At 31 December 2019 and 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	711,594	1,040,005	1,048,736	237,693	99,106	–	3,137,134
Carrying values							
At 31 December 2020	2,690,129	1,027,982	230,260	72,323	28,471	770,010	4,819,175
At 31 December 2019	2,308,444	1,005,974	223,896	54,216	30,883	616,960	4,240,373

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17 Property, plant and equipment (continued)

Net book value of property, plant and equipment including right-of-use assets:

	2020 HK\$'000	2019 HK\$'000
Comprising of:		
Owned property, plant and equipment	4,819,175	4,240,373
Right-of-use assets (Note 38(i))	571,372	486,005
	5,390,547	4,726,378

The carrying values of land and buildings shown above are situated on:

	2020 HK\$'000	2019 HK\$'000
Land and buildings in Hong Kong under medium-term leases	1,071,127	857,170
Heat and electricity plants in Mainland China under medium-term leases	259,175	253,956
Other premises in Mainland China under medium-term leases	1,122,216	959,537
Freehold land in Macau	67,188	68,903
Freehold land in Canada	138,962	136,809
Freehold land in the United States of America	31,461	32,069
	2,690,129	2,308,444

At 31 December 2020, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounting to approximately HK\$16,664,000 (2019: HK\$17,016,000).

At 31 December 2020, the carrying amount of the Group's owned property and motor vehicles held under finance lease is approximately HK\$31,834,000 (2019: HK\$32,662,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

18 Investment properties

	2020 HK\$'000	2019 HK\$'000
At 1 January	5,067,333	4,680,776
Additions	–	388,824
Transfer between property, plant and equipment and investment properties	(267,676)	10,530
Disposal	–	(3,073)
Exchange adjustments	29,976	(9,724)
Change in fair value	(186,302)	–
At 31 December	4,643,331	5,067,333

(i) Amounts recognised in consolidated income statement for investment properties

	2020 HK\$'000	2019 HK\$'000
Rental income from operating lease	136,774	119,927
Direct operating expenses from property that generated rental income	(19,920)	(18,171)
Loss on fair value changes of investment properties, net in investment income, other income and other gains, net	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 Cushman & Wakefield Limited, 鎮江中天恒土地房地產資產評估諮詢有限公司 and 康嘉房地產評估諮詢有限公司. 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.

(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 or, 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 2020 and 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

18 Investment properties (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs

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

Description	Fair value at 31 December 2019 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Properties in Hong Kong	4,264,810	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	2.5%–3.0% HK\$65–HK\$200 HK\$21,510– HK\$24,266
Properties in Macau	209,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	2.75%–3.5% HK\$10–HK\$12
Properties in Mainland China	593,523	Direct Comparison Approach	(1) market price per square foot	RMB947– RMB2,862

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

18 Investment properties (continued)

(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, refer to note 47.

19 Interests in infrastructure project investments

	2020 HK\$'000	2019 HK\$'000
Interests in infrastructure project investments	5,775,988	4,799,184
Less: Portion due within one year included in current assets	(62,142)	(52,053)
Portion due after one year	5,713,846	4,747,131

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 20.33% (2019: 6.6% to 18.93%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2020 and 2019.

The directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2020 and 2019 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

At 31 December 2020, interests in infrastructure project investments of approximately HK\$2,644,900,000 (2019: Nil) had been pledged to secure banking facilities granted to the Group (note 36).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

20 Interests in joint arrangements

Joint ventures

	2020 HK\$'000	2019 HK\$'000
Cost of investments, unlisted	13,659,024	12,377,652
Share of post-acquisition profits and other comprehensive income, net of dividends	2,794,213	1,635,085
	16,453,237	14,012,737

Particulars regarding the principal joint ventures as at 31 December 2020 and 2019 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2020 %	2019 %	
Nanjing Changjiang Second Bridge Company Limited	Incorporated	Mainland China	65	65	Operation and management of a toll bridge
長沙中建國際發展有限公司	Incorporated	Mainland China	65	65	Infrastructure investment
中建(武漢光谷)建設有限公司	Incorporated	Mainland China	50	50	Infrastructure investment
中建(唐山曹妃甸)工程建設有限公司	Incorporated	Mainland China	72	72	Infrastructure investment
安徽蚌五高速公路投資管理有限公司	Incorporated	Mainland China	70	70	Infrastructure investment
貴州正習高速公路投資管理有限公司	Incorporated	Mainland China	30	30	Infrastructure investment
貴州中建秀印高速公路有限公司	Incorporated	Mainland China	50	50	Infrastructure investment
貴州雷榕高速公路投資管理有限公司	Incorporated	Mainland China	60	60	Infrastructure investment
曲阜尼山文旅置業有限責任公司	Incorporated	Mainland China	60	60	Infrastructure investment
上海臨博海薈城市建設發展有限公司	Incorporated	Mainland China	49	49	Infrastructure investment
廣東國通物流城有限公司*	Incorporated	Mainland China	41	–	Infrastructure investment

* Incorporated in 2020

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:

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying value	16,453,237	14,012,737
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	701,944	452,654
Other comprehensive income/(loss)	606,150	(101,074)
Total comprehensive income	1,308,094	351,580

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2020 and 2019. As at 31 December 2020, there are approximately HK\$2,786,428,000 (2019: HK\$5,160,890,000) unpaid committed investments relating to the Group's interests in joint ventures.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

20 Interests in joint arrangements (continued)

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 2020 and 2019 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
			2020	2019	
			%	%	
Penta-Ocean — China State Joint Venture	Unincorporated	Hong Kong	49	49	Civil engineering works
Leighton — China State Joint Venture	Unincorporated	Hong Kong	49	49	Civil engineering works
Alchmex — Paul Y Joint Venture	Unincorporated	Hong Kong	55	55	Civil engineering works
AJA Joint Venture	Unincorporated	Hong Kong	31.2	31.2	Civil engineering works
China State Joint Venture	Unincorporated	Hong Kong	60	60	Civil engineering works
AJC Joint Venture	Unincorporated	Hong Kong	30.5	30.5	Civil engineering works
CSME — Southa Joint Venture*	Unincorporated	Hong Kong	51	–	Mechanical and electrical engineering works

* Incorporated in 2020

21 Interests in associates

	2020 HK\$'000	2019 HK\$'000
Unlisted companies		
Cost of investments in associates	3,239,187	3,334,126
Share of post-acquisition profits and other comprehensive income, net of dividends	1,181,372	627,318
	4,420,559	3,961,444
Amount due from an associate	40,951	95,552
Loans to associates	2,368,320	2,243,687
	6,829,830	6,300,683

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

21 Interests in associates (continued)

Included in the cost of investments in associates is goodwill of approximately HK\$494,000 (2019: 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 loans to associates are unsecured, interest bearing range from 5.5% to 9.5% (2019: 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\$.

Set out below are the principal associates of the Group as at 31 December 2020 and 2019.

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
				2020 %	2019 %	
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI/Macau	Non-voting class B [#]	29	29	Investment holding
安徽興泰融資租賃有限責任公司	Incorporated	Mainland China	Ordinary	25	25	Loan financing
澳門水泥廠有限公司	Incorporated	Macau	Ordinary	31.34	31.34	Manufacture and sale of ready-mixed concrete
Trillion Vantage Investments Limited ("Trillion Vantage")	Incorporated	BVI/Hong Kong	Ordinary	20	20	Investment holding
六盤水董大公路投資開有限責任公司	Incorporated	Mainland China	Ordinary	25	25	Infrastructure investment
包頭市中海宏洋地產有限公司	Incorporated	Mainland China	Ordinary	20	20	Property development
顯意國際有限公司	Incorporated	Hong Kong	Ordinary	30	30	Property development
中建(泉州)城市發展有限公司	Incorporated	Mainland China	Ordinary	35	35	Property development
福州海建地產有限公司	Incorporated	Mainland China	Ordinary	50	50	Property development
Macfull Limited	Incorporated	Hong Kong	Ordinary	20	20	Property development
Honour Vision Limited*	Incorporated	Hong Kong	Ordinary	20	–	Property development

* Incorporated in 2020

[#] 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% (2019: 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 2020

21 Interests in associates (continued)

During the year, share of profits of associates amounted to approximately HK\$1,176,701,000 (2019: HK\$865,648,000) was derived from Fast Shift and Trillion Vantage (2019: Fast Shift). Set out below is the aggregate financial information of the Group's associates:

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying value	4,420,559	3,961,444
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	1,879,577	920,143
Other comprehensive income/(loss)	25,217	(5,827)
Total comprehensive income	1,904,794	914,316

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2020 and 2019.

22 Concession operating rights

	HK\$'000
Cost	
At 1 January 2019	6,450,299
Exchange adjustments	(67,758)
At 31 December 2019 and 1 January 2020	6,382,541
Exchange adjustments	262,894
At 31 December 2020	6,645,435
Amortisation and impairment	
At 1 January 2019	2,295,499
Exchange adjustments	(20,869)
Charge for the year	270,065
At 31 December 2019 and 1 January 2020	2,544,695
Exchange adjustments	87,186
Charge for the year	201,028
At 31 December 2020	2,832,909
Carrying values	
At 31 December 2020	3,812,526
At 31 December 2019	3,837,846

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 Niangziquan, Shanxi Province with net carrying amounts of approximately HK\$1,900,166,000 (2019: HK\$1,901,257,000) and HK\$1,912,360,000 (2019: HK\$1,936,589,000), 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 Niangziquan, 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 2020 and 2019, 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 Niangziquan, 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 11% to 12% (2019: 8% to 11%) and a pre-tax discount rate of 12% (2019: 12%) have been used in the value-in-use calculation.

At 31 December 2019, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK\$1,901,257,000 had been pledged to secure banking facilities granted to the Group. The pledge was released during the current year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

23 Deferred taxation

The analysis of the Group's deferred tax assets and deferred tax liabilities 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 subsidiaries and joint ventures HK\$'000	Recognition of intangible assets on business combination HK\$'000	Revaluation of land HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2019	54,632	(774)	195,487	(7,195)	83,366	44,646	5,158	(144,320)	(2,743)	228,257
Exchange adjustments	(656)	-	(2,142)	86	-	(141)	-	1,715	-	(1,138)
Charged/(credited) to consolidated income statement (Note 13)	761	(1,629)	(7,460)	471	(15,007)	(1,691)	-	43,278	-	18,723
At 31 December 2019 and 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	68,338	9,738	152,993	(36,188)	38,304	30,940	5,158	(73,385)	26,309	222,207

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	177,691	157,833
Deferred tax liabilities	(399,898)	(403,675)
	(222,207)	(245,842)

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:

	2020 HK\$'000	2019 HK\$'000
Unused tax losses (Note)	6,736,830	7,013,866

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\$3,200,444,000 (2019: HK\$4,614,692,000) 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\$25,320,305,000 (2019: HK\$20,787,184,000) as at 31 December 2020.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

24 Trademark, project backlogs, licences and goodwill

	Trademark HK\$'000	Project backlogs HK\$'000	Licences HK\$'000	Goodwill HK\$'000	Total HK\$'000
Cost					
At 1 January 2019	216,708	45,359	178,445	577,664	1,018,176
Exchange adjustments	–	–	(2,094)	–	(2,094)
At 31 December 2019 and 1 January 2020	216,708	45,359	176,351	577,664	1,016,082
Exchange adjustments	–	–	8,084	–	8,084
At 31 December 2020	216,708	45,359	184,435	577,664	1,024,166
Amortisation					
At 1 January 2019	73,138	45,359	13,480	–	131,977
Charge for the year	10,835	–	6,763	–	17,598
Exchange adjustments	–	–	(274)	–	(274)
At 31 December 2019 and 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	94,809	45,359	27,918	–	168,086
Carrying values					
At 31 December 2020	121,899	–	156,517	577,664	856,080
At 31 December 2019	132,735	–	156,382	577,664	866,781

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\$146,567,000 as at 31 December 2020 (2019: HK\$146,432,000).

The construction licences with carrying amount of approximately HK\$9,950,000 (2019: 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.

24 Trademark, project backlogs, licences and goodwill (continued)

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 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%. The recoverable amount of the CSC Development Group as at 31 December 2019 was determined based on fair value less costs to disposal by making reference to its market share price.

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.

25 Financial assets at fair value through other comprehensive income

(i) Classification of debt and equity securities at FVOCI

Debt and equity 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:

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Unlisted securities		
Equity securities (Note)	199,132	129,361

On disposal of these equity securities, any related balance within the investment revaluation reserve is reclassified to retained profits.

Note: At 31 December 2020, an amount of approximately HK\$140,811,000 (2019: HK\$71,216,000) 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

25 Financial assets at fair value through other comprehensive income (continued)

(iii) Debt securities at FVOCI

Debt securities at FVOCI comprise the following individual investments in listed bonds:

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Listed securities		
— Debt securities listed in Hong Kong (Note)	439,833	476,592
— Debt securities listed in overseas	50,993	52,402
	490,826	528,994

On disposal of these debt securities, any related balance within the investment revaluation reserve is reclassified to consolidated income statement.

Note: At 31 December 2020, an amount of approximately HK\$64,304,000 (2019: HK\$63,337,170) 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.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	143,841	74,246
RMB	3,811	3,635
US\$	490,826	528,994
Macao Pataca ("MOP")	51,480	51,480
	689,958	658,355

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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% (2019: 5.94% to 7.83%) per annum and the balances are denominated in RMB.

At 31 December 2020, amounts due from investee companies including approximately HK\$192,178,000 (2019: HK\$192,178,000) advanced to subsidiaries of COLI, a fellow subsidiary of the Group.

27 Trade and other receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables and retention receivables	83,260,760	70,304,793
Less: allowance for doubtful debts	(29,896)	(21,520)
	83,230,864	70,283,273
Other receivables	8,659,065	4,636,131
Less: allowance for doubtful debts	–	(1,053)
	8,659,065	4,635,078
Trade and other receivables (Note (a))	91,889,929	74,918,351
Less: Current portion	(38,160,276)	(30,601,279)
Non-current portion (Note (b))	53,729,653	44,317,072

Notes:

- (a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK\$6,140,308,000 (2019: HK\$4,770,301,000), 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\$369,184,000 (2019: HK\$420,528,000), which are unsecured, interest free and repayable on demand.
- (b) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2022 to 2030, with approximately HK\$15,654,501,000 in 2022, HK\$18,185,337,000 in 2023, HK\$8,849,031,000 in 2024 and HK\$11,040,784,000 in 2025 to 2030. As a result, they are classified as non-current.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

27 Trade and other receivables (continued)

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

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

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

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

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

At 31 December 2020, trade receivables of approximately HK\$12,714,602,000 (2019: HK\$33,404,459,000) had been pledged to secure banking facilities granted to the Group (Note 36).

Movement in the allowance for doubtful debts

	2020 HK\$'000	2019 HK\$'000
1 January	22,573	21,430
Exchange adjustments	1,388	229
Impairment losses recognised on receivables	5,935	914
31 December	29,896	22,573

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

27 Trade and other receivables (continued)

Movement in the allowance for doubtful debts (continued)

Trade and other receivables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	14,732,916	9,613,804
RMB	74,809,932	63,196,751
MOP	1,852,368	1,579,875
US\$	177,140	219,477
Others	317,573	308,444
	91,889,929	74,918,351

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% (2019: 4.75% to 7.83%) per annum and is expected to be repaid within twelve months after the end of the reporting period.

Non-current portion of the loans to joint ventures is unsecured, carrying interest at 5.00% to 5.88% (2019: 5.88% to 7.50%) per annum and is not expected to be repaid within twelve months after the end of the reporting period.

The balances of loans to joint ventures are denominated in RMB.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

29 Inventories

	2020 HK\$'000	2019 HK\$'000
Raw materials and consumables	234,259	178,842
Work in progress	11,571	699
Finished goods	164,242	80,270
	410,072	259,811

30 Properties under development

	2020 HK\$'000	2019 HK\$'000
Properties under development	4,311,691	1,810,383

Note: Included in the amount are properties under development of approximately HK\$4,300,855,000 (2019: HK\$1,772,218,000) 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 2020 HK\$'000	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Contract assets related to construction services (Note (i))	11,981,742	12,115,947	9,081,810
Contract liabilities related to (Note (ii))			
— Construction services	(7,979,011)	(7,476,139)	(8,248,920)
— Thermoelectricity business	(1,224,408)	(1,042,638)	(1,518,576)
	(9,203,419)	(8,518,777)	(9,767,496)
Less: Current portion	8,547,294	7,830,567	9,027,486
Non-current portion	(656,125)	(688,210)	(740,010)

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 2020

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:

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Construction services	5,441,234	6,911,652
— Thermolectricity business	524,309	535,474
	5,965,543	7,447,126
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods		
— Construction services	83,869	158,242

The following table shows the amount of unsatisfied performance obligations:

	2020 HK\$'000	2019 HK\$'000
Expected to be recognised within one year	103,845,303	64,098,167
Expected to be recognised after one year	38,962,376	64,593,520
	142,807,679	128,691,687

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

33 Bank balances and cash

	2020 HK\$'000	2019 HK\$'000
Pledged bank deposits	41,254	23,150
Deposits with financial institutions	2,419	109
Bank balances and cash	22,411,689	22,600,362
	22,455,362	22,623,621

Pledged bank deposits

At 31 December 2020, bank deposits amounting to approximately HK\$41,254,000 (2019: HK\$23,150,000) are pledged and earn interest at fixed rates of 0.6% (2019: 0.3% to 0.6%) per annum.

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates of one (2019: one) month earning interest at fixed rates of 2.76% (2019: 0.01%) per annum.

Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 2.76% (2019: 0.1% to 3.7%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

Bank balances included a balance with a fellow subsidiary of the Group, which is a non-bank financial institution in the PRC, amounting to approximately HK\$1,415,487,000 (2019: Nil).

Pledged bank deposits, deposits with financial institutions, bank balances and cash are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	3,696,406	5,125,398
RMB	13,551,978	9,913,589
MOP	1,735,580	2,669,266
US\$	3,358,881	4,808,652
Others	112,517	106,716
	22,455,362	22,623,621

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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:

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

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\$340,933,000 (2019: HK\$350,385,000), which were unsecured, interest-free and repayable on demand.

Trade payables and retention payables included balances with related companies amounting to approximately HK\$16,114,134,000 (2019: HK\$12,092,257,000), which were 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 (2019: 60) days. At 31 December 2020, the amount of retention payables expected to be settled after more than one year was approximately HK\$3,071,208,000 (2019: HK\$2,012,869,000).

Trade payables, other payables and accruals are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	9,697,593	9,524,911
RMB	38,565,497	32,283,911
MOP	2,757,045	2,611,530
US\$	33,978	46,259
Others	234,133	232,637
	51,288,246	44,699,248

35 Amount due to a related company

The amount due is unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

36 Borrowings

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

The fair values of borrowings approximate their carrying amounts as the impact of discounting is not significant.

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 is required to fulfill by the Group to the banks.

Borrowings are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	5,714,783	8,025,257
RMB	39,199,303	30,875,793
Canadian Dollar ("CAD")	281,340	175,536
US\$	826	312,000
	45,196,252	39,388,586

The effective interest rates of borrowings are as follows:

	2020				2019			
	HK\$ %	RMB %	CAD %	US\$ %	HK\$ %	RMB %	CAD %	US\$ %
Bank loans, secured	–	4.76	4.24	–	–	5.07	4.24	–
Bank loans, unsecured	2.12	4.38	2.83	4.00	3.47	4.88	4.28	5.03

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

37 Loans from fellow subsidiaries

Loans from fellow subsidiaries are unsecured, carrying interests ranging from 3.41% to 3.60% (2019: 3.41%) per annum and repayable on demand. The balances are 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:

	2020 HK\$'000	2019 HK\$'000
Right-of-use assets		
Prepaid land lease payment (Note)	488,881	387,080
Land and buildings and plant and machinery	31,834	32,662
Others	50,657	66,263
	571,372	486,005
Lease liabilities		
Current	27,499	24,854
Non-current	24,882	43,152
	52,381	68,006

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\$116,943,000 (2019: HK\$14,609,000) of which non-cash addition were approximately HK\$29,267,000 (2019: HK\$14,609,000).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets		
Prepaid land lease payment	8,944	8,076
Land and buildings and motor vehicles	829	829
Others	43,873	37,061
	53,646	45,966
Interest expense (included in finance costs)	3,664	3,020
Expense relating to short-term leases (included in cost of sales and administrative, selling and other operating expenses)	397,003	371,833

The total cash outflow for leases during the year was approximately HK\$533,090,000 (2019: HK\$412,234,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

38 Leases (continued)

(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:		
Balance at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,049,156,668	126,229

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 2019	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139
Profit for the year	-	-	-	-	-	-	5,413,208	5,413,208
Gain on fair value changes of debt securities at FVOCI, net of tax	-	-	-	24,990	-	-	-	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	-	-	-	9,376	-	-	-	9,376
Gain on fair value changes of equity securities at FVOCI, net of tax	-	-	-	492	-	-	-	492
Exchange differences on translation of subsidiaries	-	-	-	-	(250,497)	-	-	(250,497)
Exchange differences on translation of joint ventures	-	-	-	-	(101,074)	-	-	(101,074)
Exchange differences on translation of associates	-	-	-	-	(5,827)	-	-	(5,827)
Total comprehensive income for the year	-	-	-	34,858	(357,398)	-	5,413,208	5,090,668
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	-	16,898	-	-	-	-	-	16,898
2018 final dividend paid	-	-	-	-	-	-	(605,899)	(605,899)
2019 interim dividend paid	-	-	-	-	-	-	(807,865)	(807,865)
Transfer to statutory reserve	-	-	-	-	-	43,284	(43,284)	-
Total transactions with owners, recognised directly in equity	-	16,898	-	-	-	43,284	(1,457,048)	(1,396,866)
At 31 December 2019	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 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

40 Share premium and reserves (continued)

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 (Macau) 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 (formerly known as 深圳中海建築有限公司) 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 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL"), 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.
 - (ii) During 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) During 2016, the CSC Development Group further acquired 36.63% 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) During 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 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 2020 is the proposed 2020 final dividend of approximately HK\$957,525,000 (2019: HK\$807,865,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

41 Perpetual capital securities

As at 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.

As at 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.

42 Guaranteed notes payables and corporate bonds

In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$550 million and US\$250 million (equivalent to approximately HK\$4,276 million and HK\$1,938 million) (the "Notes") at the issue price of 99.982% and 99.688%. The Notes bear fixed interest at the rate of 3.375% and 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes 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 Notes will mature on 29 November 2022 and 29 November 2027 at the principal amount. The fair value of the Notes at 31 December 2020 was estimated at approximately HK\$4,415 million (2019: HK\$4,337 million) and HK\$2,077 million (2019: HK\$2,001 million), which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of RMB2,000 million to professional investors in Mainland China. The corporate bonds have a maturity of 3 years and the coupon rate is 3.48% per annum. The corporate bonds were listed on the Shanghai Stock Exchange. The corporate bonds will mature on 29 July 2023 at the principal amount. The fair value of the corporate bonds at 31 December 2020 was estimated at approximately RMB1,997 million, which was determined based on the closing market price of the corporate bonds at that date and is within level 1 of the fair value hierarchy.

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 in Mainland China. The medium-term notes have a maturity of 3 years and the coupon rate is 3.45% per annum. The medium-term notes were listed on the National Association of Financial Market Institutional Investors. The medium-term notes will mature on 28 October 2023 at the principal amount. The fair value of the medium-term notes at 31 December 2020 was estimated at approximately RMB492 million, which was determined based on the closing market price of the medium-term notes at that date and is within level 1 of the fair value hierarchy.

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% (2019: 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 2020

44 Share-based payments (continued)

During the year, 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.

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.

During the year, 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.

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.

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.

During the year, no other incentive shares were exercised, lapsed or cancelled.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 2019	6,210,963	91,350	–	–	34,829,782	41,132,095
Cash flows	–	(40,401)	2,340,000	2,781,600	4,971,385	10,052,584
Foreign exchange adjustments	–	(594)	–	(69,736)	(412,581)	(482,911)
Other non-cash movements	5,086	17,651	–	–	–	22,737
At 31 December 2019 and 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	9,179,000	52,381	3,050,900	2,843,602	45,196,252	60,322,135

46 Contingent liabilities

As at 31 December 2020, the Group provided guarantees amounted to approximately HK\$34,668,000 (2019: HK\$73,293,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

47 Operating lease arrangements

The Group as lessee

The Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable leases which fall due:

	2020 HK\$'000	2019 HK\$'000
Within one year	5,691	1,570

Leases in respect of plant and machinery are negotiated based on individual contracts and the Group had no commitments for future minimum lease payments under the operating leases of plant and machinery.

At 31 December 2020 and 2019, the Group had recognised right-of-use assets for these leases, except for short-term or low-value leases, see note 38 for further information.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

47 Operating lease arrangements (continued)

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of approximately HK\$4,352,893,000 (2019: HK\$4,931,168,000) were let out under operating leases.

Property rental income earned, net of direct outgoings, during the year was approximately HK\$116,854,000 (2019: HK\$101,756,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to seven years without termination options granted to tenants.

At 31 December 2020 and 2019, the Group had contracted with tenants for the following future minimum lease payments:

	2020 HK\$'000	2019 HK\$'000
Within one year	101,159	113,895
After one year but within two years	61,266	74,299
After two years but within three years	15,018	36,372
After three years but within four years	7,549	6,292
After four years but within five years	4,046	5,114
After five years	1,313	1,920
	190,351	237,892

48 Commitments

At 31 December 2020 and 2019, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for — construction in progress for property, plant and equipment	163,256	43,685

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 2020

49 Related party transactions

Apart from the balances due from or to related parties set out in notes 21, 25, 26, 27, 28, 32, 33, 34, 35, 37 and 43, the Group had the following transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the year:

Transactions

	2020 HK\$'000	2019 HK\$'000
Fellow subsidiaries		
Rental income	2,512	4,233
Rental expenses	1,542	1,477
Security service payment	11,044	11,752
Revenue from construction contracts	3,331,799	487,879
Project consultancy services income	71,536	33,996
Construction costs	12,156,603	11,087,370
Revenue from connection service	17,595	23,187
Interest income	6,249	–
Interest expenses	92,322	1,502
Associates		
Purchase of construction materials	178,800	132,755
Revenue from construction contracts	2,810,407	3,931,722
Interest income	96,977	112,333
Management fee income	43,882	43,379
Joint ventures		
Revenue from construction contracts	4,786,862	4,693,133
Rental income from lease of machinery	3,936	1,083
Purchase of materials	–	52,179
Sales of building materials	18,411	–
Insurance premium income	15,187	8,686
Management fee income	1,560	401
Interest income	26,377	83,179
Interest expenses	210,634	179,823
Immediate holding company		
Revenue from construction contracts	18,948	–
Insurance premium income	1,635	1,286
Interest expenses	–	4,080
Intermediate holding company		
Revenue from construction contracts	2,324,629	2,519,027

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

49 Related party transactions (continued)

Transactions with other state-controlled 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 is itself 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, associate and joint ventures of the Group, the Group has transactions with other state-controlled 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 state-controlled.

Certain of the Company's subsidiaries had entered into various transactions with state-controlled entities, including general banking facilities transactions with certain banks and financial institutions which are state-controlled 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:

	2020 HK\$'000	2019 HK\$'000
Short-term benefits	91,149	80,568
Post-employment benefits	270	306
	91,419	80,874

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 2020

50 Company Statement of Financial Position and Reserve Movement

	2020 HK\$'000	2019 HK\$'000
Non-current Assets		
Interests in subsidiaries	16,963,560	19,626,734
Loan to a subsidiary	230,000	–
	17,193,560	19,626,734
Current Assets		
Deposits, prepayments and other receivables	297	3,639
Amounts due from subsidiaries	10,452,167	4,605,129
Amount due from a joint venture	1,560	–
Tax recoverable	3,348	621
Bank balances and cash	793,954	4,485,003
	11,251,326	9,094,392
Current Liabilities		
Other payables	50,561	19,957
Borrowings	1,215,314	3,698,593
Loans from a fellow subsidiary	2,340,000	2,340,000
	3,605,875	6,058,550
Net Current Assets	7,645,451	3,035,842
Total Assets less Current Liabilities	24,839,011	22,662,576
Capital and Reserves		
Share capital	126,229	126,229
Share premium and reserves (Note)	21,156,696	20,842,136
	21,282,925	20,968,365
Non-current Liabilities		
Borrowings	1,190,828	1,694,211
Corporate bonds	2,365,258	–
	3,556,086	1,694,211
	24,839,011	22,662,576

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

50 Company Statement of Financial Position and Reserve Movement (continued)

Note:

	Share Premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019	20,540,459	337	25,822	268,062	20,834,680
Profit and total comprehensive income for the year	–	–	–	1,405,252	1,405,252
Capital contribution relating to share- based payment borne by an intermediate holding company	–	–	15,968	–	15,968
2018 final dividend paid	–	–	–	(605,899)	(605,899)
2019 interim dividend paid	–	–	–	(807,865)	(807,865)
At 31 December 2019 and 1 January 2020	20,540,459	337	41,790	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	20,540,459	337	47,576	568,324	21,156,696

51 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held 2020 %	2019 %	
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK\$300,000,000	100	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK\$150,000	100	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	100	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	100	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Zetson Enterprises Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held 2020 %	2019 %	
Directly held by the Company: (continued)					
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 HK\$1	100	100	Investment holding
China State Construction International Investments Limited	Hong Kong	1 ordinary share of HK\$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 (iv)	Cayman Islands/ Hong Kong	1 ordinary share of US\$1 (2019: Nil)	100	–	Investment holding
Indirectly held by the Company:					
China Overseas Building Construction Limited	Hong Kong	49,999,900 ordinary shares of HK\$499,999,000 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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held		
			2020	2019	
			%	%	
Indirectly held by the Company: (continued)					
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
Far East Façade (UK) Limited	United Kingdom	1 ordinary share of GBP1	74.06	74.06	Installation of curtain walls, aluminium windows and other related products

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			2020 %	2019 %	
Indirectly held by the Company: (continued)					
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	100	100	Building construction, civil engineering works and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	100	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	100	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	74.06	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	100	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US\$1	69.34	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	69.34	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	100	100	Investment holding
On Success Development Limited	Hong Kong	10,000 shares of HK\$1 each	100	100	Property investment
Advocate Properties Limited	Hong Kong	10,000,000 share of HK\$1 each	100	100	Investment holding
中建投資(珠海)有限公司 (i)	Mainland China	HK\$10,770,000	100	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	Mainland China	RMB680,660,000	74.06	74.06	Generation and supply of heat and electricity and investment holding
中海建築有限公司 (formerly known as 深圳中海建築有限公司) (i)	Mainland China	RMB350,000,000	100	100	Building construction and investment holding
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	74.06	74.06	Provision of project consultant services
深圳海龍建築科技有限公司 (i)	Mainland China	RMB100,000,000	100	100	Manufacturing and sales of precast structures

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held 2020 %	2019 %	
Indirectly held by the Company: (continued)					
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	100	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	100	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	100	100	Infrastructure construction and operation
深圳市中建宏達投資有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Investment holding
深圳市中海投資有限公司 (ii)	Mainland China	RMB500,000,000	100	100	Investment holding
中海創業投資(深圳)有限公司 (i)	Mainland China	US\$29,800,000	100	100	Investment holding
中建國際投資集團有限公司 (ii)	Mainland China	US\$2,768,000,000	100	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	Mainland China	US\$48,000,000	100	100	Building investment
重慶海建投資有限公司 (ii)	Mainland China	RMB10,000,000	100	100	Building investment
重慶海勝基礎設施開發有限公司 (ii)	Mainland China	RMB380,000,000	100	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	Mainland China	RMB460,000,000	100	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	100	100	Infrastructure investment
溫州海嘉建設有限公司 (ii)	Mainland China	RMB900,000,000	100	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	Mainland China	RMB180,000,000	100	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	Mainland China	HK\$50,000,000	100	100	Provision of logistic services
深圳市中海港口物流有限公司 (ii)	Mainland China	RMB10,000,000	100	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB10,000,000	74.06	74.06	Design, manufacture of curtain walls, aluminium windows and other related products
遠東幕牆製品(深圳)有限公司 (ii)	Mainland China	RMB20,000,000	74.06	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	100	100	Infrastructure investment
中建國際投資(湖州)有限公司 (ii)	Mainland China	RMB170,000,000	100	100	Infrastructure investment
中建國際投資(杭州)有限公司 (ii)	Mainland China	RMB240,000,000	100	100	Infrastructure investment
中建國際投資(山東)有限公司 (formerly known as 中建國際投資(青島)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

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held		
			2020	2019	
			%	%	
Indirectly held by the Company: (continued)					
深圳裕龍建築有限公司	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 (formerly known as 中建國際投資 (合肥)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
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	89	89	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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held		
			2020	2019	
			%	%	
Indirectly held by the Company: (continued)					
貴州海投建設有限公司 (ii)	Mainland China	RMB250,000,000	100	100	Infrastructure investment
淄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
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
濱洲中建國際建設有限公司 (ii)	Mainland China	Nil (2019: RMB100,000,000)	–	100	Infrastructure investment
長葛海嘉建設工程有限公司 (ii)	Mainland China	RMB100,000,000	100	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, materials 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
鄖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
新沂海耀建設有限公司 (ii)	Mainland China	RMB287,500,000	90	90	Infrastructure investment
句容海耀建設有限公司 (ii)	Mainland China	Nil (2019: RMB460,000,000)	–	80	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
淄博海恒建設有限公司 (ii)	Mainland China	Nil (2019: RMB100,000,000)	–	90	Infrastructure investment
樂平海嘉建設有限公司 (ii)	Mainland China	RMB50,000,000	95	95	Infrastructure investment
十堰海勝建設有限公司 (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
滁州海嘉同創建設管理有限公司 (ii)	Mainland China	RMB160,000,000	69	69	Infrastructure investment

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity		Principal activities
			interest held 2020 %	2019 %	
Indirectly held by the Company: (continued)					
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	RMB100,000,000	100	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) (iv)	Mainland China	RMB220,000,000 (2019: Nil)	100	–	Infrastructure investment
鹽城海銳置業有限公司 (ii) (iv)	Mainland China	RMB20,000,000 (2019: Nil)	100	–	Property development
溫州海恒建設發展有限公司 (ii) (iv)	Mainland China	RMB40,000,000 (2019: Nil)	100	–	Infrastructure investment
台州海創建設有限公司 (ii) (iv)	Mainland China	RMB50,000,000 (2019: Nil)	100	–	Infrastructure investment
湖州海嘉建設發展有限公司 (ii) (iv)	Mainland China	RMB50,000,000 (2019: Nil)	100	–	Infrastructure investment
台州海恒建設有限公司 (ii) (iv)	Mainland China	RMB30,000,000 (2019: Nil)	100	–	Infrastructure investment
莆田海恒建設有限公司 (ii) (iv)	Mainland China	RMB100,000,000 (2019: Nil)	100	–	Infrastructure investment
溧博海創置業有限公司 (ii) (iv)	Mainland China	RMB18,000,000 (2019: Nil)	100	–	Property development

Notes:

- (i) Registered as foreign owned enterprise
- (ii) Limited liability company registered in Mainland China
- (iii) Listed company
- (iv) Incorporated in 2020

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 (2019: US\$800,000,000) guaranteed notes payable and RMB500,000,000 (2019: Nil) 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				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	46,207,508	50,152,524	55,626,304	61,669,678	62,458,009
Profit before finance costs	6,136,914	6,968,040	6,939,577	8,190,659	8,342,932
Share of profits of					
Joint ventures	420,295	731,380	705,024	452,654	701,944
Associates	142,670	160,300	342,621	920,143	1,879,577
Finance costs	(688,159)	(1,069,754)	(1,781,717)	(2,278,985)	(2,679,977)
Profit before tax	6,011,720	6,789,966	6,205,505	7,284,471	8,244,476
Income tax expense, net	(1,004,504)	(1,255,662)	(1,648,872)	(1,560,891)	(1,760,302)
Profit for the year	5,007,216	5,534,304	4,556,633	5,723,580	6,484,174
Profit/(loss) for the year attributable to:					
Owners of the Company	5,130,066	5,490,091	4,500,148	5,413,208	6,015,368
Holders of perpetual capital securities	–	–	17,000	260,166	407,246
Non-controlling interests	(122,850)	44,213	39,485	50,206	61,560
	5,007,216	5,534,304	4,556,633	5,723,580	6,484,174

Consolidated Net Assets

	For the year ended 31 December				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	2,493,761	3,818,806	4,149,806	4,726,378	5,390,547
Investment properties	4,249,520	4,750,265	4,680,776	5,067,333	4,643,331
Interests in infrastructure project investments	1,495,041	3,294,041	3,680,414	4,747,131	5,713,846
Prepaid lease payments	315,097	391,306	367,032	–	–
Interests in joint ventures	4,949,241	9,956,111	11,709,355	14,012,737	16,453,237
Interests in associates	4,070,378	4,570,740	5,654,865	6,300,683	6,829,830
Concession operating rights	5,234,340	5,414,282	4,154,800	3,837,846	3,812,526
Deferred tax assets	225,006	222,580	198,830	157,833	177,691
Trademark, project backlogs and licences	175,190	334,686	308,535	289,117	278,416
Goodwill	577,664	577,664	577,664	577,664	577,664
Available-for-sale investments	228,370	411,234	–	–	–
Financial assets at fair value through other comprehensive income	–	–	505,416	658,355	689,958
Amounts due from investee companies	196,818	204,061	211,806	211,806	211,806
Trade and other receivables	21,820,299	29,094,860	38,047,727	44,317,072	53,729,653
Loans to joint ventures	–	–	1,612,397	1,020,307	295,761
	46,030,725	63,040,636	75,859,423	85,924,262	98,804,266
CURRENT ASSETS	40,143,720	55,477,637	60,262,668	75,499,641	88,007,041
TOTAL ASSETS	86,174,445	118,518,273	136,122,091	161,423,903	186,811,307
NON-CURRENT LIABILITIES					
Borrowings	(15,849,056)	(20,592,443)	(32,033,950)	(29,347,618)	(35,488,761)
Guaranteed notes payables and corporate bonds	(3,888,839)	(6,206,053)	(6,210,963)	(6,216,049)	(9,179,000)
Contract liabilities	–	–	(740,010)	(688,210)	(656,125)
Deferred income	(699,088)	(809,431)	–	–	–
Deferred tax liabilities	(348,891)	(446,655)	(427,087)	(403,675)	(399,898)
Loan from a joint venture	–	–	–	(2,711,864)	(2,843,602)
Lease liabilities	–	–	–	(43,152)	(24,882)
Obligations under finance leases	(2,139)	(2,499)	(1,842)	–	–
	(20,788,013)	(28,057,081)	(39,413,852)	(39,410,568)	(48,592,268)
CURRENT LIABILITIES	(39,716,114)	(51,998,281)	(53,629,989)	(71,105,770)	(79,939,492)
TOTAL LIABILITIES	(60,504,127)	(80,055,362)	(93,043,841)	(110,516,338)	(128,531,760)
NET ASSETS	25,670,318	38,462,911	43,078,250	50,907,565	58,279,547

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 4th, Room B to F 5th Floor, 6th to 12th Floors, Room C to F 15th Floor, 16th to 23rd Floors, Room A, B, E, F 24th Floor and 25th 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	171,432	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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