



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



VISION

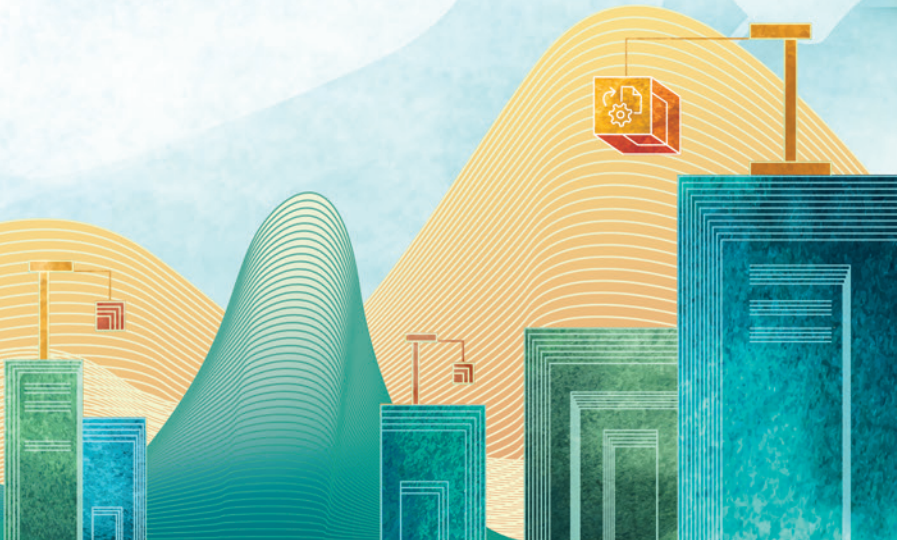
The Group is dedicated to its core value of **Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success.**

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



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CORPORATE STRUCTURE



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED



CORPORATE STRUCTURE (CONTINUED)


MAINLAND CHINA

Infrastructure Investment	Operation of Infrastructure Assets	General Contracting and Prefabricated Construction	Other Construction Related Business
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HONG KONG

Building Construction	Civil Engineering Works	Foundation Engineering Works	Mechanical and Electrical Engineering Works	Investment-driven Contracting Business	Other Construction Related Business
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MACAU

Building Construction	Foundation Engineering Works	Mechanical and Electrical Engineering Works	Investment-driven Contracting Business	Other Construction Related Business
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OTHERS

Curtain Wall System*	Operation Management Business*
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* Operate through a listed subsidiary, China State Construction Development Holdings Limited (Stock Code: 00830)

BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

Chairman and Executive Director

Zhang Haipeng

Non-executive Directors

Yan Jianguo

Chen Xiaofeng

Executive Directors

Wang Xiaoguang (*Chief Executive Officer*)

(*appointed on 24 February 2023*)

Zhou Hancheng (*resigned on 21 April 2023*)

Hung Cheung Shew

Independent Non-executive Directors

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Wong Wai Ching

COMMITTEES

Audit Committee

Lee Shing See (*Chairman*)

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Wong Wai Ching

Remuneration Committee

Adrian David Li Man Kiu (*Chairman*)

Raymond Leung Hai Ming

Lee Shing See

Wong Wai Ching

Nomination Committee

Lee Shing See (*Chairman*)

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Wong Wai Ching

Sustainability Committee

Wang Xiaoguang (*Chairman*) (*appointed on 21 April 2023*)

Zhou Hancheng (*Chairman*) (*resigned on 21 April 2023*)

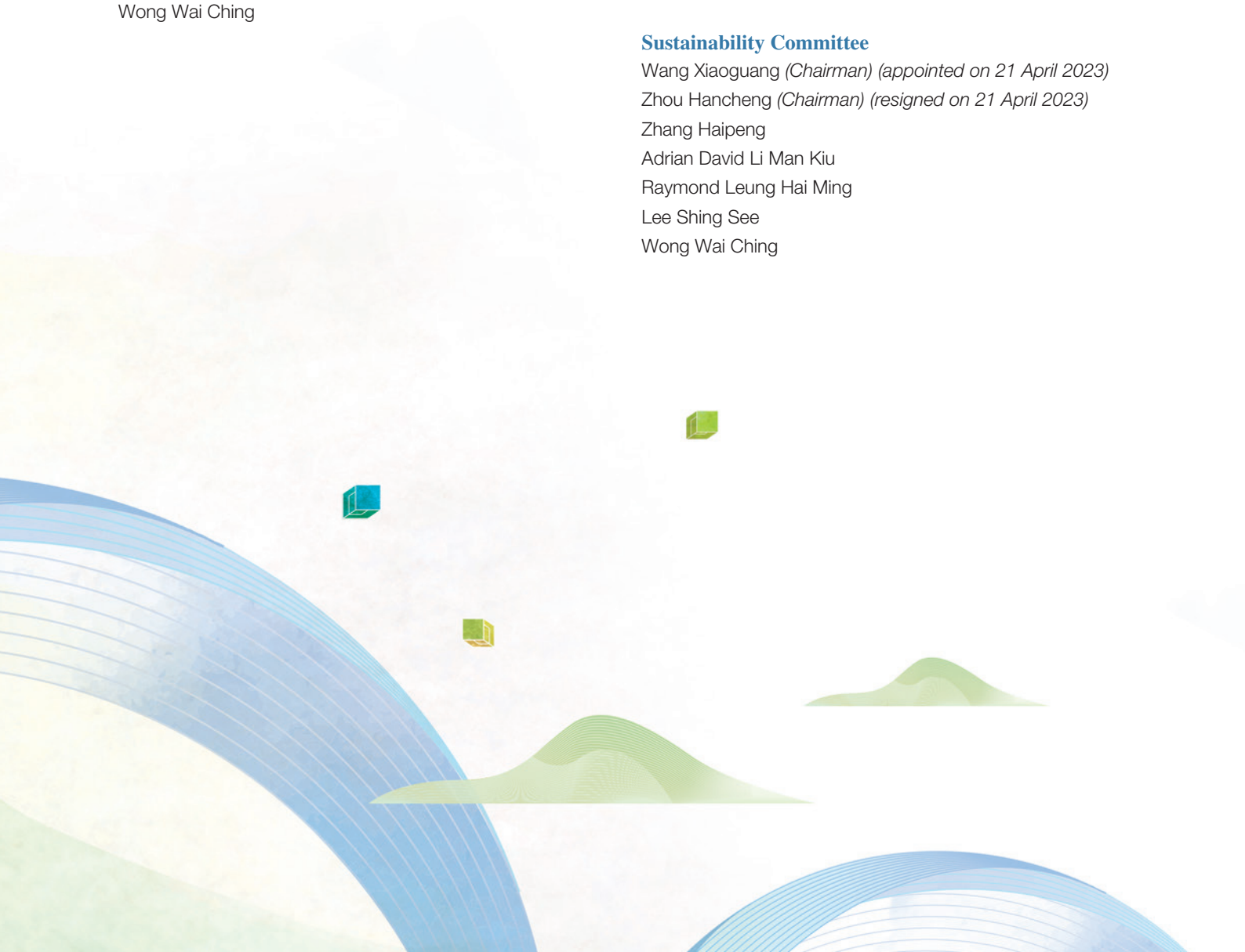
Zhang Haipeng

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Wong Wai Ching



CORPORATE INFORMATION

Authorised Representatives

Yan Jianguo
Zhang Haipeng

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Investor Relations

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

Public Relations

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

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

Listing

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

Stock Code

Shares

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

Website

www.csci.com.hk

CORPORATE INFORMATION (CONTINUED)

Financial Calendar

Interim Results Announcement

19 August 2022

Record date — Interim Dividend

16 September 2022

Payment date — Interim Dividend

6 October 2022

Final Results Announcement

21 March 2023

Closure of Register of Members — Annual General Meeting

5 June 2023 to 8 June 2023 (both days inclusive)

Annual General Meeting

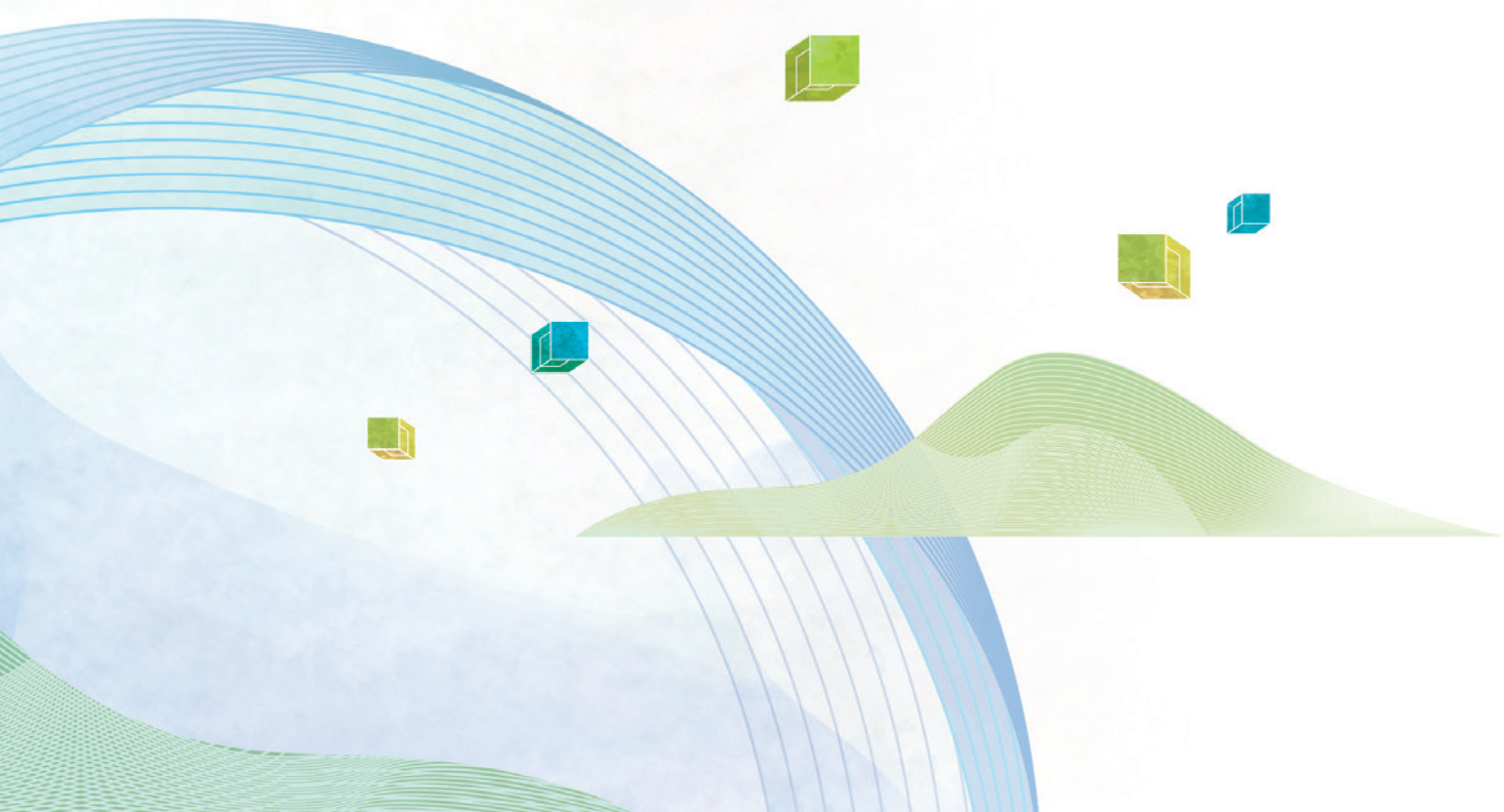
8 June 2023

Record date — Proposed Final Dividend

20 June 2023

Payment date — Proposed Final Dividend

6 July 2023



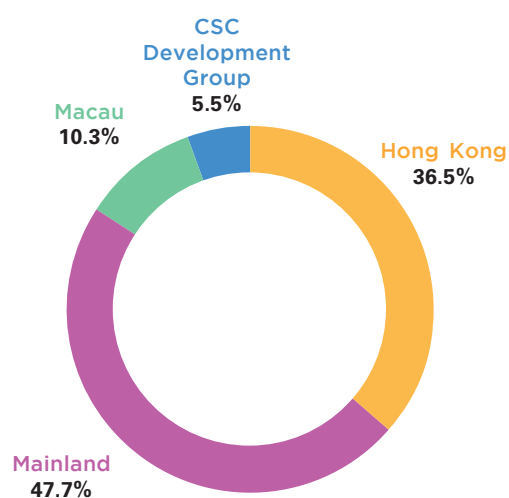
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2018	2019	2020	2021	2022
Results (HK\$'000)					
Revenue	55,626,304	61,669,678	62,458,009	77,309,614	101,975,265
EBITDA (Note)	8,369,258	10,044,381	11,339,973	12,485,168	14,362,945
Profit attributable to owners of the Company	4,500,148	5,413,208	6,015,368	6,800,879	7,956,876
Financial Ratios					
Net margin (%)	8.1	8.8	9.6	8.8	7.8
Current ratio (times)	1.12	1.06	1.10	1.23	1.25
Financial Information Per Share					
Earnings (HK\$)	0.89	1.07	1.19	1.35	1.58
Dividend (HK cents)	27	32	36	40.5	48
Net assets (HK\$)	8.53	10.08	11.54	13.14	13.46
Other Information					
Value of incomplete contracts at 31 December (HK\$ billion)	236.56	227.07	252.37	281.36	294.53

Note: EBITDA represents profit before tax, interest expenses, depreciation and amortisation charged to the consolidated income statement during the year.

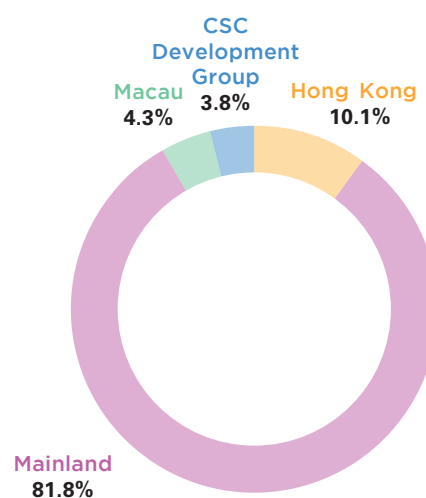
BREAKDOWN OF SEGMENT REVENUE

for the year ended 31 December 2022



BREAKDOWN OF SEGMENT RESULTS

for the year ended 31 December 2022



MAJOR EVENTS OF THE YEAR



From 9 to 10 January, the Group held the first information conference titled “smart construction and digital operation”.

JANUARY

FEBRUARY



From 19 to 23 February, the construction of two permanent community isolation facilities and six temporary community isolation facilities in Hong Kong cooperated with the Central Government and undertaken by the Group were commenced in Chok Ko Wan, Kai Tak Cruise Terminal, Tsing Yi, the former San Tin Shopping Plaza, Tam Mi, Yuen Long, Hung Shui Kiu, the artificial island for the Hong Kong-Zhuhai-Macau Bridge Hong Kong Boundary Crossing Facilities, and Ma Sik Road, Fanling.

MAJOR EVENTS OF THE YEAR (CONTINUED)



FEBRUARY



FEBRUARY



From 28 February to 24 March, six temporary community isolation facilities in Hong Kong cooperated with the Central Government and designed and undertaken by the Group were successively delivered and were put into operation.

MAJOR EVENTS OF THE YEAR (CONTINUED)



FEBRUARY

APRIL

On 2 April, China State Construction International Investment Limited ("CSCIIL"), a subsidiary of the Group, issued the first tranche of green medium-term notes of 2022 with an amount of RMB960 million, a maturity of 3 years and a coupon rate of 2.98%.

In April, the Shenzhen Human Resources and Social Security Bureau issued a notice to approve the establishment of 57 postdoctoral innovation practice bases (municipality-level) including China State Construction Hailong Technology Company Limited, a subsidiary of the Group.

热烈祝贺
中建国际投资集团有限公司2022年度第一期绿色中期票据
成功发行

债券简称	发行规模	债券期限	主体评级	票面利率
22中建投资 MTN001 (绿色)	9.6亿元	3年	AAA	2.98%

牵头承销商	联席承销商	绿色认证机构	评级机构	法律顾问	会计师事务所
中国银行 BANK OF CHINA	中国建设银行 China Construction Bank	联合赤道 Lianhe Equator	联合资信评估股份有限公司 China Lianhe Credit Rating Co., Ltd.	广东中丞律师事务所 Guangdong Zhongsheng Law Firm	BDO

特别鸣谢

中信银行 CHINA CITIC BANK	上海银行 Bank of Shanghai	交通银行 BANK OF COMMUNICATIONS	北京银行 BANK OF BEIJING
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MAJOR EVENTS OF THE YEAR (CONTINUED)



On 2 June, the Chinese Medicine Hospital and the Government Chinese Medicines Testing Institute designed and constructed by China State Construction Engineering (Hong Kong) Limited (“CSHK”), a subsidiary of the Group, held the ground-breaking ceremony, and The Hon Mrs Carrie Lam Cheng Yuet-ngor, the then Chief Executive of HKSAR Government, attended the ceremony.

MAY

On 24 May, China State Construction Development Holdings Limited (“CSC Development”), a subsidiary of the Group, successfully entered into the first unsecured green revolving loan of HK\$300 million with a term of three years with China Construction Bank Corporation Hong Kong Branch.

JUNE



On 10 June, China State Construction International Asset Management Limited (中國國際資產管理有限公司), a subsidiary of the Group, held the opening ceremony.

On 20 June, CSC Development, a subsidiary of the Group, announced to place 100 million shares at a par value of HK\$2.20 per share in the manner of top up placement, and raised net proceeds of approximately HK\$219 million.



MAJOR EVENTS OF THE YEAR (CONTINUED)



On 21 June, two permanent community isolation treatment facilities at Penny's Bay and Kai Tak Terminal constructed by the Group and supported by the Central Government were fully completed and delivered at the ceremony. By this time, pandemic prevention facilities supported by the Central Government were fully delivered.

JUNE

JUNE



On 22 June, the opening ceremony of Hong Kong Palace Museum constructed by the Group was held.

MAJOR EVENTS OF THE YEAR (CONTINUED)



On 1 July, three experts from the Group were invited to give lectures on the “Pearl Shining on Xiangjiang — Shizishan Spirit Ideological and Political Series Courses” for teenagers in China, which is jointly produced by Xinhuanet, CCTV and other Central media.

JULY

JULY



On 1 July, the Group’s Exhibition Center, located on the first floor of the Group’s Building in Shenzhen, was officially opened.



MAJOR EVENTS OF THE YEAR (CONTINUED)



On 5 July, the Group received confirmation from FTSE Russell that the Group has been independently assessed under the FTSE Social Responsibility Criteria and has met the requirements to become a constituent of the index series, and has been selected as a constituent of the FTSE Social Responsibility Index for the sixth consecutive year.



On 13 July, to celebrate the 25th anniversary of Hong Kong's reunification and the 40th anniversary of the establishment of China State Construction Engineering Company Limited ("CSCEC"), the Group held the second "Si Fu Festival (歡慶先師寶誕，幸福你我之間)" caring activity in Hong Kong.

JULY

AUGUST



On 15 August, the Group's "Research and Application of Key Technologies for Construction of Highly Durable Seismic Immersed Tunnel" was selected as one of the third batch of major scientific and technological achievements of CSCEC.

On 19 August, CSCIIIL successfully issued the third tranche of 2022 medium-term notes with an amount of RMB1.04 billion, a maturity of 3+2 years and a coupon rate of 2.7%, which once again set a new record for the lowest financing cost in the Mainland.

On 15 August, the Group held a global launch event of Hailong "model" MiC series construction products, released three categories of Hailong "model" MiC series construction products online, the event was broadcasted live on three platforms simultaneously, including the official weibo of China Daily, the official video channel of CSCEC, and the official video channel of the Group.

MAJOR EVENTS OF THE YEAR (CONTINUED)



On 15 September, China Construction Engineering (Macau) Company Limited, a subsidiary of the Group, was awarded the Certificate of Qualification for Macao Engineering and Related Consulting Enterprises by the Guangzhou Nansha Area of the China (Guangdong) Free Trade Pilot Zone, becoming the first Hong Kong and Macao construction engineering enterprise to obtain the qualification to practice in Guangzhou Nansha.



On 27 September, the BEYOND International Innovation Expo Sustainable Development Summit and the Group's 2022 Technology Conference was successfully held in Macao.

SEPTEMBER

OCTOBER



On 28 October, the launching ceremony of the three-runway system project — north runway reconstruction project of the Hong Kong International Airport undertaken by CSHK, a subsidiary of the Group, was successfully held.

MAJOR EVENTS OF THE YEAR (CONTINUED)



On 1 November, the opening ceremony of the Hong Kong International Airport sky bridge project, designed and built by CSHK, a subsidiary of the Group, was successfully held.



On 7 November, 2022 Investor Reverse Roadshow and Hong Kong Organic Resource Recycling Center Phase II ("O-PARK2") Project visit of the Group was successfully held. The investors from over 20 well-known investment institutions including HSBC Asset Management, Value Partners, Baring Fund, Allianz Fund attended the event.

NOVEMBER

NOVEMBER



On 21 November, the "Research and Application of Key Technologies of Modular Integrated Construction (MiC)" independently developed by China State Construction Hailong Technology Company Limited, a subsidiary of the Group, was successfully selected as the "Top Ten New Technologies of Engineering Construction in 2022" announced by the China Association of Construction Enterprise Management.

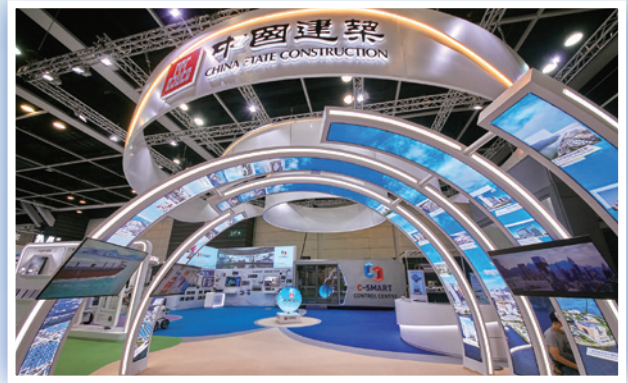


On 25 November, the Group purchased carbon credits for the first time through Core Climate, the carbon exchange marketplace of the Hong Kong Stock Exchange, for the O-PARK2, the Group's integrated project encompassing design, build and operation, for carbon offsets.

MAJOR EVENTS OF THE YEAR (CONTINUED)



On 10 December, the opening ceremony of the Tseung Kwan O – Lam Tin Tunnel and the cross-bay connection section of the Tseung Kwan O – Lam Tin Tunnel Project, which was constructed by CSHK, a subsidiary of the Group, was held. Li Ka-chiu, the Chief Executive of the HKSAR Government, and relevant government officials attended the ceremony.



From 13 to 17 December, the Group was invited to participate in the construction industrialisation exhibition area of the “Construction Innovation Expo 2022”. Relying on the theme exhibitions of “rapid construction” and “intelligent manufacturing”, the Group became the largest exhibitor at the Expo in terms of booth size.

DECEMBER

DECEMBER



On 16 December, the main project of the Macao Islands Medical Complex contracted by the Group was completed as scheduled.



On 24 December, the Group entered into an agreement with Professor Chen Xiangsheng, an academican of the Chinese Academy of Engineering and a foreign academican of the Russian Academy of Engineering. In January 2023, both parties will cooperate to establish the first academican expert workstation in Hong Kong.

CHAIRMAN'S STATEMENT

In the year, the Group secured

182 NEW CONTRACTS

with attributable contract value
of approximately

HK\$160.73
billion



CHAIRMAN'S STATEMENT (CONTINUED)



Mr. Zhang Haipeng
Chairman and Executive Director



CHAIRMAN'S STATEMENT (CONTINUED)

Review of Operation

In 2022, the COVID-19 pandemic continued to spread, and its impact on the economy has not been eliminated. The occurring of geopolitical events such as the Russia-Ukraine conflict, high inflation and passive interest rate hikes in Europe and the United States intensified the further recession. Under the background of sluggish global economic recovery, China's economy has remained strong resilience, pandemic prevention and control measures have been actively optimised from time to time and as appropriate, policies of supporting the development have continuously been introduced, and economic growth remained stable. The economy of Hong Kong and Macau continued to be relatively sluggish in 2022, but as the customs clearance returns to normal, driven by the Mainland China, the economy of Hong Kong and Macau will be significantly enhanced, and the potential of Hong Kong and Macau will also be further released.

Facing the complex external environment, all the staff of the Group braved the challenges and assumed the obligations, focused on the implementation of the "14th Five-Year Plan" strategy, sped up the transformation and upgrading, and coordinated the steady qualitative improvement and reasonable quantitative growth. The expansion of sci-tech business in Mainland China has achieved remarkable results, the Group's leading position in Hong Kong and Macau markets has been consolidated, and the Group has successively obtained highly difficult projects in the facade market. In addition, the Group's various financial indicators have been steadily optimised, with moderate leverage ratio, and the operating cash flow during the year has achieved a historical positive, maintaining sound financial position and risk resistance ability and capability.

As of 31 December 2022, the Group's performance recorded a stable growth during the year, the audited revenue of the Group amounted to HK\$101,975 million, with an operating profit of HK\$12,846 million. The profit attributable to the owners of the Company increased by 17.0% to HK\$7,957 million, with basic earnings per share of HK\$1.58 and net asset value per share of HK\$13.46. The Board recommended the distribution of final dividend of HK24 cents per share for the year of 2022. The total dividend distributed throughout the year amounted to HK48 cents, representing a year-on-year growth of 18.5%.



CHAIRMAN'S STATEMENT (CONTINUED)

Mainland China Market

In 2022, China's economy experienced multiple pressures, and the infrastructure again played a key role in stabilizing growth. Looking back on the whole year, the Group continued to promote the optimization and adjustment of its investment business model. There were no long-term projects of more than 5 years in the newly signed investment contracts. The Group has further focused on the regions where it has competitive advantages and attached more importance to the regions with stable economic development outlook and strong long-term endogenous momentum. The Group fully exerted the "technology+" advantages including the rapid construction of Modular Integrated Construction ("MiC") to extensively expand the medical and pandemic prevention infrastructures, public facilities, affordable housing projects and other projects that were in urgent need everywhere, and obtained the high value-added and influential technology-driven projects. In terms of infrastructure operation, the Group has continuously improved its professional operation capacity and efficiency, accelerated the return of funds and formed an investment closed-loop. Throughout the year of 2022, the aggregate sum of newly signed contracts in Mainland China amounted to HK\$91,928 million, representing a year-on-year growth of 13.3%. The contracts backlog were also conducted as scheduled while the number of newly signed contracts increased. Despite the challenges of many external factors, the established completion and payment collection targets were still fulfilled as usual, with the operating cash flows improving comprehensively, and the quality of development enhancing.

Hong Kong and Macau Markets

The economy of Hong Kong was seriously impacted by the fifth round of pandemic in early 2022. The Group at stake resolutely implemented the important directive spirit of President Xi Jinping on Hong Kong's anti-pandemic, initiatively organised all resources and forces, completed the construction tasks of the eight anti-pandemic projects in Hong Kong with the assistance of the central government in a rapid manner and in high quality, took the initiative to assume social responsibilities, and contributed to the anti-pandemic in Hong Kong. During the year, the Group fully exerted its advantages in technology, brand and others, made every effort to acquire a number of major government projects and premium private projects, such as the Chinese Medicine Hospital in Tseung Kwan O and the New Acute Hospital at Kai Tak, and continuously consolidated its competitive advantages and expanded its market share. The aggregate sum of newly signed contracts for the year amounted to HK\$44,896 million, representing a year-on-year growth of 24.8%. The project construction and delivery were progressed smoothly, particularly on the occasion of the 25th anniversary of Hong Kong's return to the motherland, the Hong Kong Palace Museum constructed by the Group officially opened and became a new cultural landmark.

In the Macau market, the Group has maintained its brand image with good contractual performance, constantly improved its reputation, obtained a number of landmark projects, and successfully won the bid for multiple prefabricated public housing projects launched by the local government; the main project of Macau Cotai Healthcare Complex was successfully completed during the year. Throughout the year of 2022, the aggregate sum of newly signed contracts by the Group in the Macau market amounted to HK\$13,775 million, roughly on the same level of last year.

CHAIRMAN'S STATEMENT (CONTINUED)

Facade Market

China State Construction Development Holdings Limited ("CSC Development"), a subsidiary of the Group, adhered to the operating strategy of "expanding Hong Kong and Macau, exploring the Mainland China and shrinking the overseas". With its technical advantages, CSC Development focused on high-end owners and quality projects. During the year, CSC Development won the contract for the Macau Galaxy Resort and Casino Phase IV project with a contract value of HK\$2,240 million, which set a record for the largest contract value for a single facade in the world; CSC Development also won a number of facade projects for corporate headquarters and boutique stores, further expanded its market influence. In 2022, new contracts signed by CSC Development amounted to HK\$10,127 million, representing a year-on-year increase of 23.4%.

Sustainable Development Management

During the year, the Group continued to focus on improving the governance level of its sustainable development in all aspects. The Sustainable Development Committee fully performed its role and the level of diversity of the Board of Directors has been increasing. The Group synchronised the release of its ESG report with its annual report one year ahead of schedule and further improved the quality of voluntary information disclosure. The Group's first carbon neutrality project under construction (namely, the Hong Kong Organic Resource Recycling Centre Phase II (O-PARK2)), and Guizhou Zhengxi Expressway project, released their respective project ESG reports to showcase their emission reduction results. The O-PARK2 project was successfully completed in the year and has purchased carbon credits for carbon neutrality offsetting through Core Climate, the carbon trading market of Hong Kong Exchanges and Clearing Limited ("HKEx"). The transaction was one of the first carbon transactions and the first carbon trading case with the purpose of offsetting carbon emissions in Core Climate, and was awarded the "Outstanding Carbon Neutrality Enterprise in Hong Kong International Carbon Market" by HKEx. The Group was awarded the "CarbonCare® ESG Label" for the seventh consecutive year by Hong Kong CarbonCare InnoLab, and was awarded the highest ranking of the Label at the Level 4 for the fifth consecutive year. Moreover, the Group was included in the "FTSE4Good Index" for the sixth consecutive year. The Group's sustainable development performance was once again recognised by authoritative awards and indices.



CHAIRMAN'S STATEMENT (CONTINUED)

Risk Management

The Group has established a risk management structure with clear hierarchy of responsibilities. The Board of Directors is responsible for the risk management and internal control system of the Group and oversees the implementation of the system by management. The Group's audit department, which is independent of each business segment, regularly reviews the Group's risk management and internal control system and makes recommendations for improvement to rectify any deficiencies and weaknesses identified. The Group has also set up a risk management team to identify and assess the strategic, financial, market and operational risks of each business segment. During the year, the Group continued to carry out internal control construction and internal control inspections in depth and made conclusion timely. By making up the shortcomings of the system, improving business processes and strengthening system enforcement, the concept and awareness of corporate compliance has been significantly enhanced.

Financial Management

In 2022, the Group maintained sound financial management. The Group's operating cash flow returned to positive, further contributing the optimization of the financial structure. The Group seized the RMB financing window and issued three medium-term notes at record low interest rates, effectively hedging the financial costs pressure of rising foreign currency interest rates, and continued to increase the proportion of RMB in its debt balance, further reducing exchange rate risk. The Group actively utilised green financial instruments to facilitate business development. During the year, the Group issued RMB green medium-term notes for the first time, which is the first green bond issued with the highest grade of certification for prefabricated construction nationwide. The Group also timely withdrew its equity interest in certain projects with long lead times to effectively revitalise its stock of assets and accelerate its turnover. CSC Development completed an issuance of 100 million shares at a premium, with the participation of several investment institutions, reflecting the capital market's recognition of the business prospects of CSC Development.

The Group is currently in a good financial condition. As of 31 December 2022, the cash on hand amounted to HK\$23,881 million, accounting for 10.4% of total assets. The net gearing ratio was controlled at 69.4% and the unutilised bank credit facilities were HK\$91,430 million, representing an increase of 11.4% as compared with that of the corresponding period in the previous year.



CHAIRMAN'S STATEMENT (CONTINUED)

Human Resources

The Group understands that talents are the key to the long-term prosperity and development of an enterprise. During the year, the Group recruited extensively through various channels, launched presentations at overseas universities for the first time, and offered competitive salaries and benefits to its employees. The Group established a regular training mechanism and set up a three-tier training course system, including company-level branding courses, professional courses for each line and internal training courses of subsidiaries. More than 4,000 participants attended the trainings, making the development of talents and enterprise development go hand in hand. During the year, the Group continued to strengthen cooperation with academic experts, established the first academician expert workstation in Hong Kong, successfully held the 2022 Annual Expert Committee Working Meeting, at which the Group held the inauguration ceremony for the Rapid Construction Institute and the Green Low Carbon Research Center. The Group will continue to relentlessly cultivate internal talents and actively adopt the opinions of external experts, and make full use of the talents of its staff to help the corporate growth.

Technological Innovation

Technology is one of the strategic cores of the Group and the key to enable the Group to break away from the "Red Sea" competition. In 2022, the research and development investment of the Group was HK\$363 million, and will continue to increase steadily. New technology-driven contracts signed during the year amounted to HK\$51,590 million, accounting for 32.1% of the new contract awarded, representing a year-on-year increase of 70.6%. The empowerment effect of technological advantages on business development has been further highlighted. The Group has undertaken a large number of landmark technological innovation projects such as the first 100-meter-high concrete MiC project in Mainland China, the highest single steel structure MiC project under construction and the first high-rise building elevator installation project with double-cab MiC technology. CSC Development has established the "Intelligent Curtain Wall Research Center", released the Light S series of photovoltaic curtain wall integration (BIPV) products, and continued to develop Light A and Light G products. The Group hosted the second BEYOND International Innovation Expo Sustainable Development Summit, at which a number of construction technology products were released and which received much attention and praise. During the year, the Group obtained 112 patents. The North Lantau Hospital Hong Kong Infection Control Centre project undertaken by the Group won the overseas Luban Prize, the project of "Research and Demonstration of Integrated Production and Installation Technologies for Architecture, Structure, Electromechanical, Decoration and Components" won the second prize of Anhui Provincial Science and Technology Progress Award, and the research and application achievements of MiC key technology were rated as the top ten new technologies of project management in 2022 by China Association of Construction Enterprise Management. The outstanding scientific and technological strength of the Group has been frequently recognised externally. In the future, the Group will continue to strengthen the research and development and promotion of construction technology, and accelerate the transformation and application of technological achievements.



CHAIRMAN'S STATEMENT (CONTINUED)

Business Outlook

In 2022, the Group actively explored the market, vigorously promoted technological research and development, maintained financial stability, constantly improved the performance of sustainable development, successfully completed the business development objectives, and further improved the operation quality. Looking forward to 2023, the global economy will continue to face many uncertainties. Opportunities and challenges coexist as recovery and recession intersect in different regions. Looking forward, we hope to create more “certainty” by virtue of our own technological advantages, refined management and efficient implementation, and continue to create value for shareholders and society.

In terms of technology, we will continue to strengthen the research and development and implementation of construction technology, increase the proportion of new contracts driven by technology, seize the opportunity of changes in national industrial policies and market environment, and promote the reform of the construction industry. In the Mainland China market, we will continue to focus on cash flow, and undertake investments with good return prospects. On the basis of ensuring the lifeline of cash flow, we will select high-quality projects along with the idea of transformation and upgrading, and focus on advantageous areas. The Hong Kong market has benefited from the economic recovery after the pandemic. The government has taken the initiative to speed up the constant implementation of plans such as land supply, public housing construction, the new 10-year development plan for hospitals and even the longer-term plans for Lantau and the northern metropolitan area in the future, which are expected to bring new opportunities for development. Macau's economy has recovered from the trough. With border opened and the support from the central government, economic growth is likely to be out of “scissors-like gap” with the world, and new business opportunities will continue to emerge.

The Group is confident that as China enters a new stage of pandemic prevention and control, its economic and social vitality will be further released, and it will continue to become the “stabiliser” of world economic recovery and the “engine” of world economic growth. We have gone through the most difficult time, and the new year will be full of vitality. The Group will adhere to the “14th Five-Year Plan” strategy, persist in building differentiated competitiveness with technological advantages to enable stable growth, and strive to create a new situation for high quality development.

Acknowledgement

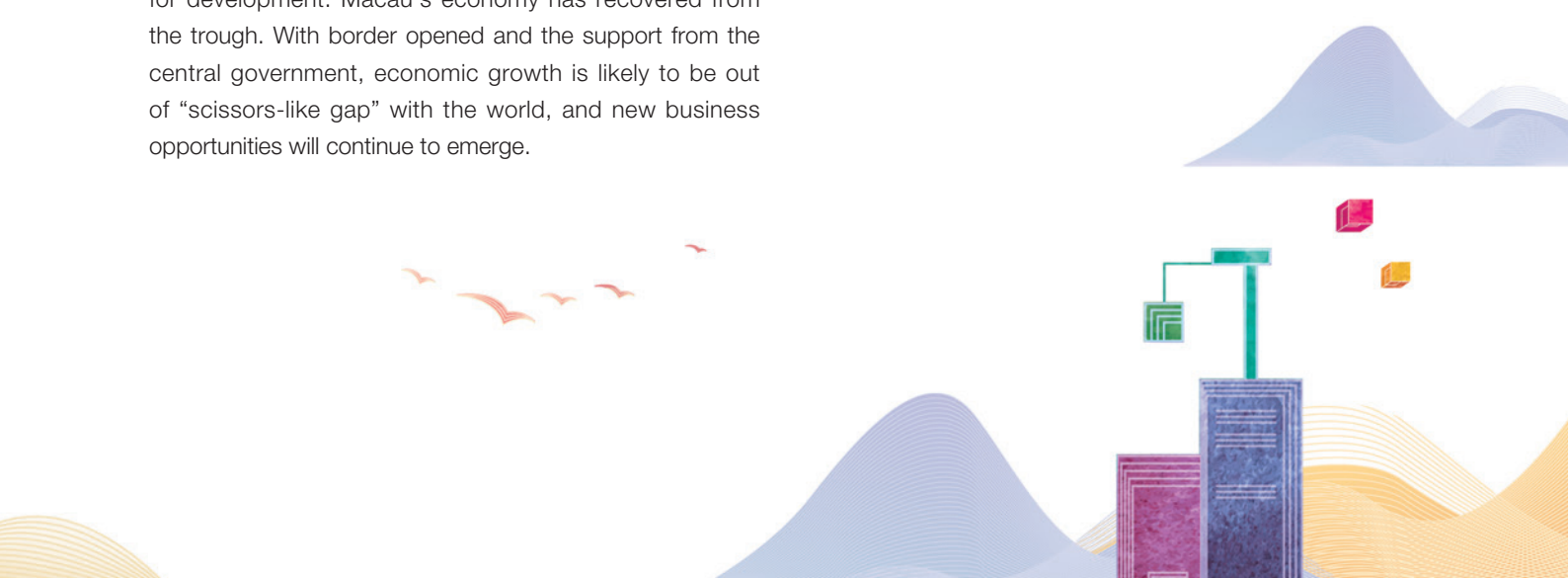
With this opportunity, I would like to express my sincere gratitude to the Board for its brilliant leadership, to the partners and investors for their strong support, to other members of the society for their generous assistance, and to all our staff for their hard work.

By Order of the Board

China State Construction International Holdings Limited
Zhang Haipeng

Chairman and Executive Director

Hong Kong, 21 March 2023



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit attributable to owners of
the Company was

HK\$7,957
million,

represents a year-on-year increase of **17.0%**.

HK\$212 million net cash inflow
from operating activities.

Overall Performance

During the year, Hong Kong segment undertook a large number of construction projects related to epidemic prevention. Coupled with the natural growth of all segments, the scale of the Group continued to expand, and the revenue exceeded HK\$100 billion for the first time.

The Group's revenue increased by 31.9% to HK\$101,975 million. Basic earnings per share was HK\$1.58, a year-on-year rise of 17.0%. With a proposed final dividend per share of HK24 cents, an interim dividend per share of HK24 cents paid in the year, the total dividends for the year amount to HK48 cents per share, representing an increase of 18.5% as compared to last year.

During the year, Hong Kong, Macau and Mainland China remained the core markets and the major contributors of the Group, accounted for 36.5%, 10.3% and 47.7% of the Group's revenue, respectively. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and further consolidated its leading position in the field by our continued strong performance. In Mainland China, the Group mainly focused on construction related investment projects, its sustained scale growth is underpinned by its strong business execution and customer's satisfaction. China State Construction Development Holdings Limited and its subsidiaries (together, the "CSC Development Group") mainly focused on facade contracting business. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Hong Kong and Macau

Construction and Related Business

At the beginning of 2022, Hong Kong experienced the fifth wave of the pandemic situation with a record-breaking hike in the number of confirmed cases. The Group has against this difficulty and fulfill its social civic responsibility. In order to cooperate with the pandemic prevention work, the Group has undertaken a large number of construction projects related to pandemic prevention. Together with the organic growth of other orders, it helps to push up Hong Kong segment revenue to HK\$37,214 million, up by 56.1% as compared to HK\$23,844 million for last year. Due to the increase of scale, segment result amounted to HK\$1,271 million, up by 49.5% as compared to HK\$850 million for last year.

With the contribution of large-scale hospital and hotel projects, Macau's revenue recorded new high to HK\$10,542 million, up by 25.4% as compared to HK\$8,405 million for last year. Segment profit dropped 34.6% to HK\$544 million as compared to HK\$832 million for last year. This is because profit of several large-sized projects has not been accrued as they were still in the preliminary stage.

Mainland China

The Group adhered to the business transformation strategy in Mainland China, selects high-quality markets such as the Yangtze River Delta and the Greater Bay Area, and continues to expand infrastructure investment projects with short cycles and rapid turnover. Revenue and segment result from Mainland China rose by 20.0% and 17.1% year-on-year to HK\$48,631 million and HK\$10,284 million, respectively.

(1) Construction Related Investment Projects

Our Construction Related Investments Projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and school. The Group continued to optimise the project mix on hand, increased participation in government targeted repurchase projects and other shorter cash payback cycle project in order to accelerate capital turnover. During the year, the Group increased efforts on cash collection and received buy-back payment of HK\$31,690 million (2021: HK\$25,508 million) from construction related investment project, including the attributable share of such payment received by our joint venture investments, up by 24.2%.

Construction Related Investment Projects remained the core business and the major contributor of Mainland China. Revenue and result grow at 18.6% and 6.5% over last year to HK\$46,846 million (2021: HK\$39,489 million) and HK\$9,365 million (2021: HK\$8,795 million) respectively.

(2) Operation Infrastructure Projects

Operation Infrastructure Projects represents toll road operation. This sector still affected by pandemic, the revenue from Operating Infrastructure Projects excluding contribution from joint venture was HK\$152 million, dropped by 25.9% as compared to HK\$205 million for last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Other Business

Other Business mainly represents contribution from industrial plant reconstruction, prefabricated construction industrialisation factories and other business such as project management services. This sector recorded impressive growth in segment revenue due to the increase of Modular Integrated Construction business, amounted HK\$1,633 million as compared to HK\$836 million for the last year.

China State Construction Development Holdings Limited

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

Investment Income, Other Income and Other Gains, net

Investment Income, Other Income and Other Gains, net increased 31.7% to HK\$1,577 million, the increase was mainly contributed by the gain on fair value of investment properties and the gain on disposal of the Group's investments in order to increase the capital turnover during the year.

Share of Profits of Associates

The Group continued to drive the contracting business by its investment in associates. The share of profits of associates dropped 57.3% from HK\$783 million in last year to HK\$334 million. The reason for the decline is business cyclical, with two residential projects substantially realised profits in prior years, while the other projects still under construction or only commencing to realised profits.

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\$275 million (2021: HK\$369 million).

Finance Costs

During the year, the finance costs charged to profit for the year increased by 12.1% to HK\$2,991 million (2021: HK\$2,668 million). The increase was mainly due to the increase of scale of the Group.

Earnings Per Share

Basic earnings per share increased by 17.0% to HK\$1.58 for the year ended 31 December 2022. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$7,957 million and the weighted average number of 5,037,616,668 ordinary shares in issue during the year.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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\$67,796 million as at 31 December 2022 (2021: HK\$66,216 million). The increase was mainly attributable to the profit for the year of HK\$8,469 million and partly offset by the translation loss of HK\$4,545 million due to the depreciation of Renminbi ("RMB") and the distribution of HK\$2,242 million during the year.

(b) Bank Balances and Cash

At 31 December 2022, the Group had bank balances and cash of HK\$23,881 million (2021: HK\$24,407 million), representing 10.4% of the total assets. The portfolio of the currencies of bank deposits is listed as follow:

	2022	2021
	%	%
Hong Kong Dollars	26	22
RMB	65	69
Macao Patacas	7	7
United State Dollars ("USD")	1	1
Others	1	1

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

c) Borrowings

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

During the year, the Group issued RMB3,500 million corporate bonds in Mainland China, raised approximately HK\$4,113 million, net of expenses.

At 31 December 2022, the total borrowings of the Group (including the unsecured guaranteed notes denominated in USD and the corporate bonds denominated in RMB issued by the Group) were HK\$70,917 million, of which, 17.0%, 2.7% and 79.6% of the total borrowings were denominated in Hong Kong dollars, USD and RMB respectively. In view of exchange rate fluctuation in recent years, the Group intended to increase the proportion of RMB finance in order to naturally hedge with the exposure from the receipts of Mainland China business.

Bank borrowings bore interest at both fixed and floating rates with reference to either Hong Kong Inter-bank Offered Rate ("HIBOR") or People's Bank of China ("PBOC") Loan Prime Rate (the overall condition was favorable) while the notes and bonds bore fixed interest rate. During the year, the Group increased the proportion of fixed rate borrowing in Mainland China given the low interest rate market environment in Mainland China to lower the cost of financing.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

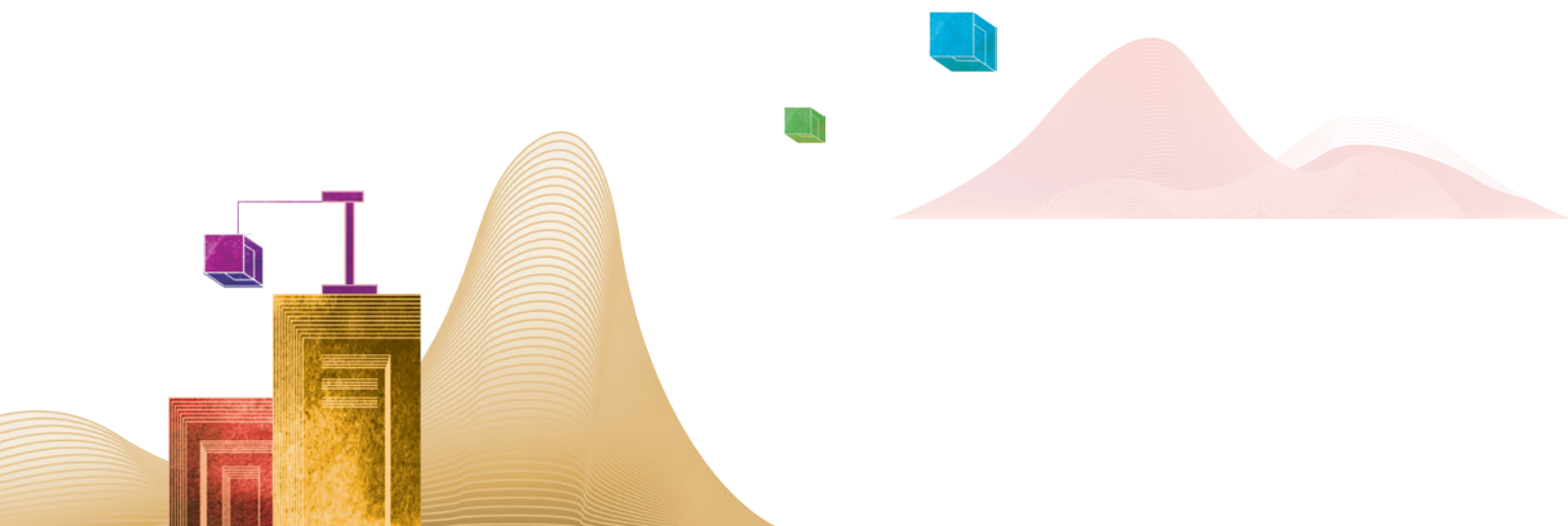
The following table sets out the maturities of the Group's total borrowings as at 31 December 2022 and 2021:

	2022 HK\$' million	2021 HK\$' million
Bank borrowings		
On demand or within one year	13,720	10,105
More than one year but not exceeding two years	16,552	18,214
More than two years but not more than five years	19,068	21,217
More than five years	9,837	8,417
Total bank borrowings	59,177	57,953
Unsecured guaranteed notes payables	1,942	6,227
Corporate bonds	9,798	6,155
Total borrowings	70,917	70,335

At 31 December 2022, the Group had net borrowings of HK\$47,036 million (2021: HK\$45,928 million) and the Group's net gearing ratio was 69.4% (2021: 69.4%). This ratio is calculated as net borrowings divided by total equity. Net borrowings is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2022, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK\$91,430 million.

(d) Cash Flows Analysis

Following the improvement momentum in operating cash flow due to the successful of business transformation in Mainland China since last year, net operating cash flow has turned from HK\$551 million outflow in last year into HK\$212 million inflow for the year. Besides, the Group is committed to improving liquidity, disposed some low-turnover assets for the year, generated HK\$501 million net cash inflow from investing activities (2021: net cash outflow HK\$4,938 million). The net cash outflow in financing activities was HK\$527 million (2021: net cash inflow HK\$6,964 million).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Management Policies for Financial Risk

1. Interest Rate Risk

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

2. Credit Risk

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

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

3. Foreign Exchange Risk

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





BUSINESS REVIEW



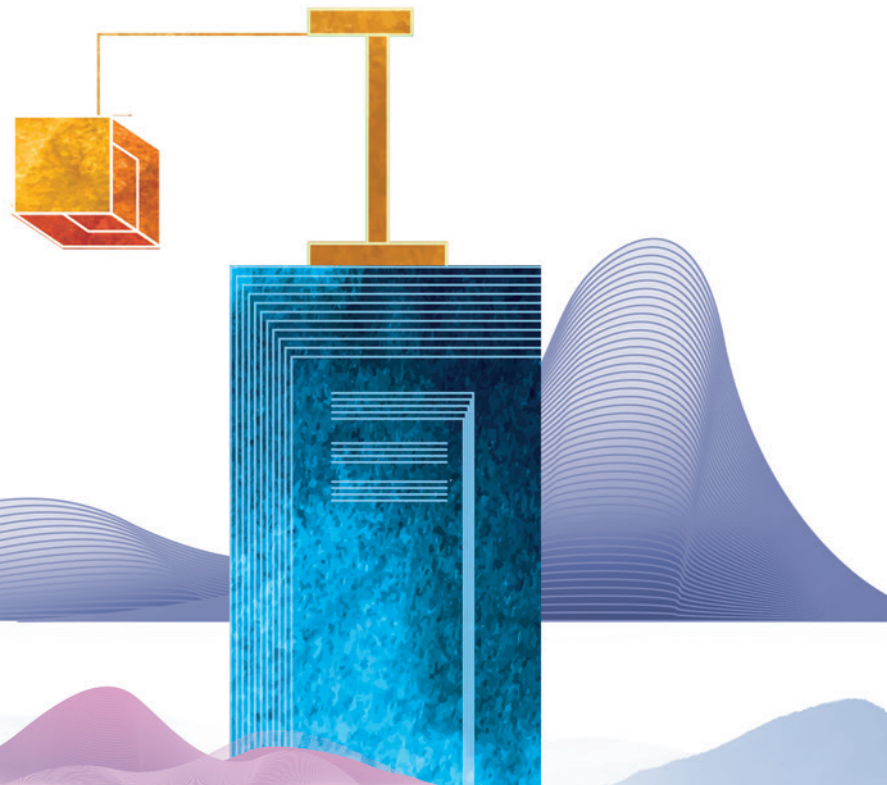
BUSINESS REVIEW (CONTINUED)

At the end of 2022, the Group has

348 projects in progress with an

aggregated attributable contract value of

HK\$522.63
billion.



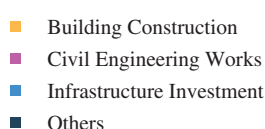
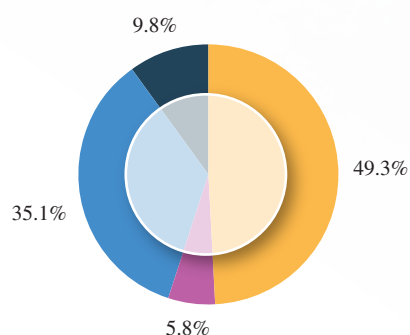
BUSINESS REVIEW (CONTINUED)

MAJOR COMPLETED PROJECTS IN 2022

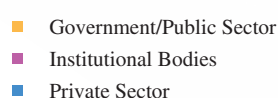
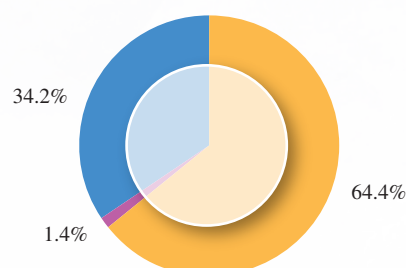
No.	Project Name	Government/ Public Sector	Private Sector
Building Construction			
1	Design and Construction of Community Isolation and Treatment Facilities	•	
2	The Construction of the Residential and Commercial Development Project of Nova City Phase 5		•
3	Lohas Park Package 10 Residential Development Project, Tseung Kwan O		•
4	Construction of Public Housing Development at Tuen Mun Area 54 Sites 3 & 4 (East)	•	
5	Hong Kong Palace Museum	•	
6	Requalificação do Centro Desportivo de Mong Há, Habitação Social em Mong Há-2ªFase	•	
Civil Engineering Works			
1	Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link		•
2	Hong Kong International Airport — Sky Bridge Connecting Terminal 1 with North Satellite Concourse		•
Construction Related Investment			
1	Infrastructure PPP Projects, Bonded Area, Changsha, Hunan Province	•	
2	BT Contract of Affordable Housing Construction (Phase I), Lucheng District, Wenzhou Lucheng, Zhejiang Province	•	
3	Five Infrastructure Projects including Binjiang Avenue in Wuhan, Hubei Province	•	
4	Infrastructure PPP Project, Wangcheng New District, Nanchang, Jiangxi Province	•	
5	Core Area of Biomedical Science and Technology Service Platform Project, Xuzhou, Jiangsu Province	•	
6	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City	•	
7	Express Rail Station PPP Project, Shiyan, Hubei Province	•	
8	Xijiao Industrial Park Renovation Project, Ronggui, Foshan, Guangdong Province		•
9	Hushan Sports Park PPP Project, Jiangshan, Quzhou, Zhejiang Province	•	
10	Railway Station E-Commerce Park Project (Phase I), Putian, Fujian Province		•

BUSINESS REVIEW (CONTINUED)

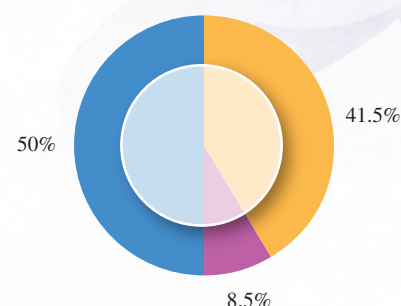
By Project Categories



By Customers



By Markets

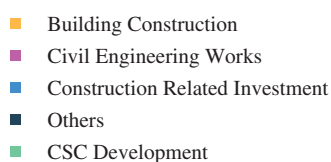
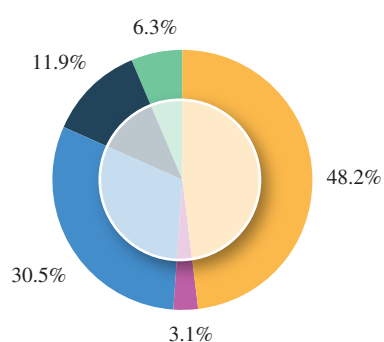


NEW PROJECTS AWARDED IN THE YEAR OF 2022

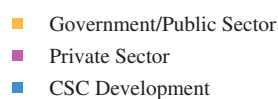
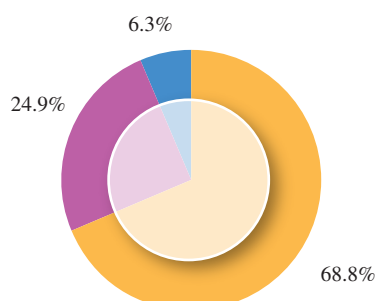
Summary for the year

- 182 new projects awarded
- Attributable contract value for new projects awarded was HK\$160,726 million

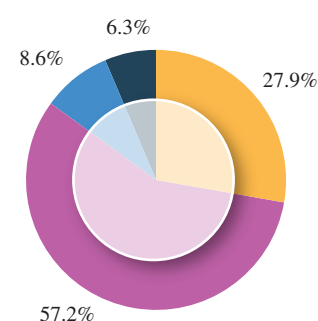
By Project Categories



By Customers



By Markets



PROJECTS IN PROGRESS IN THE YEAR OF 2022

	No.	31 December 2022	
		Attributable contract value HK\$'Million	Value of incomplete contract HK\$'Million
Mainland China	219	328,367	193,823
Hong Kong	90	110,733	63,041
Macau	39	57,425	24,260
CSC Development	—	26,108	13,403
Total	348	522,633	294,527

BUSINESS REVIEW (CONTINUED)

Major Projects in Progress - Hong Kong & Macau



BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS — HONG KONG

No.	Project Name
Building Construction	
1	New Acute Hospital at Kai Tak Development Area (Site B)
2	Contract for Redevelopment of Kwong Wah Hospital (Phase 1)
3	Commercial and Residential Accommodation, Package Three, Wong Chuk Hang Station
4	West Rail Kam Sheung Road Station Package 1 Property Development
5	Residential Redevelopment at Nos 1–11 Au Pui Wan Street, Fo Tan
6	Construction of Hopewell Centre II Development
7	Residential Development at Hing Wah Street, Cheung Sha Wan

New Acute Hospital at Kai Tak Development Are (Site B)



Contract for Redevelopment of Kwong Wah Hospital (Phase 1)



West Rail Kam Sheung Road Station Package 1 Property Development



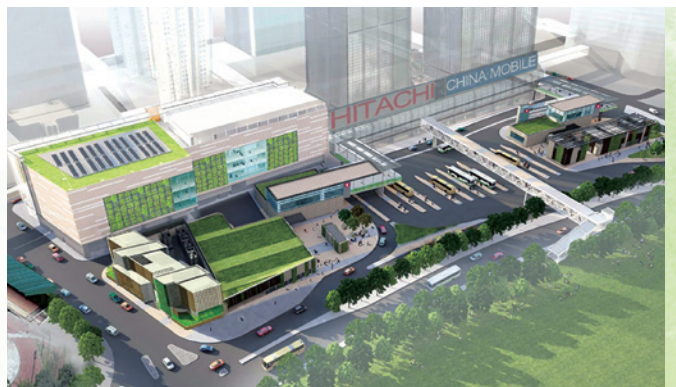
Residential Development at Hing Wah Street, Cheung Sha Wan

BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS — HONG KONG (*continued*)

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

Tseung Kwan O — Lam Tin Tunnel and Related Projects



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

BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS — MACAU

No.	Project Name
1	GEG's Cotai Phase 4 Project, Macau
2	Studio City Macau Phase 2
3	Macau Areia Preta Lot P – Construction for Lots A Home Swap Housing
4	Theme Park Resort Hotel Complex Development Project
5	Macau Senior Apartment Housing
6	Main Works for Barra Station, Macao LRT

Theme Park Resort Hotel Complex Development Project



Studio City Macau Phase 2



BUSINESS REVIEW (CONTINUED)

Major Projects in Progress - Mainland China



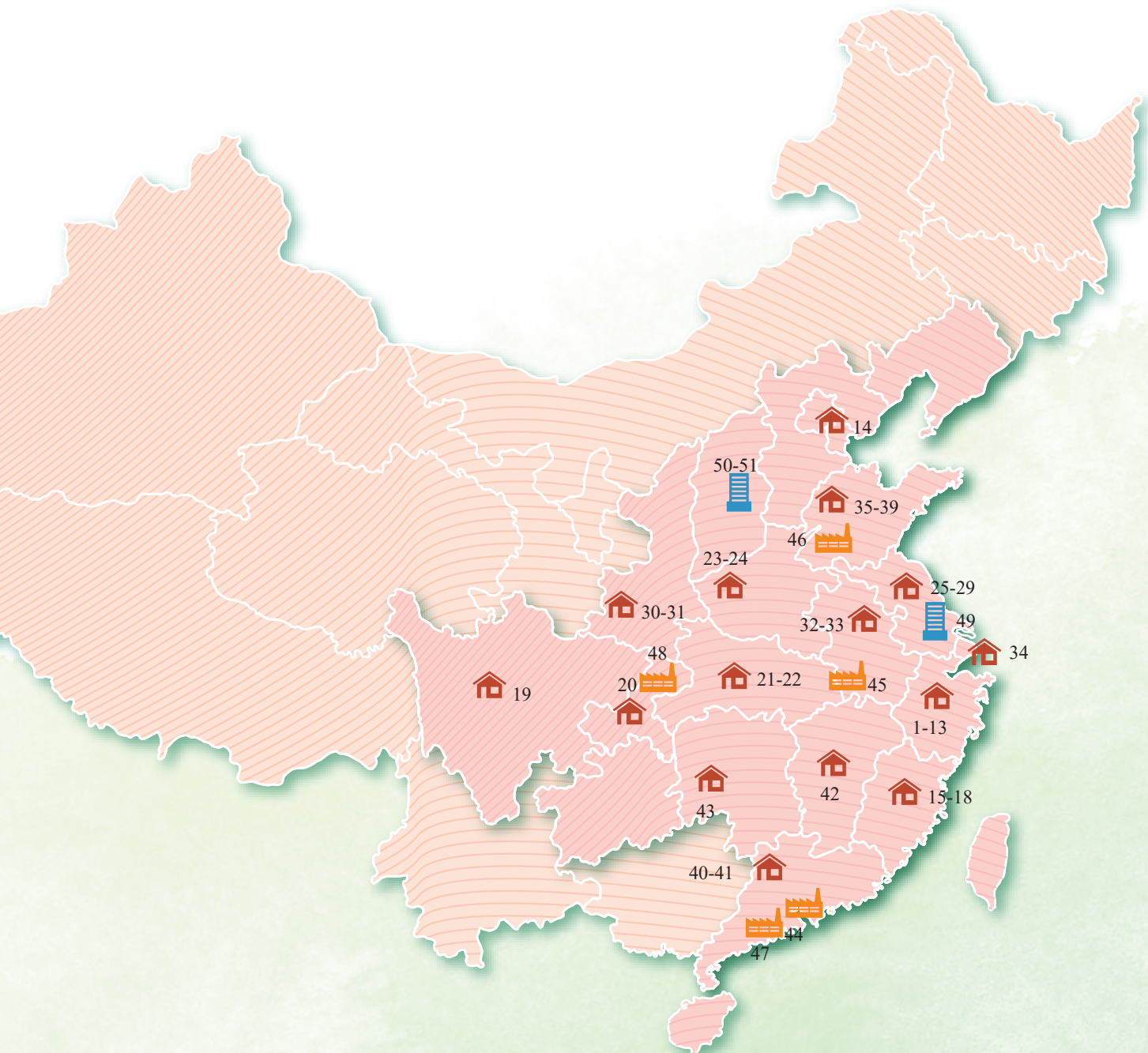
Construction Related Investment Project



Construction Products Plant



Major Project in Operation and Management



BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS - MAINLAND CHINA

No.	Project Name
Construction Related Investment	
1	Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province
2	Infrastructure and Industrial Park Public-Private-Partnership (PPP) Projects, Haining, Zhejiang Province
3	Jiande Meicheng Urbanization PPP Project Phase I, Hangzhou, Zhejiang Province
4	Government Public Works PPP Project, Huzhou, Zhejiang Province
5	Government Targeted Repurchase Project (Plot E-25b), Lucheng District, Wenzhou, Zhejiang Province
6	Government Targeted Repurchase Project (Plot E-28b), Lucheng District, Wenzhou, Zhejiang Province
7	Government Targeted Repurchase Project (Plot F01a), Ou Hai District, Wenzhou, Zhejiang Province
8	Government Targeted Repurchase Project (Plot of the East side of Xiaolang Road and the North side of Fengru Road), Yangming Street, Yuyao, Ningbo, Zhejiang Province
9	Government Targeted Repurchase Project (Plot CC06-02-04a), Hu Kengji, Cicheng, Jiangbei District, Ningbo, Zhejiang Province
10	Government Targeted Repurchase Project (Plot 04-B-29), Innovaland, Lucheng District, Wenzhou, Zhejiang Province
11	Government Target Repurchase Project (Plot 05-B-35a), Innovaland, Lucheng District, Wenzhou, Zhejiang Province
12	Government Target Repurchase Project (Plot B-15), Huangyu Unit, Core Area of Wenzhou, Zhejiang Province
13	Government Target Repurchase Project (Plot D-37), Jiangbin Unit, Core Area of Wenzhou, Zhejiang Province
14	Government Targeted Repurchase Project, East Block of Baiwan Road, Xinzhuang Town, Jinnan District, Tianjin Province

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



Government Targeted Repurchase Project (Plot 04-B-29),
Innovaland, Lucheng District, Wenzhou, Zhejiang Province

BUSINESS REVIEW (CONTINUED)

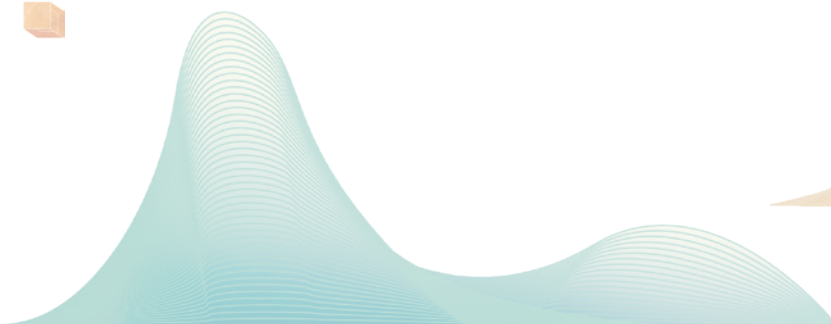
MAJOR PROJECTS IN PROGRESS - MAINLAND CHINA (*continued*)

No.	Project Name
	Construction Related Investment
15	Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province
16	Commercial BT Shanty Town Redevelopment Project, Longdejing and Goutoupian District, Putian, Fujian Province
17	Government Targeted Repurchase Project (Plot 2022P18), Longwen District, Zhangzhou, Fujian Province
18	Vocational Education Site and Industrial Supporting Project, Sutang, Xinyu District, Putian, Fujian Province
19	The Hongyong Garden Relocation Housing Project, Chengdu, Sichuan Province
20	Chongqing Economic Development Zone Borui Ting Talent Apartment Construction EPC General Contracting Project
21	Poverty Alleviation Industrial Park Construction PPP Project, Shiyan, Hubei Province
22	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province
23	The Yellow River Cultural Tourism Facilities Project, Luoyang, Henan Province
24	Government Targeted Repurchase Project of Relocation Housing, Grand Canal, Jianhe District, Luoyang, Henan Province
25	Government Targeted Repurchase Project (Plot No. 200801), Yancheng, Jiangsu Province
26	Investment Project of Comprehensive Construction, Xianfengdao, YanCheng, Jiangsu Province
27	Government Targeted Repurchase Project of Changba (Phase III), Tinghu District, Yancheng, Jiangsu Province
28	Government Targeted Repurchase Project (Plot Number [2021]4-1), Hailing District, Taizhou, Jiangsu Province
29	Government Targeted Repurchase Project (Plot of the East side of Taixiang Road and the North side of Yanding Road), Hailing District, Taizhou, Jiangsu Province

Government Targeted Repurchase Project (Plot of the East side of Taixiang Road and the North side of Yanding Road), Hailing District, Taizhou, Jiangsu Province



Siyi Real Estate Hushan Family Project, Tianjia'an District, Huainan, Anhui Province



BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS - MAINLAND CHINA (*continued*)

No.	Project Name
Construction Related Investment	
30	Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province
31	Government Targeted Repurchase Project (Plot 3), Fengdong New Town, Xixian New District, Xi'an, Shaanxi Province
32	Shanty Town Relocation Project, Suzhou, Anhui Province
33	Siyi Real Estate Hushan Family Project, Tianjia'an District, Huainan, Anhui Province
34	Xinyefang Industrial Park Investment Project, Hongkou, Shanghai
35	Shanty Town Relocation EPC Project, Yantai, Shandong Province
36	Integrated Development Project of Cultural Tourism Town, Nisha (Phase I), Qufu, Shandong Province
37	Relocation Housing Project, Kuiwen District, Weifang, Shandong Province
38	Yunchuang Golden Valley Project, Kuiwen District, Weifang, Shandong Province
39	Qingbei High-tech Park Project, Laixi City, Qingdao, Shandong Province
40	Urban Comprehensive Development PPP Projects, Foshan, Guangdong Province
41	Reconstruction Project of Qijiao Industrial Park, Xingcha, Foshan, Guangdong Province
42	Shanty Town Relocation EPC Project, Ganzhou, Jiangxi Province
43	University and Science & Technology City PPP Project, Yuelu Mountain, Changsha, Hunan Province

Qingbei High-tech Park Project, Laixi City, Qingdao, Shandong Province



Reconstruction Project of Qijiao Industrial Park, Xingcha, Foshan, Guangdong Province

BUSINESS REVIEW (CONTINUED)

MAJOR PROJECTS IN PROGRESS - MAINLAND CHINA *(continued)*

No.	Project Name
Construction Products Plant	
44	Shenzhen Hailong Construction Products Plant
45	Anhui Hailong Construction Products Plant
46	Shandong Hailong Construction Products Plant
47	Zhuzhai Hailong Construction Products Plant
48	Chongqing Hailong Construction Products Plant
Major Projects in Operation and Management	
49	Nanjing No. 2 Yangtze River Bridge
50	Yangquan-Yuxian Section Project, Yangquan-Wutaishan Expressway, Shanxi Province
51	Shuiyu-Niangziguan Section Project, Yangquan-Niangziguan First-Class Highway, Shanxi Province

Zhuzhai Hailong Construction Products Plant



Nanjing No. 2 Yangtze River Bridge

MAJOR AWARDS AND ACCOLADES 2022



General Award

Award	Awarded company	Name of the granting organization
2022 United Nations Industrial Development Organization Global Champion Award	China State Construction International Holdings Limited	United Nations Industrial Development Organization
Selected as a constituent of the FTSE4Good Constituent Index (for six consecutive years)	China State Construction International Holdings Limited	FTSE Russell
"Honored Company" and ranked 1st in "Best ESG" in Industrials Small & Midcap Sector	China State Construction International Holdings Limited	Institutional Investor
Hong Kong International Carbon Market Outstanding Carbon Neutral Contribution	China State Construction International Holdings Limited	Hong Kong Stock Exchange
Hong Kong International Carbon Market Inaugural Participant	China State Construction International Holdings Limited	Hong Kong Stock Exchange
2022 Leap Forward Award	China State Construction International Holdings Limited	CDP
Excellent ESG Enterprise of 2021-2022	China State Construction International Holdings Limited	Hong Kong Economic Times
2021-2022 Special Recognition – Outstanding Carbon Neutral Construction Company	China State Construction Engineering (Hong Kong) Limited	Hong Kong Economic Times
Quam IR Awards 2021 – Sustainable Development Category with the Grading of Platinum	China State Construction International Holdings Limited	Tonghai IR
Hong Kong Management Association 2022 Best Annual Report Award - 2022 Certificate of Excellence in Environmental, Social and Governance Data Reporting	China State Construction International Holdings Limited	Hong Kong Management Association
Gold Award for 2022 Hong Kong Construction Industry CDE Integrated Digital Platform Project	China State Construction Engineering (Hong Kong) Limited	Hong Kong Construction Industry Council
National High-Tech Enterprise	China Overseas Construction Limited	Ministry of Science and Technology, Ministry of Finance, State Administration of Taxation
National Construction Industry AAA Grade Credit Enterprise	China Overseas Construction Limited	China Construction Industry Association
National (Shenzhen) Outstanding Foreign Investment Enterprise Double Excellence Enterprise Award	China State Construction International Investment Limited	Shenzhen Association of Enterprises with Foreign Investment
Shenzhen Top Ten Enterprises with Foreign Investment Turnover and Top Ten Enterprises with Tax Payment	China State Construction International Investment Limited	Shenzhen Association of Enterprises with Foreign Investment
Model Subcontractor Award	China State Construction Development Holdings Limited	the Development Bureau of the HKSAR government and Construction Industry Council
Best Small and Medium-sized Capitalization Company	China State Construction Development Holdings Limited	Zhitongcaijing (智通財經), Royal Flush Finance (同花順財經)

MAJOR AWARDS AND ACCOLADES 2022 (CONTINUED)



CSR Award

Award	Awarded company	Name of the granting organization
2022 Hong Kong Volunteer Award (Hours of Volunteer) Gold Award	China State Construction International Holdings Limited	Home and Youth Affairs of Hong Kong, Agency for Volunteer Service
Construction Industry Volunteer Award — Most Active Participant 2022	China State Construction International Holdings Limited	Hong Kong Construction Industry Council
Love Group Award	CSHK — Widening Project of Castle Peak Road (Guangqing Road to Hairong Road)	Hong Kong Red Cross
Corporate Social Responsibility Outstanding Award	China Overseas Supervision Co., Ltd. (中海監理有限公司)	Federation of Shenzhen Industries
Outstanding Volunteer Team	Volunteer service team of CSCIII Shanxi Company	Yangquan Volunteer Association of Shanxi Province

Technology Award

Award	Awarded company	Name of the granting organization
China Construction Engineering Luban Award (Overseas Projects)	China State Construction Engineering (Hong Kong) Ltd., China Overseas Construction Limited — North Lantau Hospital Hong Kong Infection Control Centre	China Construction Industry Association
Building Information Simulation Project Award	China State Construction Engineering (Hong Kong) Ltd.	Development Bureau of the HKSAR Government, Construction Industry Council
Top 10 New Technologies for Engineering Construction in 2022	China Construction Hailong Technology Co., Ltd. (中海龍科技有限公司) — research and application of key technologies for modular integrated construction (MIC)	China Association of Construction Enterprise Management
Specialized and New Enterprise in Guangdong Province	CSC Development — Far East Curtain Wall (Zhuhai) Co., Ltd. (遠東幕牆(珠海)有限公司)	Department of Industry and Information Technology of Guangdong Province
First Prize of Chongqing Science and Technology Progress Award	Zhengxi Expressway Project of China Construction International Investment (Guizhou) Co., Ltd. (中建國際投資(貴州)有限公司)	Chongqing Municipal Science and Technology Award Work Office
Second Prize of Anhui Provincial Science and Technology Award	China Construction Hailong Technology Co., Ltd. (中海龍科技有限公司)	The People's Government of Anhui Province
Third Prize Achievement of the Third BIM Competition in the Engineering Construction Industry (Construction Engineering Comprehensive Application Category)	China Construction Hailong Technology Co., Ltd. (中海龍科技有限公司)	China Association of Construction Enterprise Management
Guangdong Smart Construction Pilot Project (First Batch)	China Construction Hailong Technology Co., Ltd. (中海龍科技有限公司) — "Shenzhen International Hotel EPC General Contracting Project Section II" and "New Elevator Project for Student Dormitory in Nigang Campus of Shenzhen Middle School"	Guangdong Provincial Housing and Urban-Rural Development
Second Prize of Science and Technology Award of China Steel Construction Society	China State Construction Engineering (Hong Kong) Ltd.	China Steel Construction Society
Second Prize of Science and Technology Award of China Highway & Transportation Society	China Overseas Construction Limited	China Highway & Transportation Society

MAJOR AWARDS AND ACCOLADES 2022 (CONTINUED)



Environmental Protection Award

Award	Awarded company	Name of the granting organization
Hong Kong Environmental Excellence Awards — Gold Award	China State Construction Engineering (Hong Kong) Ltd. — Organic Resources Recovery Centre Phase II	Hong Kong Environmental Campaign Committee
International Safety Awards — Good Award	China State Construction Engineering (Hong Kong) Ltd. — Relocation of Sha Tin Sewage Treatment Works to Caverns — Main Caverns Construction Site and Central Kowloon Route Kai Tak East Project Site	British Safety Council
Only Global Road Achievement Awards (GRAA) Environmental Protection Category of International Road Federation (IRF Global)	China State Construction International Holdings Limited — Zhengxi Expressway Project of	IRF Global
Three Gold Awards including Considerate Contractors Site Award of the Considerate Contractors Site Award Scheme, Safety and Environmental Excellence and Innovation Award and Outstanding Environmental Management & Performance Award	China State Construction Engineering (Hong Kong) Ltd.- Tseung Kwan O Desalination Plant Phase I Project Site	Development Bureau of the HKSAR Government, Construction Industry Council
HKCA Construction Safety Award and HKCA Proactive Safety Contractor Award	China State Construction Engineering (Hong Kong) Ltd.	Hong Kong Construction Association
Construction Industry Safety Award Scheme 2021/2022 2021/2022 — Silver Prize for Civil Engineering Construction Site, Best Safety Performance for Lifting Operation, Best Safety Performance for High-place Operation	China State Construction Engineering (Hong Kong) Ltd. — Tseung Kwan O — Lam Tin Tunnel — Main Tunnels and Related Projects	Jointly hosted by 16 authorities including the Labour Department, Occupational Safety and Health Council, Development Bureau
Awarded the "CarbonCare® ESG Label" for the seventh consecutive year, and awarded the label at the LEVEL 4, the highest ranking of the Label for the fifth consecutive year	China State Construction International Holdings Limited	CarbonCare InnoLab
Awarded the "CarbonCare® ESG Label" for three consecutive years and was awarded the label at LEVEL 3	China State Construction Engineering (Hong Kong) Ltd.	CarbonCare InnoLab
Awarded the "CarbonCare® Construction (Material) Label, CarbonCare® Construction (Process) Label, and the highest "Carbon Neutral" rating	Hong Kong Organic Resource Recovery Centre, Phase II	CarbonCare InnoLab
National Construction Sites for Safe Construction and Standardized Production	China State Construction International Investment Limited — Phase I of Huainan Hushan Mansion Project	China Construction Industry Association
National Youth Safety Production Demonstration Post of Guangdong Province	China Construction Engineering (Macau) Company Limited	Communist Youth League of Guangdong Province Committee, Department of Emergency Management of Guangdong Province
Gold Award for Best OSH Site	China Construction Engineering (Macau) Company Limited — 8 projects including Empreitada De Construç ã O Das Estruturas Principais Do Complexo De Cuidados De Saú De Das Ilha, Studio City Macau Phase 2	Macao Labour Affairs Bureau
Green Construction Demonstration Project of Guangdong Construction Industry	China Overseas Construction Limited- General contracting for Section II of Shenzhen International Hotel EPC Project	Guangdong Construction Industry Association
Safe Production and Civilized Construction Demonstration Site of Housing and Municipal Engineering of Guangdong Province	China Construction Engineering (Macau) Company Limited — Zhonghai Huanyu Times Mansion, Flyrise "Internet+" Industrial Base Project	Construction Industry Safety Association of Guangdong Province
Winning team in the national "Ankang Cup" competition	China State International Investment (Jiangsu) Co., Ltd./ China Overseas Construction Limited	Construction Safety and Machinery Subcommittee of China Construction Industry Association
Safe Production and Civilized Construction Demonstration Site of Housing and Municipal Engineering of Guangdong Province	China State Construction Development Holdings Limited — 13 projects including China Resources Guangzhou Zengcheng Xintang Interchange residential project and Longguang headquarters center project,	Construction Industry Safety Association of Guangdong Province
Green Construction Demonstration Project of Guangdong Construction Industry	China State Construction Development Holdings Limited — General contracting project of Zhonghai Huideli Garden	Guangdong Construction Industry Association
Safe Production and Civilized Construction Demonstration Site of Housing and Municipal Engineering of Guangdong Province	China Overseas Construction Limited — International Hotel project, Pingshan Primary School demolition and reconstruction project	Construction Industry Safety Association of Guangdong Province
National Youth Safety Production Demonstration Post of Shanxi Province	CSCI Asset Management Co., Ltd. — Yinying toll station, Xiaqianmuping Village, Yinying Town, suburb of Yangquan City, Shanxi Province	Communist Youth League of Shanxi Province Committee, Department of Emergency Management of Shanxi Province

CORPORATE CITIZENSHIP



CORPORATE CITIZENSHIP (CONTINUED)

**For a successful construction project,**

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

As a socially responsible contractor,

the Group must champion green management in construction planning in order to create a pleasant environment for our society.

As a socially responsible enterprise,

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

CORPORATE CITIZENSHIP (CONTINUED)

BUILDING HAPPINESS AND LEADING THE TREND

The Group, as a member of China Overseas Holdings Limited (“COHL”), upholds the core values of value 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.

The Group 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 vigor for the implementation of strategies and the achievement of goals.

With its extraordinary craftsmanship and care, the Group has profound insight into the changing needs of our customers. Driven by our maxim “Building Happiness and Leading the Trend”, the Group has continuously led the lifestyle and industry trends and actively fulfilled our corporate responsibilities.

Staff Development and Personal Growth

I. Talent Training

The Group focuses on three teams, namely “executive successors, core talents and young talents”, and has gradually improved and formulated a number of talent management methods according to business types. In particular, in line with the Group’s development plan, the Group has formulated the cultivation and management methods for young talents and core talents, so as to fully open up the career development path of local employees from graduates to core talents and then to senior executives, and to break the “ceiling” of the promotion path of employees through a more scientific career growth mechanism.

II. Youth Development

The Group has always attached great importance to youth development. In recent years, the Group has launched the “Double Hundred” Youth Talent Development Program, which includes at least 100 graduates and 100 interns among the 1,000 new employees recruited in Hong Kong each year. The Group has also implemented the talent concept of “Gathering Progressive People, Inspiring Promising People” and built a “5+3+X” youth talents training system to continuously create more opportunities for Hong Kong youth to grow and develop.



CORPORATE CITIZENSHIP (CONTINUED)

“5” means the five professional development support: including clear career path, systematic professional training, mentor responsibility system, construction technology practice, and competitive salary and benefits. Through the development and improvement of various talent management methods, including trainee engineer, material management, safety and environmental management, technology management and quantity surveying management, to ensure the good career development of young talents in a systematic way;

“3” means three special learning experiences: including “Thousands of People Across the River Project” Greater Bay Area Development Opportunities, “Happy Committee” employee care activities, “CSHK Volunteer Club” social welfare Participation;

“X” means the youth initiatives: In order to enable employees to expand their potential and broaden their thinking, the Group has established the “CSHK Youth Club” in 2022 to organize diversified activities to encourage employees to equip themselves outside of work to achieve personal development and create social value.

In particular, the Group held the “2022 Youth Enlightenment Class”, an induction event for more than 100 young graduates. The Group also held a number of “Executive Face-to-Face” events, through which, executives personally promoted and explained the Group’s strategy and young talents training system to facilitate young employee’s integration into the “leading culture” of the Group and to better grasp the direction of the Group and their personal development.



III. Integration into the Greater Bay Area

As a Chinese-funded enterprise in Hong Kong, the Group has always taken the role of acting as a bridge between Hong Kong and the Mainland as its mission. During the “14th Five-Year Plan” period, the Group launched the “Thousands of People Across the River” program, and through participation in exchange training activities including the “Greater Bay Area Youth Employment Program” and self-organized “Qianhai Experience” and “Construction Industrialization Learning and Exchange Program”, 1,000 Hong Kong employees were sent across the Shenzhen River to work and live in the Mainland to promote the integration of Hong Kong professionals with the development of the Greater Bay Area and to continuously enhance the momentum of Hong Kong’s development. Up to now, hundreds of high quality and aspiring Hong Kong professionals and young talents have been sent to the Mainland for exchange during the 14th Five-Year Plan period, and the whole process of support and protection has been done for them.

It is expected that in the next three years, the Group will continue to implement the “Thousands of People Across the River” program and continue to promote the integration and cooperation of the Greater Bay Area, contributing to the better integration of Hong Kong into the overall development of the country.

Greater Bay Area Youth Employment Program

The Group has actively participated in the “Greater Bay Area Youth Employment Program” of the HKSAR Government, and has recruited and transferred a number of Hong Kong graduates to work in Shenzhen through various channels under the pandemic. In November 2022, the Group was awarded the “Active Participating Enterprise” under the Greater Bay Area Youth Employment Program commendation by the Chief Executive of HKSAR Government, Mr. Li Ka Chiu, for being one of the most engaged enterprises under the program.

The participants of the program were very positive about working and living in the Greater Bay Area, saying that they experienced the rapid development of the country, the economic vitality and technological advancement of the Greater Bay Area, and that they were more enthusiastic about their work and patriotic feelings, and were confident about the future development of the country.



CORPORATE CITIZENSHIP (CONTINUED)



Construction Industrialization Learning and Exchange Program

In order to better embrace the arrival of construction industrialization and plan ahead for the future, in 2022, the Group carried out the “Construction Industrialization Learning and Exchange Program” in batches, relying on the Shenzhen Longhua MiC Project and the Haichuang MiC Factory. Through sending key employees from Hong Kong in different business lines to the Mainland for on-the-job learning and exchange for six months or more, the Group aims to nurture more talents in construction industrialization practices.

IV. Employee Care

In terms of employee care, the Group’s “Happiness Committee” has set up scholarships for employees’ children, held “Youth Cheer Clubs” and set up sports clubs, and conducted various kinds of rich cultural and sports activities on a regular basis to enhance employees’ sense of honor and participation.

In terms of worker care, the Group actively created a “one station (happiness station), one network (grid management), one platform (happy worker App)” happy worker care system to enhance the work happiness index of workers.

Staff Children Scholarship

On the occasion of the 25th anniversary of Hong Kong’s return to China, the Group launched the “Staff Children Scholarship of China State” award in Hong Kong. This award provides scholarships for both primary and secondary school students and scholarships for university students, so as to reward children of employees with outstanding academic performance, non-academic excellence and good conduct. The selection committee selected a total of 65 children of employees, each of whom will receive a scholarship of HK\$3,000 to HK\$10,000, based on their academic performance and non-academic performance (including but not limited to conduct, sports, arts, etc.).



Sports Club

The Group has always been concerned about the humanistic care of employees. Through organizing and participating in various types of cultural and public welfare activities, the Group demonstrated to the community its corporate philosophy that “we are in the business of happiness” and “wholeheartedly strive every day”, as well as the leading cultural spirit. Besides, the sports club will continue to actively communicate and strengthen contacts with all sectors of the community through friendly competitive competitions, encourage employees to actively participate in sports activities and contribute to society, and make sports activities a showcase for the Group.

At present, there are a basketball club, a football club, a mountaineering club and other branch organizations under the sports club to participate in cultural and sports activities and public welfare activities on behalf of the Group. In 2022, the sports club made brilliant achievements in many activities and competitions. In particular, the football club won the gold disc group championship of the “Construction Industry Council Cup Grassland Football League” in 2022 and the second place in the “Return Cup” Grassland Football League of the Hong Kong Asian Youth Association in 2022. Besides, the basketball club won the second place in the “Asian Youth Cup” of the 2022 National Day Basketball Invitational.

Environmental Policy

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

CORPORATE CITIZENSHIP (CONTINUED)

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 terms of preventing violations of environmental laws and regulations, all sites shall identify the main environmental factors related to its scope of operation through environmental factors, compliance obligations and risk assessment in advance, and strictly comply with the requirements of Standard Operating Procedures No. 12 "Environmental Management Operating Procedures" to prepare the project environmental management plan and carry out construction.

The Safety and Environmental Protection Department (S&EP Department) is responsible for monitoring site operations to ensure compliance with laws, regulations and contractual environmental requirements, e.g., monitoring the compliance of sites with the "Noise Control Ordinance". The S&EP Department will first identify high-risk sites with tight construction schedules to arrange holiday and night surprise inspections, and inspect the implementation of the Site Construction Noise Management Procedures at the sites. Besides, the S&EP Department requires all sites to submit the Site Holiday/Night Construction Report in advance to strengthen overall supervision to ensure that sites comply with relevant laws and regulations. To address potential environmental pollution during construction, the Group has also strengthened environmental management during construction by introducing and promoting the use of innovative environmental protection equipment, such as the real-time air quality monitoring with automatic dust suppression system. In addition, the S&EP Department will promptly issue the "Environmental Alert" to notify other sites of potential violations at the site, and require the site to take corresponding preventive measures to avoid prosecution. The environmental management system of the Group was updated and certified to ISO14001:2015 in 2016, and the overall compliance obligations and environmental risk management have been enhanced. In 2022, there was no non-compliance or Area for Improvement (AFI) found during the external audit of the Group's environmental management system.

Actively Promoting Sustainable Low-carbon Construction

With the national "3060" dual carbon targets, the Hong Kong Government also proposed the goal of achieving carbon neutrality by 2050. Green construction has gradually become the development trend of the industry. As an industry leader, the Group has been committed to promoting green construction, continuously reviewing

and reducing potential negative impact of businesses on the environment, continuously investing in innovative building technologies, promoting low-carbon project pilot experience, and leading the low-carbon transformation of the industry. Taking the Organic Resource Recovery Centre Phase 2 Project (O·PARK2) as a pilot project, CSHK, a subsidiary of the Group, has adopted the Integrated Design Process (IDP) for design and construction, implemented green construction materials and renewable energy, and developed smart construction technologies such as BIM 7D, MiC, DfMA, 3D printing, BIPV and CCUS (carbon capture, utilization and storage technology) to reduce carbon emissions during construction. In addition, digital management systems such as the C-SMART smart site management platform and the "carbon neutral cloud platform" are also applied to improve the accuracy and efficiency of carbon accounting. The Group purchased carbon credits through Core Climate, the carbon trading market on the Hong Kong Stock Exchange for carbon neutralization and offset to achieve carbon neutrality during the construction of the project. The Group will summarize the carbon reduction experience of projects, and further strengthen the research and development, promotion and application of green and low-carbon construction technologies so as to actively contribute to the achievement of the carbon peak and carbon neutrality targets.

In terms of overall energy conservation and emission reduction of the site, the Group continuously pursues excellence. CSHK and China Overseas Building Construction Limited, subsidiaries of the Group, updated the energy management systems certification to ISO50001:2018 in 2019. China State Foundation Engineering Limited was also granted the relevant certification in the same year. There was no non-compliance or area for improvement raised in the external audit of energy management system of each company in 2022.

With the rising concern of the community on building environmental performance, government departments and private developers have increasingly high requirements for the construction of green buildings. CSHK joined the Hong Kong Green Building Council as an Institutional Member since 2015 and upgraded the membership to Marble Patron Member in 2021 to actively promote green construction in Hong Kong. The Group actively encouraged and sponsored its employees to participate in BEAM Pro Training and obtain the BEAM Pro qualification to provide professional advice for the construction and management of green building projects to make projects greener. Currently, more than sixty employees have acquired the BEAM Pro qualification.

CORPORATE CITIZENSHIP (CONTINUED)

With the concerted efforts of the Group, the results were remarkable. By virtue of the outstanding performance in low-carbon “smart” manufacturing of O-PARK2, CSHK, a subsidiary of the Group, has become the only construction enterprise that won the Global Call 2022 Global Champion Award organized by United Nations Industrial Development Organization in 2022. CSHK also received the 2021 Hong Kong Environmental Excellence Award — Construction Sector — Gold Award, jointly organized by the Environmental Campaign Committee, the Environmental Protection Department and nine agencies. The Tseung Kwan O Seawater Treatment Plant Phase I Project, Kwong Wah Reconstruction Project Phase I and Castle Peak Highway Widening Project won the Outstanding Environmental Management Award — Gold Award, Silver Award and Bronze Award of the 28th Considerate Contractors Site Award Scheme respectively. In addition, the Tseung Kwan O Seawater Treatment Plant Phase I Project, the student dormitory and teaching building project at Baptist University and Kwong Wah Reconstruction Project Phase I also received the Safety and Environmental Excellence Innovation Award — Gold Award, Silver Award and Bronze Awards of the 28th Considerate Contractors Site Award Scheme respectively. The Wong Chuk Hang Station Phase II Development Project was awarded the Green Building Site Award — Gold Award and the Excellent Green Leadership Award — Platinum Award by the owner. Besides, the Group’s subsidiaries including CSHK, China Overseas Building Construction Limited, China State Foundation Engineering Limited, China State Mechanical and Electrical Engineering Limited and Alchmex International Construction Limited, won the Hong Kong Construction Environmental Awards 2022 organized by the Hong Kong Construction Association. Various environmental awards from the government and the industry fully recognize the Group’s efforts in environmental management and promoting sustainable development in the industry.

As always, the Group actively participates in social environmental activities, including the annual “China State Environmental Protection Day”. In 2022, the Group organised a “Carbon Neutral Site Investigation Activity during Construction Period”, where participants observed O-PARK2, the first green building project in China to commit to achieving carbon neutrality during construction period. The experience of the project in achieving carbon neutrality during construction period and developing carbon assets in the construction industry through sustainable management, technological innovation and support for voluntary emission reduction projects is worth being learnt by other sites. Besides, the Expired Helmets Recycling Activity was held in all the construction sites in June to collect expired safety helmets and send them to recyclers for recycling. The activity raised the awareness of workers on the expiry of safety helmets and reduced waste and resource consumption.

The Group also required all subcontractors to comply with the Environmental Policy and held meetings with subcontractors regularly during the construction period of the project to discuss issues related to environment and improve overall environmental performance together. Moreover, in order to gain a deeper understanding of the legal requirements and control methods related to mosquitoes, the Group invited officials from the Hong Kong Food and Environmental Hygiene Department to hold a lecture on mosquito control for colleagues to enhance the effectiveness of mosquito control at the sites and improve the overall working environment hygiene.

Safety and Health

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

The Group is committed to promoting the implementation of safety management system to ensure compliance with safety and health legal requirements and contracts with client. Each operation unit has carried out a series of specific risk assessments which strengthen its site supervision of the specific task, and has provided sufficient training to relevant employees. These measures can control construction risks effectively, prevent accidents and avoid serious accidents from happening. CSHK, which is under the Group, vigorously promoted the Smart Safety system in new opened sites to realized construction on-site management, enhance monitoring and alert so as to minimize the construction risk and occurrence of accidents through advancement technology such as Internet of Things and smart intelligence.

The Group actively introduced various pandemic prevention and control measures, including providing automatic disinfection sprayers and implementing Digital Health Declaration system, and ensuring adequate supplies of anti-epidemic supplies on our construction sites. The Group has also formulated the anti-epidemic guideline to fight against the pandemic together.

CORPORATE CITIZENSHIP (CONTINUED)

With the joint efforts of all divisions of the Group, its construction projects have won multiple awards from the industry and landowners, including 2 Golden, 2 Silver and 3 Copper awards in the 28th Considerate Contractors Site Award Scheme (New Works), Golden award in the “Life First” contest organized by the Construction Industry Council, the Outstanding Performance in Work-at-height Safety Prize under the Construction Industry Safety Award Scheme 2021/2022, the Performance Award for Outstanding Lifting Work Safety and two silver prizes, Safety Contractor Award of MTR property engineering department, Best Construction Site Safety Award for two quarters of 2022 of Hong Kong Airport Authority — No. 3 Runway Project Division, and the 2021 HKCA Proactive Safety Contractor Award, showing that the Group’s safety and health policies and its implementation have been widely recognized in the industry.

The Group and Community

Under the leadership of the “Caring for the Society” Voluntary Services Federation of COHL, the Group officially established the CSC “Caring for the Society” Volunteer Branch (hereinafter referred to as “3311 Volunteer Branch”) in June 2019 for the implementation of our corporate mission of “We are in the business of happiness”. Over 2,100 volunteers have joined since the Branch’s establishment. In 2022, the 3311 Volunteer Branch continued to improve the “4+x” (namely Care for the elderly, Adult employment, Care for the youth, House maintenance and Innovative Space for Employees volunteer service system. There were 2,800 participating volunteers with more than 15,000 volunteering hours throughout the year.

“Strive and Rise (共創明Teen)” Programme

The Group continuously exerted the long-term practice experience of teenagers in target poverty alleviation, initiatively responded to the “Stive and Rise” Programme of the HKSAR Government, including providing over 60 candidates of teachers, several group actions and donations, supporting COHL becoming one of the strategic partners of the partnership committee of the programme.

The volunteer teachers will conduct the “1v1” matching with junior students of grassroots at least a year, provide students guidance in career plan and positive value, and assist in solving intergenerational poverty issues.

Diversified Community Volunteer Activities

The Group extensively organizes project frontline forces, initiatively understands the demands of communities, actively carries out a diversity of community volunteering activities such as household repair and metainance, the “Junior Engineer Workshop”, visit to elderly home, volunteering cleaning and environmental agricultural activities.

Organizational Protection

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

Awards and Recognitions

With its outstanding contributions and achievements in promoting volunteering work, the Group won great praise from the HKSAR Government and various sector of the Hong Kong community in the past two years, and has received numerous important awards in the field of volunteering work, including the 2022 Hong Kong Volunteer — Golden Award for Enterprises (Volunteer Hours) granted by the Home and Youth Affairs Bureau and the Volunteer Development Council.



CORPORATE CITIZENSHIP (CONTINUED)

Investor Relations

Management Highly Values Investor Relations

The management of the Group believes that actively promoting investor relations can improve corporate governance and strengthen the Group’s capability to create value. Therefore, investor relations is regarded as one of key tasks, and with the strong support from the management level and increasing advocacy efforts at the executive level, the year 2022 has achieved outstanding performance.

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

Diversified Communication Approach

The Group adheres to a transparent, efficient, proactive and comprehensive attitude, and maintains regular and efficient communications with shareholders and investors. In 2022, the Group participated in a number of investor conferences and forums, meeting more than 200 investors, to share its insights on the market and industry in a timely manner, as well as to introduce its development strategies and operations, thereby enhancing investors’ understanding and confidence in the Group.

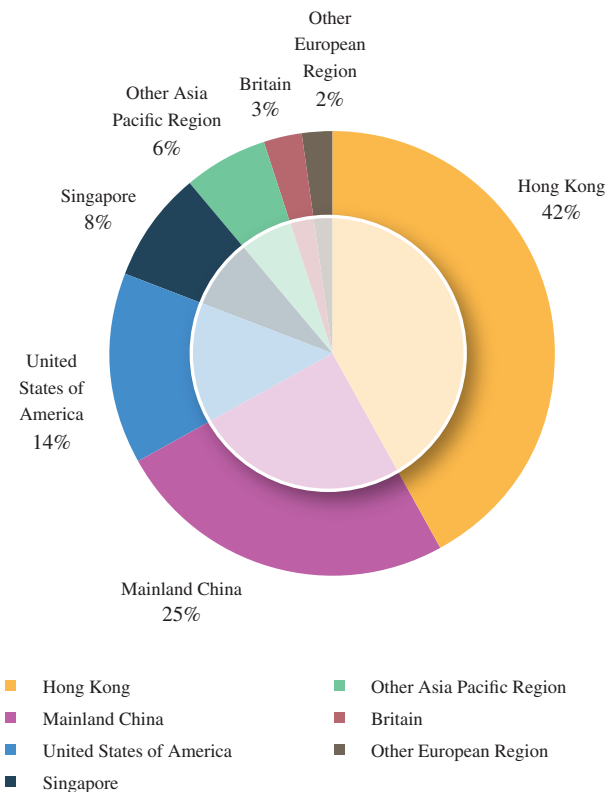
In addition, the Group has managed to cope with the impact of the pandemic and, on the premise of pandemic prevention and social distance, invited investors to visit Shenzhen Longhua Talent Housing and O-PARK2 Projects, enabling investors experience the development of MiC technology, BIPV, ultra-low carbon construction materials, smart construction technology, carbon neutrality cloud platform, C-SMART intelligent construction sites and other green construction technology and construction scientific products.

Outstanding Performance Recognized by Global Investors

The Group actively participates in investment strategy conferences held by domestic institutions and investor conferences held by overseas institutions. While continuously attracting Mainland Chinese investors, the Group maintains close communication with overseas investors and effectively keeps a stable structure of overseas shareholders.

The Group’s efforts in corporate governance and stakeholder engagement over the years have been well recognized by the market, it was awarded again as “Honored Company” at Industrials Small & Midcap sector in All-Asia Executive Team 2022 by the Institutional Investor magazine, “Quam IR Awards 2021”, and many other awards.

Distribution of Meetings with Shareholders and Investors by Region:



CORPORATE CITIZENSHIP (CONTINUED)

Major Investor Relations Activities in 2022:

January

- 22nd UBS Greater China Conference

March

- 2021 Annual Results Investors and Analysts Briefing
- Investor Telephone Conference for 2021 Annual Results
- 21st Credit Suisse Asian Investment Conference

April

- Investor Telephone Conference for 2022 Q1 Results

May

- JP Morgan Investment Conference
- HSBC Investment Conference

June

- Citibank Pan-Asia Regional Investor Conference 2022
- BofA 2022 Innovative China Conference
- Everbright Securities Conference

July

- UBS Virtual Asian Industrial and Infrastructure Company Day 2022
- BofA China Auto/Industrial Materials & Energy Conference

August

- 2022 Interim Results Investors and Analysts Briefing
- Investor Telephone Conference for 2022 Interim Results

September

- Citi Alpha Industrials and Logistics Conference 2022

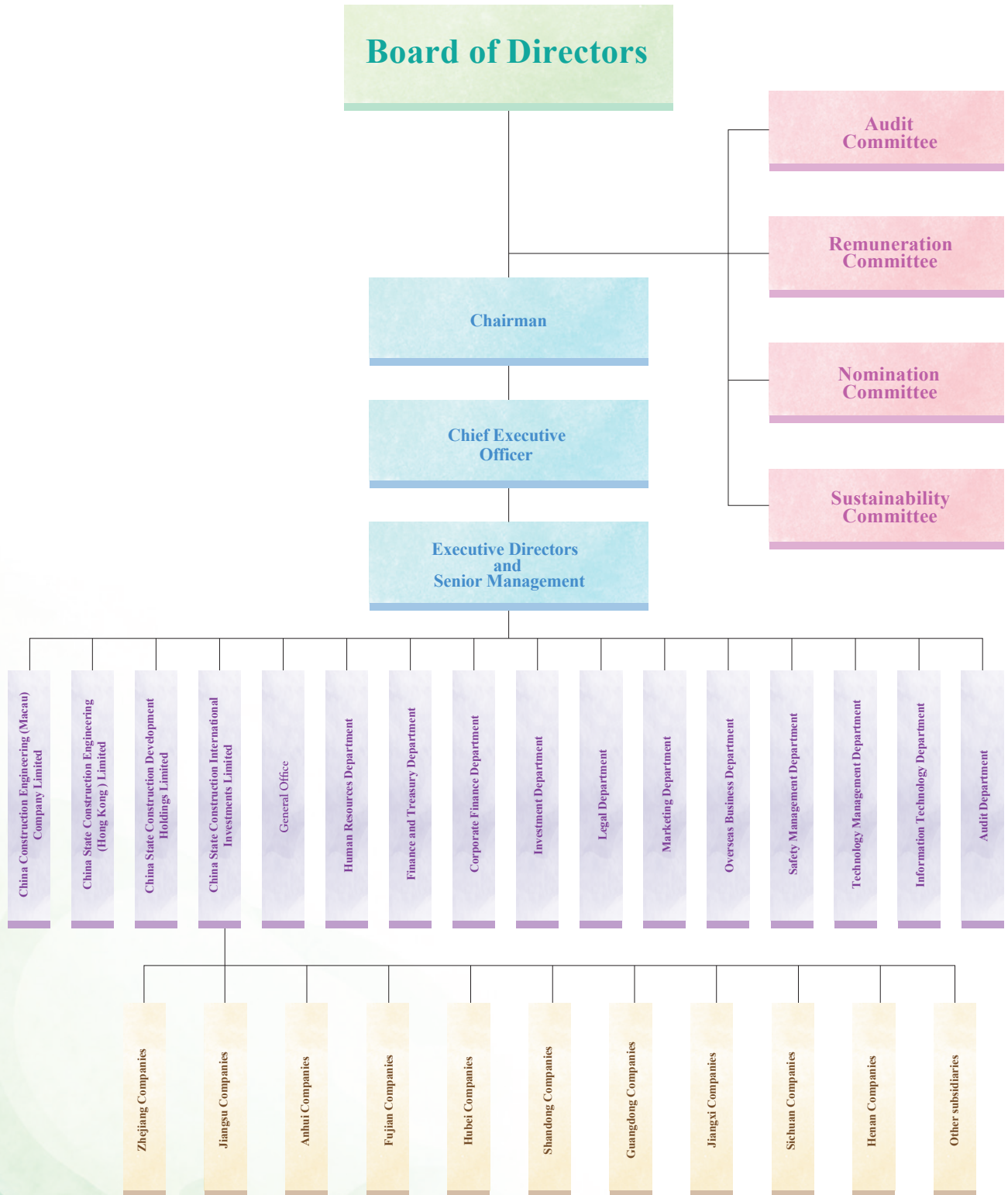
October

- Investor Telephone Conference for 2022 Q3 Results
- BofA Securities 2022 Asian Credit Conference
- Goldman Sachs 2022 China Investment Conference

November

- Goldman Sachs China Conference 2022
- Citibank Investor Conference 2022
- BofA Securities 2022 China Conference
- Essence Securities Investment Forum
- Site Tour of Shenzhen Longhua Talent Housing Project
- Site Tour of Hong Kong O-PARK2 Project

DIRECTORS AND ORGANISATION



DIRECTORS AND ORGANISATION (CONTINUED)

Board of Directors

Mr. ZHANG Haipeng

*Chairman and Executive Director
Sustainability Committee Member*

Aged 47, was appointed as an Executive Director of the Company on 13 July 2017, was appointed as the Chief Executive Officer of the Company on 21 August 2018 and was appointed as Chairman of the Company and ceased to be the Chief Executive Officer of the Company on 24 February 2023. Mr. Zhang graduated from 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 and was awarded the title of Senior Engineer. Mr. Zhang joined 中國建築集團有限公司 (China State Construction Engineering Corporation*) (“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 the Chairman and Non-executive Director of China State Construction Development Holdings Limited (“CSC Development”, a subsidiary of the Company listed on the Stock Exchange) and a Director of China Overseas Holdings Limited, the controlling shareholder of the Company. Mr. Zhang has over 23 years’ experience in investment and construction engineering management.

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

Mr. YAN Jianguo JP

Non-executive Director

Aged 56, was appointed as Chairman and Non-executive Director of the Company on 22 March 2019 and resigned as the Chairman of the Company and continued to act as Non-executive Director of the Company on 24 February 2023. 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 an 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 CSCEC in 1989 and had been seconded to China Overseas Land & Investment Ltd. (“COLI”) twice. During the years from 1990 to 1992, Mr. Yan had been working for the Shenzhen company of China Overseas Development Group Co., Ltd.* (the “Property Group”, a wholly-owned subsidiary of COLI) 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 company, Deputy General Manager of Shanghai company, General Manager of Suzhou company, General Manager of Shanghai company, Vice Managing Director of the Property Group and President of Northern China regional companies. 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 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 continued to serve as Chief Executive Officer of COLI from 13 June 2017, and ceased to act concurrently as Chief Executive Officer of COLI on 11 February 2020.



DIRECTORS AND ORGANISATION (CONTINUED)

Besides acting as the Chairman and Executive Director of COLI and a director of certain subsidiaries of COLI, Mr. Yan is currently Chairman and President of China Overseas Holdings Limited (“COHL”) and also a director of certain subsidiaries of COHL and a member of the 14th National Committee of the Chinese People’s Political Consultative Conference. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Yan also served as the Chairman and Non-executive Director of China Overseas Property Holdings Limited (listed in Hong Kong) and the Chairman of China Overseas Grand Oceans Group Limited (“COGO”) (listed in Hong Kong) until 11 February 2020, and Non-executive Director of COGO until 22 April 2021. Mr. Yan has about 33 years’ experience in construction business, real estate investment and management.

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

Mr. CHEN Xiaofeng

Non-executive Director

Aged 60, was appointed as a Non-executive Director of the Company on 17 August 2021. Mr. Chen graduated from Jilin Finance and Trade College (now known as Jilin University of Finance and Economics) and obtained a bachelor’s degree in economics and was awarded that the title of Senior Economist. Mr. Chen joined CSCEC in 1984 and was appointed as Managing Director and Chief Financial Officer of COHL in 2016. He is also a director of certain subsidiaries of COHL. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Chen has over 32 years’ experience in construction and real estate business management and financial management.

Mr. WANG Xiaoguang

Executive Director and Chief Executive Officer

Aged 40, was appointed as an Executive Director and Chief Executive Officer of the Company on 24 February 2023. Mr. Wang 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 Vice President since 2020 and a director of certain subsidiaries of the Group since 2015. Mr. Wang has over 18 years’ experience in investment and construction engineering and management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Chairman of the Sustainability Committee

Aged 53, 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 and a member of the Hong Kong Institute of Certified Public 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 31 years’ experience in corporate finance, financial accounting and investment management.



DIRECTORS AND ORGANISATION (CONTINUED)

Mr. HUNG Cheung Shew

Executive Director, Vice President

Aged 64, 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 41 years' experience in construction management and planning.

Mr. Adrian David LI Man Kiu *BBS, JP*

Independent Non-executive Director

Chairman of the Remuneration Committee

Audit Committee Member

Nomination Committee Member

Sustainability Committee Member

Aged 49, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. He is also a member

of the Hong Kong Academy of Finance and has been conferred as an Honorary Certified Banker by The Hong Kong Institute of Bankers. He was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2022 in recognition of his contributions to the community. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited. He is a member of the Shanghai Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. Mr. Li is Chairman of The Chinese Banks' Association, Vice President of The Hong Kong Institute of Bankers' Council and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is a board member of The Community Chest of Hong Kong and serves on its Executive Committee, a member of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, and a Trustee of The University of Hong Kong's occupational retirement schemes. Furthermore, he serves as a member of the Election Committees responsible for electing the Chief Executive and Legislative Council members of the HKSAR as well as deputies of the HKSAR to the 14th National People's Congress. Mr. Li is currently an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and COSCO SHIPPING Ports Limited. He previously served as a Non-executive Director of The Berkeley Group Holdings plc (listed in London). The aforesaid companies are all listed in Hong Kong, unless stated otherwise.



DIRECTORS AND ORGANISATION (CONTINUED)

Dr. Raymond LEUNG Hai Ming

Independent Non-executive Director

Audit Committee Member

Remuneration Committee Member

Nomination Committee Member

Sustainability Committee Member

Aged 68, 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 46 years of experience in engineering, investment, construction and project management. He is a director of various private companies in Hong Kong. Dr. Leung is also the Chairman and Chief Executive Officer of C & L Holdings Ltd. engaging in investment and dispute resolution.

Mr. LEE Shing See GBS, OBE, JP

Independent Non-executive Director

Chairman of the Audit Committee

Chairman of the Nomination Committee

Remuneration Committee Member

Sustainability Committee Member

Aged 80, 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 57 years' experience in engineering and construction.



DIRECTORS AND ORGANISATION (CONTINUED)

Ms. WONG Wai Ching GBS, JP

Independent Non-executive Director

Audit Committee Member

Remuneration Committee Member

Nomination Committee Member

Sustainability Committee Member

Aged 62, was appointed as an Independent Non-executive Director of the Company on 25 March 2022. Ms. Wong graduated from The University of Manchester, United Kingdom, with a Bachelor's degree (Honours) of Science in the Faculty of Technology in 1985 and a Master's degree of Science in the Faculty of Technology in 1986. She served Bank of China from 1987 to 1992 as a deputy manager of the Hong Kong branch and a dealer of the Australia branch respectively. Ms. Wong has joined her family business in 1993, its scope covering investment, retailing, hotels and mixed complex projects. Ms. Wong is currently acting as the managing director of Wong Sun Hing Limited.

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

Senior Management

Mr. YANG Weidong

Senior Vice President

Aged 53, 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 33 years' experience in construction engineering and management.

Mr. ZHANG Jie

Senior Vice President

Aged 39, 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 16 years' experience in construction engineering, investment and human resources management.

Mr. LUO Haichuan

Vice President

Aged 43, 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 20 years' experience in investment and financing; and human resources management.

DIRECTORS AND ORGANISATION (CONTINUED)

Mr. ZHAO Xiaoqi

Vice President, General Legal Counsel

Aged 48, 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 26 years' experience in human resources management and legal affairs.

Mr. ZHOU Wenbin

Vice President

Aged 56, graduated from Zhongnan University of Economics and Law and completed doctoral education and obtained a PhD Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 34 years' experience in corporate finance, accounting and investment management.

Mr. LIU Guobing

Vice President

Aged 45, graduated from Southeast University and was awarded the title of Senior Engineer. Mr. Liu joined CSCEC in 2000 and was seconded to COHL Group in 2005. He has been a director of certain subsidiaries of COLI for the period from December 2008 to February 2014 and a director of certain subsidiaries of COGO for the period from February 2014 to July 2018, and was seconded to the Group in 2023. Mr. Liu has over 22 years' experience in investment, planning and real estate development.

Mr. HUANG Jiang

Vice President

Aged 48, graduated from Chongqing Jianzhu University (now known as Chongqing 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 26 years' experience in contract and project management.

Mr. TIAN Shuchen

Investment Director

Aged 57, 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, and served as an Executive Director of the Company for the period from 12 August 2010 to 22 December 2021. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 35 years' experience in construction engineering and project management.



DIRECTORS AND ORGANISATION (CONTINUED)

Mr. ZHANG Ming

Assistant President

Aged 40, 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 17 years' experience in construction engineering, administration and human resources management.

Mr. ZHOU Zhike

Investor Relations Director

Aged 39, 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. 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 15 years' experience in capital market, corporate finance and corporate strategy. He had been awarded as "Best Investor Relations Officer" in All-Asia Executive Team Poll (Industrial Sector) by Institutional Investors for 8 consecutive years.

Mr. MI Xiang

Assistant President

Aged 47, graduated from Northwest Institute of Architecture Engineering (now known as Chang'an University), and obtained a degree of Master of Project Management in Xi'an Jiaotong University and was awarded the title of 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 25 years' experience in project management.

Mr. ZHANG Zongjun

Assistant President

Aged 46, graduated from Chang'an University, and was awarded the title of Senior Engineer. Mr. Zhang joined CSCEC in 2001 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2014. Mr. Zhang has over 21 years' experience in prefabricated building, intelligent building, modular integrated construction and engineering management.



CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The board of directors of the Company (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 2022, 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”).

Corporate strategy, business model and culture

The Group adheres to the core values of “Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success”, strictly abides by the industry standard, upholds the heart of dedication, and strives for growth and continuous innovation under the principle of “Quality Assurance; Value Creation” of China State Construction. With the continuous enhancement of individuals’ values and the perfect release of strengths of teamworks, the Group aims to developing into an international comprehensive construction and infrastructure investment enterprise with strong competitiveness, and becoming a new role model of “harmonious and win-win” with shareholders, employees and society in the new era.

Upholding the entrepreneurial spirit of “Integrity, Innovation, Surpass, Win-win situation” after nearly 40 years’ development, the Group has established four major business segments of “Mainland China, Hong Kong, Macau and Overseas”, and has fully utilized the advantages of the whole industrial chain and comprehensively promoted high-quality corporate development according to the development strategy of “Technology + Investment + Construction + Asset Operation”.

Board of Directors

The Board governs the Group and is responsible for overall management of the Group’s business. It focuses on the overall strategies, policies and business plans of the Group, and monitors the financial performance, internal controls and risk management (including sustainability risk management) of the Group. Executive directors and senior management are responsible for the day-to-day operations of the Group while non-executive directors are responsible for scrutinizing the Group’s performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.



CORPORATE GOVERNANCE REPORT (CONTINUED)

The composition of the Board and the attendance of each director in the Board Meetings, annual general meeting (“AGM”) and extraordinary general meeting (“EGM”) during the year ended 31 December 2022 are set out below:

Name	Attended/Eligible to Attend		
	Board Meetings	AGM	EGM
Chairman and Executive Director			
Zhang Haipeng (<i>appointed as Chairman on 24 February 2023</i>)	4/4	1/1	1/1
Non-executive Directors			
Yan Jianguo (<i>resigned as Chairman on 24 February 2023</i>)	4/4	1/1	1/1
Chen Xiaofeng	4/4	1/1	1/1
Executive Directors			
Wang Xiaoguang (<i>Chief Executive Officer</i>) (<i>appointed on 24 February 2023</i>)	N/A	N/A	N/A
Zhou Hancheng	4/4	1/1	1/1
Hung Cheung Shew	4/4	1/1	1/1
Independent Non-executive Directors			
Adrian David Li Man Kiu	4/4	1/1	1/1
Raymond Leung Hai Ming	3/4	1/1	1/1
Lee Shing See	4/4	1/1	1/1
Wong Wai Ching (<i>appointed on 25 March 2022</i>)	3/3	1/1	1/1

Biographical information of the directors is set out in the “Directors and Organisation” section of the 2022 Annual Report of the Company. An updated list of directors containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company. The Company has also maintained an updated list of directors and their role and function on the websites of Hong Kong Exchanges and Clearing Limited (the “HKEx”) and the Company.

During the year, four Board meetings were held. Board meetings were held to approve the annual, interim and quarterly results of the Company; to consider the payment of final dividends and to approve the payment of interim dividends; to discuss the operational status and approve annual budget of the Company; to consider and approve the reports submitted, significant and connected transactions, the re-appointment of a non-executive director of the Company, the appointment of an independent non-executive director of the Company, certain policies of the Company (including Anti-Corruption Policy, Whistleblowing Policy, Revised Board Diversity Policy and Revised Shareholders’ Communication Policy) and Board Independence Evaluation Mechanism. Throughout the year, directors also participated 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

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

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

As part of the continuous professional development programme, all directors of the Company namely Mr. Zhang Haipeng, Mr. Yan Jianguo, Mr. Chen Xiaofeng, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming, Mr. Lee Shing See and Ms. Wong Wai Ching read legal and regulatory updates and/or attended seminars arranged by the Company during the year of 2022. 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.



CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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.

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.

During the year, Mr. Yan Jianguo was the Chairman and Non-executive Director of the Company; and Mr. Zhang Haipeng was Executive Director and Chief Executive Officer of the Company.

On 24 February 2023, Mr. Yan Jianguo resigned as the Chairman and continued to act as Non-executive Director of the Company, Mr. Zhang Haipeng was appointed as the Chairman and ceased to be the Chief Executive Officer of the Company, and Mr. Wang Xiaoguang was appointed as Executive Director and Chief Executive Officer of the Company.

Non-executive Directors

Except Mr. Yan Jianguo and Ms. Wong Wai Ching who were not appointed for a specific term, all non-executive directors were appointed with a term of three years. Pursuant to the Articles of Association of the Company, all directors (including non-executive directors) appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All directors shall be subject to retirement by rotation at least once every three years and the retiring director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

During the year, the Company has established board independence evaluation mechanism which is designed to ensure a strong independent element on the Board and allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests.

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 HKEx and the Company.

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

Name	Attended/ Eligible to Attend
Adrian David Li Man Kiu (<i>Chairman</i>)	1/1
Raymond Leung Hai Ming	1/1
Lee Shing See	1/1
Wong Wai Ching (<i>appointed on 25 March 2022</i>)	N/A

During the meeting, the Remuneration Committee reviewed and considered and made recommendation to the Board on the remuneration of a newly proposed independent non-executive director of the Company.



CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year, the remuneration policy and annual bonus policy of the Company, and the salary adjustment proposal of the executive directors and senior management of the Company had been reviewed and approved by the Remuneration Committee by way of circulated resolutions in writing.

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 2022 Annual Report.

Nomination Committee

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

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

Name	Attended/ Eligible to Attend
Lee Shing See (<i>Chairman</i>)	2/2
Adrian David Li Man Kiu	2/2
Raymond Leung Hai Ming	1/2
Wong Wai Ching (<i>appointed on 25 March 2022</i>)	1/1

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board adopted a Board Diversity Policy on 14 August 2013 and a revised Board Diversity Policy on 25 October 2022 which sets out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience, knowledge, cultural background and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, supporting the gender diversity of the Board and setting the target for the gender ratio of the Board in a timely manner. The Board should ensure that any changes to the Board's composition can be managed without undue disruption. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight. Nomination Committee will review Board Diversity Policy on an annual basis to ensure its effectiveness. The Board Diversity Policy is posted on the website of the Company.

The Board contains individuals who have diverse educational background, professional experience, knowledge and culture. The Board members possess Mainland China/Hong Kong/Macau construction and related industry experience, global market experience, other listed companies' board roles experience, corporate 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.

In order to achieve gender diversity, the Company has appointed Ms. Wong Wai Ching as the independent non-executive director of the Company on 25 March 2022. The Company pays close attention to the objective of board diversity (including gender diversity) and ensures at least one director of a different gender in the Board. If the Nomination Committee deems it necessary in the future, it will further identify suitable female candidate to join the Board through various channels in due course.

Details on the gender ratio of the Group together with relevant data, please refer to the 2022 Sustainability Report of the Company which is posted on the websites of the HKEx and the Company.

As at 31 December 2022, the Board comprises 9 directors. Eight directors are male and one director is female. Two directors are between the age group of 41 to 50; three are under the age group of 51 to 60; and four are over 60. Three directors have 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 20 years.

The Nomination Committee strives to enhance the level of Board diversity and governance when refreshing and renewing Board membership. The Nomination Committee will continue to consider Board diversity and governance and identify suitable candidates based on merit, skill and experience and the development of the Group. The Board has also adopted a Director Nomination Policy which sets out the criteria and process in the nomination and appointment of directors and ensures that the Board has a balance of experience, knowledge and diversity of perspectives appropriate to the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Functions

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

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

The Company understands that corporate governance is an important part of sustainable development. It is committed to improving its governance standards and fully understands that good corporate governance is closely related to environmental, social and governance performance. The Group is led by the Board which is responsible for formulating the Group's overall strategy to oversee business development, financial performance and governance effectiveness.

During the year, the Board reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report and considered the adoption of various policies.

The Board adopted a Whistleblowing Policy on 25 October 2022 which aims to enable the employees of the Group and those who deal with the Group to raise concerns, in confidence and anonymity, with the Company about possible improprieties in matters related to the Group, in order to help detect and deter misconduct or malpractice or unethical acts in the Group. The Company encourages reporting of concerns and actual or suspected misconduct or malpractice or unethical acts (e.g. corruption) by any employee of the Group and/or external parties in any matter related to the Group. The Audit Committee of the Company shall review regularly the Whistleblowing Policy to improve its effectiveness and employee confidence in the process.

The Board also adopted an Anti-corruption Policy on 25 October 2022. The Company takes a zero-tolerance approach towards all forms of bribery and corruption and is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality and transparency in all its business dealings at all times. The Company strictly prohibits any form of fraud or bribery, and is committed to prevention, deterrence, detection, reporting and investigation of all forms of fraud and bribery. The Company shall review regularly the Anti-corruption Policy to improve its effectiveness.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit Committee

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

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

Name	Attended/ Eligible to Attend
Lee Shing See (<i>Chairman</i>)	4/4
Adrian David Li Man Kiu	4/4
Raymond Leung Hai Ming	3/4
Wong Wai Ching (<i>appointed on 25 March 2022</i>)	3/3

During the meetings, the Audit Committee reviewed and considered the Group's audited accounts for the year ended 31 December 2021; the Audit Committee Report for the year ended 31 December 2021; the connected transactions report; the internal audit report; the Group's 2022 unaudited first quarter results; the Group's unaudited accounts for the six months ended 30 June 2022; the Group's 2022 unaudited third quarter results and the audit services fees in respect of the financial year ended 31 December 2022. The external auditor, Ernst & Young, Hong Kong ("EY"), was invited to attend 2021 final results meeting and 2022 unaudited third quarter results meeting and discussed audit plan for 2022 Group results with the Audit Committee during the 2022 unaudited third quarter results meeting.

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

Auditor's Remuneration

The Company's external auditor is EY. For the financial year ended 31 December 2022, 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\$10,475,000, including audit services fee of the Group of approximately HK\$9,227,000 and non-audit services fee of approximately HK\$1,248,000. 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 sustainability performance and risks of the Group, 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 HKEx and the Company.



CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Name	Attended/ Eligible to Attend
Zhou Hancheng (<i>Chairman</i>)	2/2
Zhang Haipeng	2/2
Adrian David Li Man Kiu	2/2
Raymond Leung Hai Ming	1/2
Lee Shing See	2/2
Wong Wai Ching (<i>appointed on 25 March 2022</i>)	2/2

During the meetings, the Sustainability Committee considered and approved the appointments and fees of external independent consultants, considered and made recommendation to the Board on the 2021 Sustainability Report of the Company.

During the year, the framework of 2021 Sustainability Report of the Company had been reviewed and recommended for Board approval by the Sustainability Committee by way of circulated resolutions in writing.

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 securities of the Company. 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 2022, 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.



CORPORATE GOVERNANCE REPORT (CONTINUED)

The reporting responsibilities of EY, the external auditor of the Company, are stated in the Independent Auditor's Report of the 2022 Annual Report of the Company.

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

During the year, the company secretary of the Company 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, compliance risk and sustainability 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 the management from investment, operations, finance departments, etc.. The Committee aims to continually identify and strengthen the risk management of the Company, and build up a risk aware and control conscious culture throughout the Company. Departmental reports and periodical reports were submitted to the Risk Management Control Committee for review.

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

Executive directors and senior management convene meetings periodically to evaluate and review potential risks. In respect of identified risks, they make agreed remedial action plan and prompt follow up to ensure that risks are properly managed and defects are mitigated. Each 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 year (including impact). The Audit Department member attends Audit Committee meeting at least once a year; and reports its works during the year 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 reviewed and assessed systems on cost control and integrated management; operation flow; financial; contracting; work monitoring and control; and analyzed profitable and unprofitable factors. It issues independent and objective internal audit report with recommendation to chief executive officer and relevant business segments to improve deficiencies. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified. In order to further improving and monitoring the quality of the Company's risk management and internal control system, three subsidiaries have conducted evaluation during the year, which focused on the areas of investment special audits, financial revenue and expenditure and internal control audit. The Audit Department also performed economic responsibility audit on the former head of a PRC subsidiary and insurance business audit. The Audit Department also reviewed the Group's continuing connected transactions for the year ended 31 December 2022 and confirmed that the transactions conducted in accordance with the pricing policies and framework agreements; and on normal commercial terms. A continuing connected transactions report was prepared by the Audit Department and reported to the Audit Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 propose new resolutions at general meetings under the Cayman Islands Companies Laws or the Articles of Association of the Company. Shareholders who wish to propose a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

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

Communication with Shareholders

The Board has adopted a Shareholders' Communication Policy on 30 March 2012 and a revised Shareholders' Communication Policy on 25 October 2022 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 (www.csci.com.hk) 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. For any queries, shareholders may send their enquiries to Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, by email at is-enquiries@hk.tricorglobal.com or to the Corporate Finance Department of the Company at csci.ir@cohl.com.

General meeting is a main channel of communication between directors and shareholders. During the year of 2022, the Company held two general meetings by electronic means where shareholders were allowed to raise questions through online meeting system, and the Board would answer questions in a timely manner after receiving them.

An AGM was held on 9 June 2022. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration, nomination and sustainability committees were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the HKEx and the Company on the same date of the meeting.

An EGM was held on 21 December 2022. 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 the meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at the meeting. At the 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 HKEx and the Company on the same date of the meeting.

The Board considered that the implementation of the Shareholders' Communication Policy is effective.

During the year, there was no change to the memorandum and articles of association of the Company.

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.

Hong Kong, 21 March 2023

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 2022.

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 performance of the Group 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 2022 are set out in the audited consolidated financial statements.

An interim dividend of HK24 cents per share amounting to approximately HK\$1,209,028,000 was paid to the shareholders of the Company on 6 October 2022. The board of directors of the Company (the “Board”) recommended the payment of a final dividend of HK24 cents per share to the shareholders whose names appear on the register of members on 20 June 2023, amounting to approximately HK\$1,209,028,000.

Dividend Policy

The dividend policy of the Company is to allow shareholders of the Company to participate in the profits of the Group whilst retaining adequate reserves for its 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 2022 is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis”.

The environmental and social matters of the Group together with an account of the key relationships with its employees, customers and suppliers for the year ended 31 December 2022 are set out in the 2022 Sustainability Report of the Company, which is published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on the same date as that of the publication of 2022 Annual Report of the Company. 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 internal control and risk management framework of the Group, 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 2022 Annual Report of the Company, the Group was also exposed to major risk factors including construction risk, infrastructure investment risk, overseas business risk and compliance risk.

(1) Construction risk

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

(2) Infrastructure investment risk

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

(3) Overseas business risk

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

(4) Compliance risk

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

DIRECTORS' REPORT (CONTINUED)

Compliance with Relevant Laws and Regulations

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

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

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

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects throughout the year ended 31 December 2022.

Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK\$1,177,000.

Investment Properties

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

Share Capital

The total issued share capital of the Company as at 31 December 2022 was 5,037,616,668 ordinary shares of HK\$0.025 each.

Details of the share capital of the Company 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 as at 31 December 2022 amounted to approximately HK\$20,690,204,000.

DIRECTORS' REPORT (CONTINUED)

Equity-linked Agreement

No equity-linked agreements that will or may result in the Company issuing shares nor 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 articles of association of the Company 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 securities of the Company.

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 Listed Securities of the Group

Issue of Listed Securities

During the year, a subsidiary of the Company completed its public issuance of the following medium-term notes in the People's Republic of China. The net proceeds, after deducting relevant fees and commission, amounted to approximately RMB3,496 million and were used by the subsidiaries of the Company to repay corporate debts and as general working capital. The medium-term notes were listed on the Inter-bank Bond Market:

Date	Principal Amount (RMB)	Coupon Rate per annum	Maturity
2 April 2022	960 million	2.98%	3 years
27 April 2022	1,500 million	3.09%	3 years
19 August 2022	1,040 million	2.70%	5 years

During the year, Add Treasure Holdings Limited, a wholly owned subsidiary of the Company, completed placing and subscription of 100,000,000 shares of China State Construction Development Holdings Limited ("CSC Development") respectively. For further details, please refer to the joint announcement of the Company and CSC Development dated 24 June 2022 in relation to the completion of the placing and the subscription.

DIRECTORS' REPORT (CONTINUED)

Redemption of Listed Securities

On 29 November 2022, China State Construction Finance (Cayman) II Limited, a wholly-owned subsidiary of the Company, redeemed all of the outstanding US\$550,000,000 3.375% guaranteed notes due 2022 upon their maturity at their principal amount.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the year ended 31 December 2022 and up to the date of its report.

Directors

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

Chairman and Executive Director

Mr. Zhang Haipeng (*appointed as Chairman on 24 February 2023*)

Non-executive Directors

Mr. Yan Jianguo (*resigned as Chairman on 24 February 2023*)

Mr. Chen Xiaofeng

Executive Directors

Mr. Wang Xiaoguang (*Chief Executive Officer*) (*appointed on 24 February 2023*)

Mr. Zhou Hancheng

Mr. Hung Cheung Shew

Independent Non-executive Directors

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

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

Pursuant to articles 87(1) and 87(2) of the articles of association of the Company, Mr. Zhang Haipeng, Mr. Adrian David Li Man Kiu and Mr. Lee Shing See will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Zhang Haipeng, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company. Mr. Adrian David Li Man Kiu and Mr. Lee Shing See, being eligible, do not offer themselves for re-election at the forthcoming annual general meeting of the Company.

Pursuant to article 86(3) of the articles of association of the Company, Mr. Wong Xiaoguang shall hold office only until the next following annual general meeting of the Company, and shall be eligible for re-election at the forthcoming annual general meeting of the Company.

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

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

DIRECTORS' REPORT (CONTINUED)

With effect from 1 February 2023, the monthly salary of Mr. Hung Cheung Shew has been adjusted to HK\$275,700. With effect from 1 March 2023, the monthly salaries of Mr. Wang Xiaoguang and Mr. Zhou Hancheng have been adjusted to HK\$131,000 and HK\$119,000 respectively. The fees of other Directors remain unchanged.

Confirmation of Independence

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

Directors' Service Contracts

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

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group 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 2022, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") were as follows:

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

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

Note:

The percentage was calculated based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2022 (i.e. 5,037,616,668 Shares).

DIRECTORS' REPORT (CONTINUED)

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

(i) China Overseas Land & Investment Limited (“COLI”)

Name of director	Capacity	Number of ordinary shares held	Number of share options held	Approximate % of shares in issue of COLI ¹
Yan Jianguo	Personal interest/beneficial owner	—	2,266,000*	0.021
Hung Cheung Shew	Personal interest/beneficial owner	7,095	—	0.0001

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

Date of grant (DD/MM/YYYY)	Exercise period of the share options (both days inclusive) (DD/MM/YYYY)	Subscription price of the share options HK\$ (per share)	Number of the share options
29/06/2018	29/06/2020 to 28/06/2024	25.850	466,000
24/11/2020	24/11/2022 to 23/11/2026	18.724	1,800,000

(ii) CSC Development

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue of CSC Development ²
Zhang Haipeng	Personal interest/beneficial owner	4,000,000	0.18
Hung Cheung Shew	Personal interest/beneficial owner	30,000	0.001

(iii) China Overseas Property Holdings Limited (“COPL”)

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



DIRECTORS' REPORT (CONTINUED)

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

Name of director	Capacity	Number of shares held*	Approximate% of shares in issue of CSCECL ⁴
Zhang Haipeng	Personal interest/beneficial owner	880,000	0.002
Chen Xiaofeng	Personal interest/beneficial owner	160,000	0.0004
Zhou Hancheng	Personal interest/beneficial owner	1,254,000	0.003

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

Notes:

1. The percentage was calculated based on the total number of ordinary shares of COLI in issue as at 31 December 2022 (i.e. 10,944,815,035 shares).
2. The percentage was calculated based on the total number of ordinary shares of CSC Development in issue as at 31 December 2022 (i.e. 2,255,545,000 shares).
3. The percentage was calculated based on the total number of ordinary shares of COPL in issue as at 31 December 2022 (i.e. 3,286,860,460 shares).
4. The percentage was calculated based on the total number of ordinary shares of CSCECL in issue as at 31 December 2022 (i.e. 41,934,432,844 shares).



DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2022 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 2022, 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 2022, 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	64.81
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of a controlled corporation ³	3,264,976,136	64.81
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of a controlled corporation ⁴	3,264,976,136	64.81

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



DIRECTORS' REPORT (CONTINUED)

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	5.02

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2022 (i.e. 5,037,616,668 Shares).
2. Amongst the total number of 3,264,976,136 Shares held by COHL, 3,146,188,492 Shares was held as beneficial owner while the balance of 118,787,644 Shares were interests of its controlled corporation.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 3,264,976,136 Shares directly and indirectly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,264,976,136 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2022, 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 five largest customers of the Group accounted for less than 30% of the total sales of the Group for the year.

During the year, purchases from the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group 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 issued share capital of the Company) have an interest in any of the five largest customers or suppliers of the Group.

DIRECTORS' REPORT (CONTINUED)

Connected and Related Party Transactions

Details of connected transactions are set out in the section headed "Connected Transactions" of the 2022 Annual Report of the Company. 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 issued shares of the Company as required under the Listing Rules.

Directors' Interest in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Zhang Haipeng, the Chairman and executive Director, Mr. Yan Jianguo and Mr. Chen Xiaofeng, both being the non-executive Directors, 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 articles of association of the Company, 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. The remuneration of employees 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 operating results of the Company, individual performance and comparable market trend. The emoluments of the independent non-executive Directors are in line with market practice. No individual should determine his/her own remuneration.



DIRECTORS' REPORT (CONTINUED)

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 subsidiaries of the Company 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\$350,718,000. No forfeited contributions under these schemes is available to reduce the contribution payable in future years.

Auditor

Ernst & Young ("EY") has been appointed as auditor of the Company following the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 10 June 2020.

Save as disclosed above, there was no other change in the auditor of the Company in the past three years. The consolidated financial statements for the year ended 31 December 2022 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.

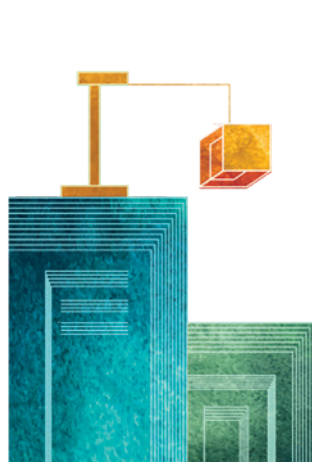
On behalf of the Board

China State Construction International Holdings Limited

Zhang Haipeng

Chairman and Executive Director

Hong Kong, 21 March 2023



CONNECTED TRANSACTIONS

A. CONNECTED TRANSACTIONS UNDER THE LISTING RULES

A.1 Sale and Purchase of 45% Equity Interest in the Target Company owning the Hefei Property

On 1 November 2022 (after trading hours), China State Construction International Investments Limited (中國國際投資集團有限公司) (“CSCII”) (a direct wholly-owned subsidiary of the Company) (as vendor) and Grand Will Asia Pacific Limited (宏志亞太有限公司) (“GWAP”) (an indirect wholly-owned subsidiary of China Overseas Grand Oceans Group Limited (“COGO”, an associate of the Company)) (as purchaser) entered into a Sale and Purchase Agreement following a public tender process in the China Beijing Equity Exchange (北京產權交易所有限公司). Pursuant to the Sale and Purchase Agreement, CSCII agreed to sell and GWAP agreed to purchase 45% of the equity interest in 中海宏洋海富(合肥)房地產開發有限公司 (China Overseas Grand Oceans Haifu (Hefei) Properties Development Co., Ltd.*) (the “Target Company”) at a consideration of RMB291,843,810 (approximately HK\$321,028,191). The equity interest of the Target Company was owned as to 45% by CSCII and 55% by GWAP. The Target Company was a real estate development and management, and property leasing and management company which had developed the property development project known as 中海央墅 (Central Mansion*) located at Baohe District, Hefei City, Anhui Province of the People’s Republic of China (the “PRC”). Upon completion of the transaction, the Company ceased to hold any interest in the Target Company, and the Target Company became an indirect wholly-owned subsidiary of COGO.

As one or more of the applicable percentage ratios in respect of the transaction was or were more than 0.1% but all were less than 5%, the transaction contemplated under the Sale and Purchase Agreement was subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirement.

Details of the transaction were disclosed in an announcement dated 1 November 2022.

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

On 29 November 2022, 中國國際投資集團有限公司 (China State Construction International Investments Limited*) (“CSC International Investments”) (an indirect wholly-owned subsidiary of the Company) entered into the Factoring Arrangement, pursuant to which, on the same date, CSC International Investments (1) entered into an Account Receivables Transfer Contract with 中海建築有限公司 (China Overseas Construction Company Limited*) (“COCCL”) (being a direct wholly-owned subsidiary of CSC International Investments); and (2) entered into a Factoring Contract with CCCF, in respect of transfer of the Account Receivables to CCCF for granting of account receivable factoring service in an aggregate principal sum of RMB300,000,000 (approximately HK\$326,086,956.52) at a discount rate of 94% to CSC International Investments for a term of not exceeding one year from the drawdown date under the Factoring Contract.

The consideration of the Account Receivables payable under the Factoring Contract was determined on arm’s length negotiations between CSC International Investments and CCCF with reference to, among other things, the book value of the Account Receivables, the term of the Factoring Contract and the credit worthiness of 成都經開國投集團有限公司 (Chengdu Economic Development and Investment Group Company Limited*), a company incorporated in the PRC with limited liability and an original debtor to pay the Account Receivables to COCCL under 《紅咏花園融資建設合同》 (Hongyong Garden Financing Construction Contract*) for the construction of Hongyong Garden project.

CONNECTED TRANSACTIONS (CONTINUED)

As the highest applicable percentage ratio in respect of the transaction together with the connected transaction as stipulated in the announcement of the Company dated 17 December 2021 (the “Aggregate Transactions”) exceeded 0.1% but was less than 5%, the transaction itself or the Aggregate Transactions were subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirement.

Details of the transaction were disclosed in an announcement dated 29 November 2022.

A.3 Factoring Arrangement with CCCF regarding Zibo project

On 27 December 2022, CSC International Investments (an indirect wholly-owned subsidiary of the Company) entered into the Factoring Arrangement, pursuant to which, on the same date, CSC International Investments (1) entered into an Account Receivables Transfer Contract with 淄博海嘉建設有限公司 (Zibo Haijia Construction Company Limited*) (“ZHCCL”) (being a direct wholly-owned subsidiary of CSC International Investments); and (2) entered into a Factoring Contract with CCCF, in respect of transfer of the Account Receivables to CCCF for granting of account receivable factoring service in an aggregate principal sum of RMB250,000,000 (approximately HK\$277,777,777.78) at a discount rate of 93.675% to CSC International Investments for a term of not exceeding two years from the drawdown date under the Factoring Contract.

The consideration of the Account Receivables payable under the Factoring Contract was determined on arm’s length negotiations between CSC International Investments and CCCF with reference to, among other things, the book value of the Account Receivables, the term of the Factoring Contract and the credit worthiness of 淄博魯創城鎮化建設發展有限公司 (Zibo Luchuang Urbanization Construction Development Company Limited*), a company incorporated in the PRC with limited liability and an original debtor to pay the Account Receivables to ZHCCL under 《淄博高新區豬龍河綜合治理生態建設工程投資建設合同》 (Zibo High-tech Zone Zhulong River Comprehensive Treatment Ecological Construction Project Investment and Construction Contract*).

As all the applicable percentage ratios in respect of the transaction together with the connected transaction as stipulated in the announcement of the Company dated 29 November 2022 (the “Aggregate Transactions”) exceeded 0.1% but were less than 5%, the transaction itself or the Aggregate Transactions were subject to the reporting and announcement requirements but exempted from the independent shareholders’ approval requirement.

Details of the transaction were disclosed in an announcement dated 27 December 2022.



CONNECTED TRANSACTIONS (CONTINUED)

B. CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES

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

(1 January 2021 to 31 December 2023)

On 19 October 2020, the Company and China State Construction Engineering Corporation Limited (“CSCECL”, an intermediate holding company of the Company) entered into a CSCECL Construction Engagement Agreement whereby (i) the Company and its subsidiaries (the “Group”) may engage CSCECL and its subsidiaries (the “CSCECL Group”) as contractors for a term of three years commenced from 1 January 2021 and ending on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB\$55,000 million (the “CSCECL Construction Engagement Cap”); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commenced from 1 January 2021 and ending on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB\$18,000 million (the “CSC Construction Engagement Cap”).

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

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

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

For the year ended 31 December 2022, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement was RMB2,080,648,929 and there was no contract awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement.

CONNECTED TRANSACTIONS (CONTINUED)

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

(1 January 2021 to 31 December 2023)

On 19 October 2020, China States Construction Development Holdings Limited (“CSC Development”, a listed subsidiary of the Company) and CSCECL entered into a CSCD-CSCECL Sub-construction Engagement Agreement whereby the CSCECL Group may engage CSC Development and its subsidiaries (the “CSC Development Group”) as its subcontractor for provision of exterior facade works to the CSCECL Group’s construction works for a term of three years commenced from 1 January 2021 and ending on 31 December 2023.

Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed HK\$1,000 million (the “CSCECL Works Cap”).

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

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

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

For the year ended 31 December 2022, the total contract sum awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement was HK\$680,298,856.

B.3 COGO Framework Agreement (dated 24 March 2021)

(1 July 2021 to 30 June 2024)

On 24 March 2021, CSC Development and COGO entered into a COGO Framework Agreement whereby COGO and its subsidiaries (the “COGO Group”) may engage the CSC Development Group to provide management services for a term of three years commenced from 1 July 2021 and ending on 30 June 2024.

Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the CSC Development Group under the COGO Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK\$30 million, for each of the two financial years ended 31 December 2023 shall not exceed HK\$60 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK\$30 million (the “COGO Engagement Caps”).

CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

For the year ended 31 December 2022, the total contract sum awarded by the COGO Group to the CSC Development Group under the COGO Framework Agreement was HK\$10,665,402.

B.4 COLI Works Framework Agreement (dated 29 March 2021)

(1 July 2021 to 30 June 2024)

On 29 March 2021, CSC Development and China Overseas Land & Investment Limited ("COLI", an associate of the Company) entered into a COLI Works Framework Agreement whereby each of COLI and its subsidiaries (the "COLI Group") and the companies which respective share capital is held as to not less than 30% and not more than 50% by the COLI Group which are not members of the COLI Group, and their respective subsidiaries from time to time (excluding COGO and its subsidiaries) (the "Minority Controlled Group") may engage the CSC Development Group for the provision of contracting and engineering works, project management, supervision and consultancy services for the COLI Group's and the Minority Controlled Group's construction works as contractor or service provider (as the case may be) from time to time for a period commenced from 1 July 2021 and ending on 30 June 2024.

Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group and the Minority Controlled Group to the CSC Development Group under the COLI Works Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK\$310 million, for the year ended 31 December 2022 shall not exceed HK\$310 million, for the year ending 31 December 2023 shall not exceed HK\$510 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK\$155 million (the "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 under the COLI Works Framework Agreement were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COLI Works Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement.

CONNECTED TRANSACTIONS (CONTINUED)

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

For the year ended 31 December 2022, the total contract sum awarded by the COLI Group and the Minority Controlled Group to the CSC Development Group under the COLI Works Framework Agreement was HK\$8,447,975.

B.5 CSCECL Framework Agreement (dated 10 September 2021)

(1 January 2022 to 31 December 2024)

On 10 September 2021, the Company and CSCECL entered into a CSCECL Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into government or public sector contracts, or contracts for large-scale construction with single contract sum of exceeding HK\$2,000 million, awarded by tender ("Construction Main Contracts"), as joint venture main contractor for three financial years ending 31 December 2024. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Construction Main Contracts. Upon successful tender, the maximum total contract sum that may be awarded jointly to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for the financial year ended 31 December 2022 shall not exceed HK\$31,000 million, for the financial year ending 31 December 2023 shall not exceed HK\$33,000 million and for the financial year ending 31 December 2024 shall not exceed HK\$35,000 million (the "CSCECL 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 CSCECL Annual Caps for the relevant financial years under the CSCECL Framework Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Framework Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements.

An announcement containing details of the CSCECL Framework Agreement was made on 10 September 2021 and a circular dated 22 October 2021 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 11 November 2021.

For the year ended 31 December 2022, there was no contract awarded under the CSCECL Framework Agreement.



CONNECTED TRANSACTIONS (CONTINUED)

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

(1 January 2020 to 31 December 2022)

New Financial Services Agreement (dated 6 December 2022)

(1 January 2023 to 31 December 2025)

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 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 for a term of three years commenced from 1 January 2020 and ended on 31 December 2022.

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

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

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

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

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



CONNECTED TRANSACTIONS (CONTINUED)

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.

On 6 December 2022, the Company and CSCF entered into a New Financial Services Agreement 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 for a term of three years commenced from 1 January 2023 and ending on 31 December 2025.

Each of the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF and the aggregate transaction amount of bill acceptance and discount services provided by CSCF to the Group shall not exceed RMB1,200 million respectively (the "New CSCF Annual Cap") for each of the three years ending on 31 December 2025.

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

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

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

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

CONNECTED TRANSACTIONS (CONTINUED)

The other financial services provided by CSCF to the Group were for free under the New 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 New 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 New Financial Services Agreement was made on 6 December 2022.

For the year ended 31 December 2022, 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 RMB843,515,873 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)

New Connection Services Framework Agreement (dated 25 October 2022)

(1 January 2023 to 31 December 2025)

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 ended on 31 December 2022, whereby the CSC Development Group (through 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermolectricity 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 for each of the three years ended 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 Connection Services Framework Agreement was subject to the annual review, reporting and announcement requirements but exempted from the independent shareholders' approval requirement.

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

On 25 October 2022, COLI and CSC Development entered into a New Connection Services Framework Agreement for a term of three years commenced from 1 January 2023 and ending on 31 December 2025, whereby the CSC Development Group (through 瀋陽皇姑熱電有限公司 (Shenyang Huanggu Thermolectricity 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 for each of the three years ending 31 December 2025 shall not exceed HK\$50 million (the "New Engagement Cap").

CONNECTED TRANSACTIONS (CONTINUED)

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

An announcement containing details of the New Connection Services Framework Agreement was made on 25 October 2022.

For the year ended 31 December 2022, the total contract sum awarded by the COLI Group to the CSC Development Group under the Connection Services Framework Agreement was HK\$23,735,615.

B.8 Master Engagement Agreement (dated 8 April 2020) First Supplemental Agreement (dated 10 June 2021) Second Supplemental Agreement (dated 10 September 2021) (1 January 2020 to 31 December 2022) New Master Engagement Agreement (dated 25 October 2022) (1 January 2023 to 31 December 2025)

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

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

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

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

On 10 June 2021, the Company and COLI entered into a First Supplemental Agreement pursuant to which, in addition to the members of the COLI Group subject to the Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the Minority Controlled Group from time to time on the terms set out in the Master Engagement Agreement for the remainder of the term of the Master Engagement Agreement.

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

CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

On 25 October 2022, the Company and COLI entered into a New Master Engagement Agreement to renew the Master Engagement Agreement, pursuant to which (i) the Group may tender for construction works of the COLI Group and the Minority Controlled Group in the PRC, Hong Kong and Macau as construction contractor from time to time for three financial years ending on 31 December 2025. 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 2025 shall not exceed HK\$9,000 million (the “COLI Sub-cap”), and upon successful tender, the maximum total contract sum that may be awarded by the Minority Controlled Group to the Group for each of the three financial years ending 31 December 2025 shall not exceed HK\$11,000 million (the “Minority Controlled Group Sub-cap”, together with COLI Sub-cap, the “New 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 New COLI Works Annual Cap under the New Master Engagement Agreement 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 25 October 2022 and a circular dated 25 November 2022 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 21 December 2022.

For the year ended 31 December 2022, the total contract sum awarded by the COLI Group and the Minority Controlled Group to the Group under the Master Engagement Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) was HK\$4,888 million.

CONNECTED TRANSACTIONS (CONTINUED)

B.9 COGO Master Engagement Agreement (dated 19 November 2020)

(1 January 2021 to 31 December 2023)

On 19 November 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 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 COGO Group to the Group under the COGO Master Engagement Agreement for the year ended 31 December 2021 shall not exceed RMB2,000 million, for the year ending 31 December 2022 shall not exceed RMB2,500 million and for the year ending 31 December 2023 shall not exceed RMB3,000 million (the "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 19 November 2020.

For the year ended 31 December 2022, there was no contract awarded by the COGO Group to the Group under the COGO Master Engagement Agreement.

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

(1 July 2020 to 30 June 2023)

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

Upon successful tender, the maximum total amounts payable for the services by the Group to the COPL Group under the COPL Services Agreement for the period from 1 July 2020 to 31 December 2020 shall not exceed HK\$118 million, for the financial year ended 31 December 2021 shall not exceed HK\$255 million, for the financial year ended 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").



CONNECTED TRANSACTIONS (CONTINUED)

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

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

For the year ended 31 December 2022, the total amounts payable for the services by the Group to the COPL Group under the COPL Services Agreement was HK\$91,658,685.

B.11 COLI Supply of Materials Framework Agreement (dated 28 April 2021) Supplemental Agreement (dated 3 May 2022) *(1 July 2021 to 30 June 2024)*

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

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

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

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

CONNECTED TRANSACTIONS (CONTINUED)

On 3 May 2022, the Company and COLI entered into a Supplemental Agreement to revise the Supply of Materials Caps by increasing from RMB360 million (approximately HK\$445 million) to RMB1,000 million (approximately HK\$1,200 million) for the year ended 31 December 2022, RMB430 million (approximately HK\$532 million) to RMB1,000 million (approximately HK\$1,200 million) for the year ending 31 December 2023, and RMB260 million (approximately HK\$321 million) to RMB500 million (approximately HK\$618 million) for the period between 1 January 2024 and 30 June 2024 (i.e. the Revised Supply of Materials Caps) taking into account the fact that more materials would be required to be supplied and the Supply of Materials Caps for the transactions contemplated under the COLI Supply of Materials Framework Agreement for the period from 1 January 2022 to 30 June 2024 might no longer be sufficient to support the business need of the Group.

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

An announcement containing details of the Supplemental Agreement was made on 3 May 2022.

For the year ended 31 December 2022, the total contract sum awarded by the Group to the COLI Group under the COLI Supply of Materials Framework Agreement (as supplemented by the Supplemental Agreement) was RMB530,095,931.

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) on normal commercial terms or better; and
- (iii) according to the terms of the relevant agreements governing each of the continuing connected transactions on terms that were fair and reasonable and in the interests of the Company and its shareholders 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 (Revised) "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)

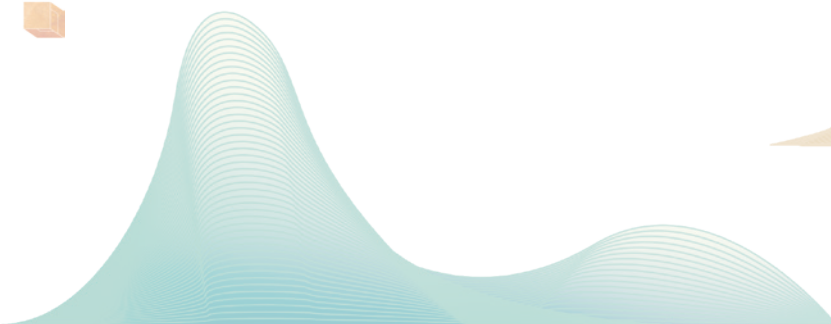
The auditor has confirmed in a letter to the Board that:

- (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) 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 Group;
- (3) 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; and
- (4) 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 2022.

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 transactions 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.

* *The English names of the PRC entities/project/contract referred to above are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.*



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 115 to 220, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Revenue recognition from construction works</i></p> <p>For the year ended 31 December 2022, the Group recognised revenue from construction works of approximately HK\$94,977 million, including revenue from construction contracts, construction related investment projects and facade 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment assessment of trade receivables and contract assets</i>	
<p>As at 31 December 2022, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK\$117,636 million in aggregate, representing approximately 51% of the Group's total assets.</p> <p>Significant management judgement and estimates were required in assessing the recoverability of trade receivables and contract assets, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions.</p> <p>Management judgements have a significant impact on the level of loss allowance required for trade receivables and contract assets.</p> <p>The accounting policies and disclosures in relation to the recoverability of trade receivables and contract assets are included in notes 4.10, 4.17, 6.3, 27 and 31 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the recoverability of trade receivables and contract assets included the following:</p> <ul style="list-style-type: none"> • 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 ageing 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment assessment of concession operating rights</i>	
<p>The Group's concession operating rights represent the rights to operate and charge for usage of toll expressways in Mainland China and are recognised as non-current assets with a net carrying amount of approximately HK\$3,328 million as at 31 December 2022.</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 2022 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

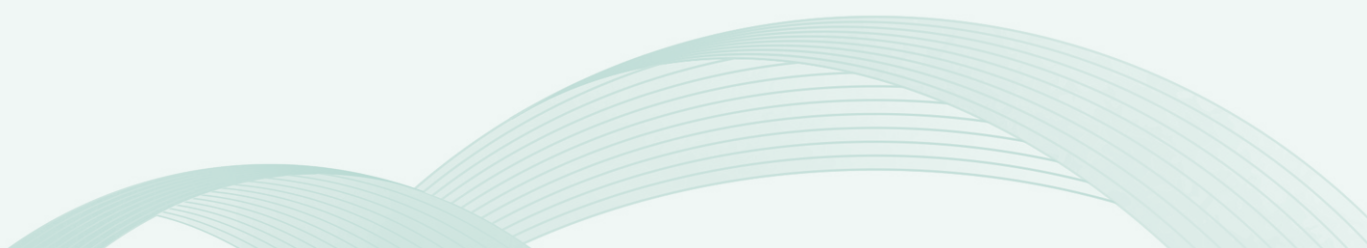
The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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.
 - 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.
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

21 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	101,975,265	77,309,614
Costs of sales		(87,956,732)	(65,326,871)
Gross profit		14,018,533	11,982,743
Investment income, other income and other gains, net	9	1,577,205	1,197,192
Administrative, selling and other operating expenses		(2,434,764)	(2,278,609)
Share of profits of			
Joint ventures		275,196	369,246
Associates		333,934	782,808
Finance costs	10	(2,991,419)	(2,668,202)
Profit before tax		10,778,685	9,385,178
Income tax expenses, net	12	(2,309,221)	(1,949,294)
Profit for the year	13	8,469,464	7,435,884
Profit for the year attributable to:			
Owners of the Company		7,956,876	6,800,879
Holders of perpetual capital securities		295,824	465,132
Non-controlling interests		216,764	169,873
		8,469,464	7,435,884
Earnings per share (HK\$)	15		
Basic		1.58	1.35
Diluted		1.58	1.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	8,469,464	7,435,884
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	(97,783)	(9,662)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	7,311	269
Exchange differences on translation of subsidiaries	(3,122,734)	1,857,843
Exchange differences on translation of joint ventures	(1,209,852)	442,184
Exchange differences on translation of associates	(212,060)	136,293
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development, net of tax	11,668	100,429
Other comprehensive (loss)/income for the year, net of tax	(4,623,450)	2,527,356
Total comprehensive income for the year	3,846,014	9,963,240
Total comprehensive income for the year attributable to:		
Owners of the Company	3,458,767	9,327,246
Holders of perpetual capital securities	295,824	465,132
Non-controlling interests	91,423	170,862
	3,846,014	9,963,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current Assets			
Property, plant and equipment	16	4,869,816	5,143,358
Right-of-use assets	17	570,025	554,978
Investment properties	18	7,080,272	5,126,232
Interests in infrastructure project investments	19	4,742,261	5,726,639
Interests in joint ventures	20	16,771,131	18,388,085
Interests in associates	21	7,482,593	9,347,225
Concession operating rights	22	3,328,066	3,784,772
Deferred tax assets	23	119,698	173,764
Trademark, project backlogs and licences	24	237,361	266,102
Goodwill	24	577,664	577,664
Financial assets at fair value through other comprehensive income	25	545,886	693,390
Amounts due from investee companies	26	231,481	211,806
Trade and other receivables	27	53,285,839	54,434,753
Loans to joint ventures	28	827,673	898,754
		100,669,766	105,327,522
Current Assets			
Interests in infrastructure project investments	19	471,693	72,752
Inventories	29	590,246	366,967
Properties under development	30	6,827,851	6,312,434
Properties held for sale		1,567,758	1,256,031
Contract assets	31	18,777,148	13,467,619
Trade and other receivables	27	65,830,023	59,239,650
Deposits and prepayments		877,898	1,114,512
Loans to joint ventures	28	340,727	618,899
Amounts due from joint ventures	28	8,307,400	6,977,678
Amounts due from associates	32	318,675	—
Amounts due from related companies	33	200,620	—
Tax recoverable		188,825	122,942
Bank balances and cash	34	23,881,499	24,407,419
		128,180,363	113,956,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Current Liabilities			
Contract liabilities	31	8,503,090	9,662,819
Trade payables, other payables and accruals	35	69,736,719	60,561,364
Deposits received		53,164	64,208
Amounts due to joint ventures	28	840,486	1,183,012
Amounts due to associates	32	58,438	107,563
Amount due to a related company	33	455,618	588,313
Tax payables		5,481,524	5,573,209
Bank borrowings	36	13,719,657	10,104,945
Guaranteed notes payables and corporate bonds	41	2,980,184	4,286,155
Loans from a fellow subsidiary	37	909,091	739,706
Lease liabilities	17	86,671	51,154
		102,824,642	92,922,448
Net Current Assets			
		25,355,721	21,034,455
Total Assets less Current Liabilities			
		126,025,487	126,361,977
Capital and Reserves			
Share capital	38	125,940	125,940
Share premium and reserves	39	57,664,221	56,320,225
Equity attributable to owners of the Company		57,790,161	56,446,165
Perpetual capital securities	40	7,801,154	7,793,930
Non-controlling interests		2,205,139	1,976,176
		67,796,454	66,216,271
Non-current Liabilities			
Bank borrowings	36	45,457,207	47,848,335
Guaranteed notes payables and corporate bonds	41	8,760,252	8,095,418
Contract liabilities	31	663,898	667,106
Deferred tax liabilities	23	508,208	520,728
Loan from a joint venture	42	2,727,273	2,955,665
Lease liabilities	17	112,195	58,454
		58,229,033	60,145,706
		126,025,487	126,361,977

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company			Perpetual capital securities HK\$'000 (Note 40)	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 38)	Share premium and reserves HK\$'000 (Note 39)	Total HK\$'000			
At 1 January 2021	126,229	48,967,545	49,093,774	7,799,208	1,386,565	58,279,547
Profit for the year	—	6,800,879	6,800,879	465,132	169,873	7,435,884
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	(9,662)	(9,662)	—	—	(9,662)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	269	269	—	—	269
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development	—	100,429	100,429	—	—	100,429
Exchange differences on translation of subsidiaries	—	1,856,854	1,856,854	—	989	1,857,843
Exchange differences on translation of joint ventures	—	442,184	442,184	—	—	442,184
Exchange differences on translation of associates	—	136,293	136,293	—	—	136,293
Total comprehensive income for the year	—	9,327,246	9,327,246	465,132	170,862	9,963,240
Issuance of perpetual capital securities	—	—	—	3,885,890	—	3,885,890
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	44,540	44,540	—	—	44,540
Contribution from non-controlling interests of subsidiaries	—	—	—	—	418,749	418,749
Redemption of perpetual capital securities	—	—	—	(3,900,000)	—	(3,900,000)
Distribution paid on perpetual capital securities	—	—	—	(456,300)	—	(456,300)
2020 final dividend paid	—	(957,147)	(957,147)	—	—	(957,147)
2021 interim dividend paid	—	(1,007,523)	(1,007,523)	—	—	(1,007,523)
Repurchase and cancellation of shares	(289)	(54,436)	(54,725)	—	—	(54,725)
Total transactions with owners, recognised directly in equity	(289)	(1,974,566)	(1,974,855)	(470,410)	418,749	(2,026,516)
At 31 December 2021	125,940	56,320,225	56,446,165	7,793,930	1,976,176	66,216,271

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

	Attributable to owners of the Company			Perpetual capital securities HK\$'000 (Note 40)	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 38)	Share premium and reserves HK\$'000 (Note 39)	Total HK\$'000			
At 1 January 2022	125,940	56,320,225	56,446,165	7,793,930	1,976,176	66,216,271
Profit for the year	—	7,956,876	7,956,876	295,824	216,764	8,469,464
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	(97,783)	(97,783)	—	—	(97,783)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	7,311	7,311	—	—	7,311
Gain on fair value changes of investment properties transferred from property, plant and equipment, net of tax	—	8,470	8,470	—	3,198	11,668
Exchange differences on translation of subsidiaries	—	(2,994,195)	(2,994,195)	—	(128,539)	(3,122,734)
Exchange differences on translation of joint ventures	—	(1,209,852)	(1,209,852)	—	—	(1,209,852)
Exchange differences on translation of associates	—	(212,060)	(212,060)	—	—	(212,060)
Total comprehensive income for the year	—	3,458,767	3,458,767	295,824	91,423	3,846,014
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	32,990	32,990	—	1,137	34,127
Contribution from non-controlling interests of subsidiaries	—	—	—	—	77,419	77,419
Distribution paid on perpetual capital securities	—	—	—	(288,600)	—	(288,600)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(67,563)	(67,563)
Disposal of partial interest in a subsidiary (Note 39(e))	—	92,481	92,481	—	126,547	219,028
2021 final dividend paid	—	(1,032,711)	(1,032,711)	—	—	(1,032,711)
2022 interim dividend paid	—	(1,209,028)	(1,209,028)	—	—	(1,209,028)
Unclaimed dividends forfeited	—	1,497	1,497	—	—	1,497
Total transactions with owners, recognised directly in equity	—	(2,114,771)	(2,114,771)	(288,600)	137,540	(2,265,831)
At 31 December 2022	125,940	57,664,221	57,790,161	7,801,154	2,205,139	67,796,454

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit before tax	10,778,685	9,385,178
Adjustments for:		
Finance costs	2,991,419	2,668,202
Interest income	(320,560)	(369,548)
Dividend income	(7,223)	(109,547)
Gain on fair value changes of investment properties, net	(221,817)	(487,722)
Revaluation gain upon transfer from properties held for sale to investment properties	(85,154)	—
Revaluation gain upon transfer from properties under development to investment properties	(467,034)	—
Gain on disposal of property, plant and equipment, net	(5,071)	(14,827)
Gain on disposal of financial assets at fair value through other comprehensive income	(1,625)	—
Gain on disposal of a subsidiary	(38,351)	—
Gain on disposal of a joint venture	(189,472)	—
Gain on disposal of associates	(80,654)	(26,323)
Share of profits of joint ventures	(275,196)	(369,246)
Share of profits of associates	(333,934)	(782,808)
Exchange losses, net	31	123,128
Depreciation of property, plant and equipment	402,007	415,391
Depreciation of right-of-use assets	99,726	68,725
Amortisation of concession operating rights	168,262	174,984
Amortisation of trademark and licences	17,693	17,967
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	37,697	(6,131)
Share-based payment	34,127	44,540
Operating cash flows before working capital changes	12,503,556	10,731,963
(Increase)/decrease in income receivables from infrastructure project investments	(39,038)	399,500
(Increase)/decrease in inventories	(245,048)	52,627
Increase in properties under development	(2,841,743)	(1,757,728)
Decrease in properties held for sale	240,298	425,964
Changes in net balances in contract assets/liabilities	(6,768,146)	(162,559)
Increase in trade and other receivables	(13,972,263)	(17,212,892)
Decrease in deposits and prepayments	209,494	446,752
Increase in trade payables, other payables and accruals	13,192,930	8,372,364
(Decrease)/increase in deposits received	(8,349)	1,494
Net cash from operations	2,271,691	1,297,485
Income taxes paid	(2,233,627)	(1,870,853)
Income taxes refunded	174,055	21,876
Net cash from/(used in) operating activities	212,119	(551,492)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Investing activities		
Interest received	241,247	287,377
Purchases of property, plant and equipment	(362,863)	(686,405)
Proceeds from disposal of property, plant and equipment	29,455	48,464
Proceeds from disposal of a subsidiary	427,291	—
Net movement of current accounts with joint ventures	(2,128,311)	(1,917,905)
Net movement of loans to joint ventures	320,840	—
Increase in investments in joint ventures	(677,700)	(1,149,417)
Proceeds from disposal of a joint venture	965,328	—
Dividends received from joint ventures	249,987	25,999
Net movement of current accounts with associates	(368,277)	640,745
Decrease/(increase) in investments in associates	964,412	(2,971,566)
Proceeds from disposal of associates	370,930	90,498
Dividends received from associates	590,818	619,561
Repayment to a related company	(89,367)	—
Proceeds from disposal of partial interest in a subsidiary	219,028	—
Purchase of financial assets at fair value through other comprehensive income	(82,156)	(22,713)
Dividends received from equity securities at fair value through other comprehensive income	7,223	109,547
Proceeds from disposal of financial assets at fair value through other comprehensive income	140,507	10,038
Increase in pledged bank deposits and non-pledged time deposits with original maturity of over three months	(317,549)	(21,852)
Net cash from/(used) in investing activities	500,843	(4,937,629)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Financing activities			
Finance costs paid		(3,040,000)	(2,644,438)
Share repurchase		—	(54,725)
Dividends paid to owners of the Company		(2,241,739)	(1,964,670)
Dividends paid to non-controlling shareholders of subsidiaries		(67,563)	—
Contribution from non-controlling interests		77,419	418,749
Proceeds from issuance of perpetual capital securities, net		—	3,885,890
Distribution paid on perpetual capital securities		(288,600)	(456,300)
Redemption of perpetual capital securities		—	(3,900,000)
Proceeds from issuance of corporate bonds, net	44	4,112,808	3,026,634
Redemption of guaranteed notes payable	44	(4,290,000)	—
New bank borrowings raised	44	26,370,908	33,185,929
Repayment of bank borrowings	44	(21,297,486)	(22,135,706)
Net loans/(repayment of loans) from a fellow subsidiary	44	232,082	(2,339,223)
Principal elements of lease payments	44	(94,847)	(58,507)
Net cash (used in)/from financing activities		(527,018)	6,963,633
Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		24,339,871	22,411,689
Effect of foreign exchange rate changes		(1,024,634)	453,670
Cash and cash equivalents at the end of the year		23,501,181	24,339,871
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		23,881,499	24,407,419
Less: Pledged bank deposits		(6,367)	(67,548)
Non-pledged time deposits with original maturity of over three months		(373,951)	—
		23,501,181	24,339,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the construction business, infrastructure project investments, toll road operation, project consultancy services and facade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 50, 20 and 21 to the consolidated financial statements, respectively.

The consolidated financial statements are presented in Hong Kong dollars (“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 21 March 2023.

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 (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

(a) The adoption of amendments and improvements to existing standards

In the current year, the Group has adopted the following amendments and improvements to existing standards (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA.

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

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

⁵ 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

(b) New standards and amendments to existing standards not yet effective *(continued)*

The Group will adopt the above new standards and amendments 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.

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 2022.

(a) *Subsidiaries*

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

Business combinations — common control combinations

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(a) Subsidiaries (continued)

Disposal of subsidiaries

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

Separate financial statements

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

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

(b) Associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(b) Associates (continued)

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

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

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

(c) Joint arrangements

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

Joint ventures

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(c) *Joint arrangements (continued)*

Joint operations

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

4.2 Segment reporting

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

4.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.3 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

(d) Disposal of foreign operation and partial disposal

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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	Over the shorter of the licence operation period or 20 years
Machinery	3 to 10 years
Furniture, fixtures and equipment and motor vehicles	3 to 8 years

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

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

Construction in progress represents buildings, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.5 Leases *(continued)*

The Group as a lessee (continued)

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 twelve months or less. Low-value assets comprise information technology equipment and small items of office furniture.

The Group as a lessor

Lease income from operating leases where the Group is a lessor is recognised as 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 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

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

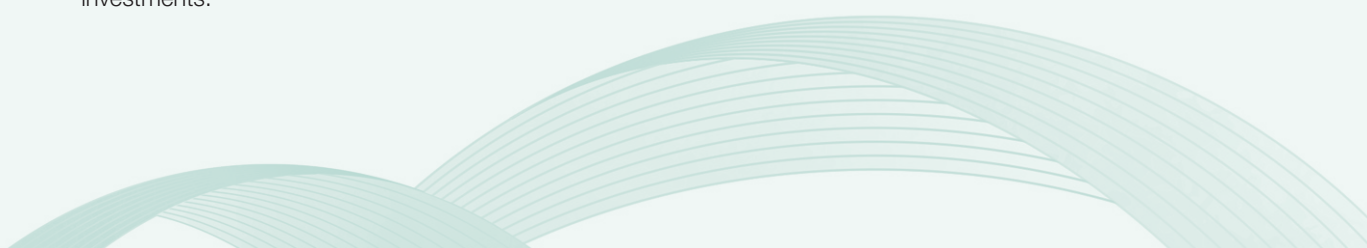
The Group transfers a property from properties held for sale/under development to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in the consolidated income statement.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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. Licence 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 licence over its estimated useful life of 25 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 30 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

(a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(b) 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.

(c) 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 impairment losses or reversals, 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 consolidated income statement. 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 consolidated income statement 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 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(d) 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 twelve 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(d) 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

4.13 Inventories

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

4.14 Properties held for sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.15 Properties under development

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

4.16 Amounts due from/to joint ventures, associates and related companies

Amounts due from joint ventures, associates and related companies 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 twelve months after the end of the reporting period.

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.23 Taxation

Income tax expense represents the sum of the tax currently payable 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.

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.

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

4.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition *(continued)*

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.

(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 licence of the relevant entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition *(continued)*

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

(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 and management service income, is recognised over time when the corresponding services are rendered.

(b) *Revenue from other sources*

(i) Income from interests in infrastructure project investment

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

(ii) Lease of machinery

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

(iii) Insurance income

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

(iv) Interest income generated from construction related investment projects

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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) is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

4.29 Contingent liabilities and contingent assets *(continued)*

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.

4.30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

4.34 Related parties

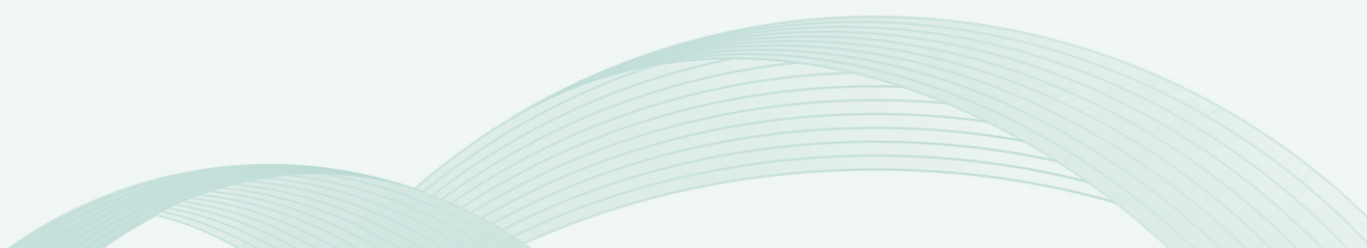
A party is considered to be related to the Group if:

(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;
 - (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.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT

5.1 Financial instruments by category

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	5,213,954	5,799,391
Amounts due from investee companies	231,481	211,806
Loans to joint ventures	1,168,400	1,517,653
Amounts due from joint ventures	8,307,400	6,977,678
Amounts due from associates	318,675	—
Amounts due from related companies	200,620	—
Trade and other receivables	113,518,199	108,326,684
Deposits	42,879	72,917
Bank balances and cash	23,881,499	24,407,419
Financial assets at fair value through other comprehensive income	545,886	693,390
	153,428,993	148,006,938
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	69,352,400	60,206,107
Deposits received	53,164	64,208
Amounts due to joint ventures	840,486	1,183,012
Amounts due to associates	58,438	107,563
Amount due to a related company	455,618	588,313
Bank borrowings	59,176,864	57,953,280
Guaranteed notes payables and corporate bonds	11,740,436	12,381,573
Loans from a fellow subsidiary	909,091	739,706
Loan from a joint venture	2,727,273	2,955,665
Lease liabilities	198,866	109,608
	145,512,636	136,289,035

The Group's exposure to various risks associated with the financial instruments is discussed below. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

5.2 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(a) *Market risk*

(i) *Currency risk*

The Group and the Company undertake certain transactions denominated in foreign currencies, primarily with respect to the Renminbi (“RMB”) and United States dollar (“US\$”), hence exposures to exchange rate fluctuation arise. The Group and the Company currently do not use any derivative contracts to hedge against their exposure to currency risk. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and adjust the financing structure if needed.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

In view of the fact that HK\$ is pegged to US\$, the foreign currency exposure of operating units having HK\$ as functional currency on US\$ transactions and balances is minimal.

At 31 December 2022, if HK\$ had weakened/strengthened 5% (2021:5%) against RMB with all other variables held constant, the consolidated profit before tax for the year would have been approximately HK\$119,062,000 (2021: HK\$120,756,000) lower/higher.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from its variable rate bank borrowings and borrowing rates offered by The People’s Bank of China arising from its variable rate bank borrowings and trade and other receivables. For details of trade and other receivables and bank borrowings, please refer to notes 27 and 36, respectively, to the consolidated financial statements.

The Group is also exposed to fair value interest rate risk in relation to fixed interest debt securities, guaranteed notes payables and corporate bonds. Fair value interest rate risk on fixed interest debt securities is considered immaterial. Management will also consider hedging significant interest rate exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(a) *Market risk (continued)*

(ii) *Interest rate risk (continued)*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2021: 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 (2021: 50) basis points higher/lower with all other variables held constant, the profit before tax would decrease/increase by approximately HK\$100,370,000 (2021: HK\$83,318,000).

(b) *Credit risk*

As at 31 December 2022, 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, property investment and provision of construction services in Hong Kong, Mainland China and Macau, have strong financial positions.

The credit risk on interests in infrastructure project investments, contract assets and trade and other receivables is limited because the counterparties are mainly PRC government-related entities and are covered by collateral, where applicable. The Group assessed the credit losses against interests in infrastructure project investments, contract assets, deposits and trade and other receivables and the related expected credit loss is insignificant to the consolidated financial statement of the Group.

Other than concentration of credit risk on bank balances and cash, interests in infrastructure project investments, amounts due from investee companies, joint ventures and associates, contract assets and long term trade receivables, the Group does not have any other significant concentration of credit risk. Trade receivables, loans to joint ventures and associates and financial assets at FVOCI (debt) consist of a large number of parties, spread across diverse industries and geographical areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Financial assets measured at amortised cost are all classified under Stage 1 for measurement of expected credit losses except for trade receivables and contract assets that do not contain a significant financing component which apply simplified approach in calculating ECLs.

(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 one year or on demand HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total HK\$'000
The Group					
At 31 December 2022					
Trade payables, other payables and accruals	57,909,866	6,086,048	5,339,997	16,489	69,352,400
Deposits received	53,164	–	–	–	53,164
Amounts due to joint ventures	840,486	–	–	–	840,486
Amounts due to associates	58,438	–	–	–	58,438
Amount due to a related company	455,618	–	–	–	455,618
Bank borrowings	16,763,467	18,248,095	21,977,127	12,642,127	69,630,816
Guaranteed notes payables and corporate bonds	3,187,854	3,102,914	6,256,426	–	12,547,194
Loans from a fellow subsidiary	937,386	–	–	–	937,386
Loan from a joint venture	185,455	2,751,153	–	–	2,936,608
Lease liabilities	91,157	61,707	50,795	10,955	214,614
	80,482,891	30,249,917	33,624,345	12,669,571	157,026,724
At 31 December 2021					
Trade payables, other payables and accruals	49,349,020	7,611,270	3,241,580	4,237	60,206,107
Deposits received	64,208	–	–	–	64,208
Amounts due to joint ventures	1,183,012	–	–	–	1,183,012
Amounts due to associates	107,563	–	–	–	107,563
Amount due to a related company	588,313	–	–	–	588,313
Bank borrowings	12,695,399	19,988,524	24,522,545	11,754,560	68,961,028
Guaranteed notes payables and corporate bonds	4,704,834	3,321,595	3,380,667	2,018,938	13,426,034
Loans from a fellow subsidiary	739,706	–	–	–	739,706
Loan from a joint venture	200,985	200,985	2,981,545	–	3,383,515
Lease liabilities	67,032	32,078	22,297	–	121,407
	69,700,072	31,154,452	34,148,634	13,777,735	148,780,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 bank borrowings, guaranteed notes payables and corporate bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company, perpetual capital securities and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 69.4% (2021: 69.4%) as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022 and 2021.

	31 December 2022			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Debt and equity securities at FVOCI				
Listed debt securities	349,939	—	—	349,939
Unlisted equity securities	—	—	195,947	195,947
	349,939	—	195,947	545,886
	31 December 2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Debt and equity securities at FVOCI				
Listed debt securities	496,096	—	—	496,096
Unlisted equity securities	—	—	197,294	197,294
	496,096	—	197,294	693,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation *(continued)*

There were no transfers between the levels during the year (2021: Nil).

The following table presents the changes in level 3 instruments for the years ended 31 December 2022 and 2021:

	Equity securities at FVOCI	
	2022 HK\$'000	2021 HK\$'000
At 1 January	197,294	199,132
Exchange adjustments	(306)	150
Disposal	(1,041)	(1,988)
At 31 December	195,947	197,294

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1, which are classified as financial assets at FVOCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Market value provided by the issuers as their best estimate of the fair value of the investment.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The unobservable inputs of the valuation include estimated revenue and discount rate by reference to other investments that are substantially the same. Changing unobservable inputs used in the level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation *(continued)*

The fair value of the following financial assets and liabilities approximate to their carrying amounts:

- Interests in infrastructure project investments
- Trade and other receivables and deposits
- Bank balances and cash
- Loans from/(to) joint ventures, associates and a fellow subsidiary
- Amounts due from/(to) joint ventures, associates, related companies and investee companies
- Trade payables, other payables and accruals and deposits received
- Bank borrowings
- Guaranteed notes payables and corporate bonds

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

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

6.5 Impairment of concession operating rights

Determining whether concession operating rights are impaired requires an estimation of the recoverable amount. In measuring the recoverable amount of the concession operating rights, the Group has looked at the value in use, based on the following factors: the expected future traffic volumes, expected future toll fee level, length of operating rights, maintenance costs and discount rates (the "Relevant Factors").

In arriving at the recoverable amount of the concession operating rights, the management exercised their judgement with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operating rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

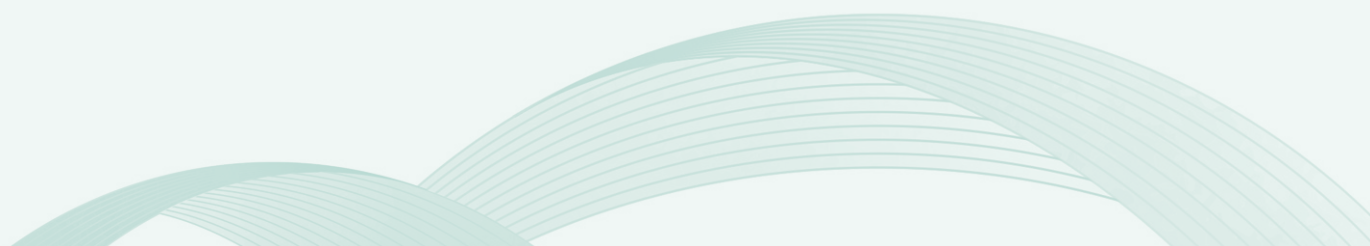
6.6 Estimate of fair value of investment properties

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 2022

7 REVENUE

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

An analysis of the revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from construction contracts	45,219,645	32,121,267
Revenue from construction related investment projects (Note (a))	49,243,336	39,511,725
Revenue from facade contracting business	4,596,232	3,521,279
Revenue from infrastructure operation (Note (b))	791,688	869,342
Others (Note (c))	2,124,364	1,286,001
	101,975,265	77,309,614
Revenue from contracts with customers (Note (d))		
Timing of revenue recognition		
— Over time	95,921,767	72,559,860
— At a point in time	1,577,115	933,762
	97,498,882	73,493,622
Revenue from other sources		
— Interest income generated from construction related investment projects	4,082,619	3,259,125
— Others (Note (e))	393,764	556,867
	4,476,383	3,815,992
	101,975,265	77,309,614

Notes:

- (a) Revenue from construction related investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership (“PPP”) model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
- (b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprises revenue from industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, insurance contracts and rental income from investment properties.
- (d) The revenue recognised for the years ended 31 December 2022 and 2021 are recognised over time, except for toll road operation, sales of building materials and industrial plant reconstruction of approximately HK\$151,983,000 (2021: HK\$204,629,000), HK\$815,597,000 (2021: HK\$310,124,000) and HK\$609,535,000 (2021: 419,009,000), respectively, which were recognised at a point in time.
- (e) The amount mainly comprises revenue from machinery leasing, insurance contracts and rental income from investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 and Macau.

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

Segment revenue and results for the years ended 31 December 2022 and 2021 are as follows:

	Segment revenue		Gross profit		Segment results	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Reportable segments						
Mainland China	48,631,132	40,529,425	11,014,847	9,432,779	10,283,783	8,784,212
Hong Kong and Macau	47,755,975	32,249,605	2,270,764	1,882,360	1,815,049	1,682,099
Hong Kong	37,214,275	23,844,305	1,700,777	1,029,004	1,271,039	849,719
Macau	10,541,700	8,405,300	569,987	853,356	544,010	832,380
CSC Development Group	5,588,158	4,530,584	732,922	667,604	471,690	406,860
	101,975,265	77,309,614	14,018,533	11,982,743	12,570,522	10,873,171
Share of revenue/results of joint ventures	4,400,665	2,563,559			275,196	369,246
Total	106,375,930	79,873,173			12,845,718	11,242,417
Unallocated corporate income					281,975	28,155
Gain on disposal of a subsidiary					38,351	—
Gain on disposal of a joint venture					189,472	—
Gain on disposal of associates					80,654	—
Share of profits of associates					333,934	782,808
Finance costs					(2,991,419)	(2,668,202)
Profit before tax					10,778,685	9,385,178

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 and Macau comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from construction related investment projects, toll-road operation, sales of building materials and industrial plant reconstruction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

8 SEGMENT INFORMATION *(continued)*

Segment revenue of the CSC Development Group represents revenue from facade 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 segment 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	–	–	–	–	–	–	37,697	(6,131)	37,697	(6,131)
Depreciation and amortisation	297,823	209,723	191,747	80,080	16,333	9,136	181,785	132,849	687,688	431,788
Gain on disposal of property, plant and equipment, net	344	12,770	4,808	1,783	–	–	(81)	274	5,071	14,827

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Mainland China	8,635,226	8,641,218	230,869	367,609
Hong Kong	5,766,974	5,870,875	110,137	123,930
Macau	1,767,180	410,830	21,378	32,451
Overseas	493,824	530,183	479	162,347
	16,663,204	15,453,106	362,863	686,337

Non-current assets excluded financial assets at FVOCI, deferred tax assets, interests in infrastructure project investments, amounts due from investee companies, trade and other receivables, loans to joint ventures and interests in joint ventures and associates.

Investments in financial assets that are managed by the treasury department are not considered to be segment assets. These are investments in debt and equity securities that are classified as financial assets at FVOCI.

The information of the CSC Development Group was allocated to the Hong Kong, Macau, Mainland China and Overseas segments (including North America) in accordance with the locations that the CSC Development Group operated in.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

8 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customers' information

In 2022 and 2021, no revenue from sales to a single customer represents 10 percent or more of the Group's total revenue.

9 INVESTMENT INCOME, OTHER INCOME AND OTHER GAINS, NET

	2022 HK\$'000	2021 HK\$'000
Interest income on:		
Bank deposits	209,136	157,259
Debt securities at FVOCI	27,580	28,440
Loans to joint ventures	24,829	51,662
Loans to associates	54,903	125,614
Deposits with a fellow subsidiary	4,112	6,573
Dividend income from:		
Equity securities at FVOCI	7,223	109,547
Gain on disposal of:		
Property, plant and equipment, net	5,071	14,827
A subsidiary	38,351	—
A joint venture	189,472	—
Associates	80,654	26,323
Gain on fair value changes of investment properties, net	221,817	487,722
Revaluation gain upon transfer from properties held for sale to investment properties	85,154	—
Revaluation gain upon transfer from properties under development to investment properties	467,034	—
Service income	29,469	41,320
Others	132,400	147,905
	1,577,205	1,197,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

10 FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank borrowings	2,319,472	2,066,860
Interest on guaranteed notes payables and corporate bonds	485,982	357,744
Interest on loan from a joint venture	216,546	216,983
Interest on loans from fellow subsidiaries	29,697	29,438
Interest on lease liabilities	9,929	5,341
Others	3,216	41,094
	3,064,842	2,717,460
Less: Capitalised in the cost of qualifying assets	(73,423)	(49,258)
	2,991,419	2,668,202

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2021: nine) directors were as follows:

For the year ended 31 December 2022

	Notes	Fee HK\$'000	Other emoluments			Total emoluments HK\$'000
			Salaries and allowances HK\$'000	Contributions to retirement benefit schemes HK\$'000	Performance related incentive payment HK\$'000 (Note(a))	
Non-executive Directors						
Yan Jianguo		–	–	–	–	–
Chen Xiaofeng	(b)	–	–	–	–	–
Executive Directors						
Zhang Haipeng		–	1,847	18	3,864	5,729
Zhou Hancheng		–	1,718	18	3,198	4,934
Hung Cheung Shew		–	4,191	18	3,814	8,023
Independent Non-executive Directors						
Adrian David Li Man Kiu		410	–	–	–	410
Raymond Leung Hai Ming		300	–	–	–	300
Lee Shing See		520	–	–	–	520
Wong Wai Ching	(c)	232	–	–	–	232
		1,462	7,756	54	10,876	20,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2021

	Notes	Fee HK\$'000	Other emoluments			Total emoluments HK\$'000
			Salaries and allowances HK\$'000	Contributions to retirement benefit schemes HK\$'000	Performance related incentive payment HK\$'000 (Note(a))	
Non-executive Directors						
Yan Jianguo		—	—	—	—	—
Chen Xiaofeng	(b)	—	—	—	—	—
Executive Directors						
Zhang Haipeng		—	2,145	18	5,415	7,578
Tian Shuchen	(d)	—	2,138	18	3,636	5,792
Zhou Hancheng		—	2,138	18	3,577	5,733
Hung Cheung Shew		—	4,251	18	3,741	8,010
Independent Non-executive Directors						
Adrian David Li Man Kiu		410	—	—	—	410
Raymond Leung Hai Ming		300	—	—	—	300
Lee Shing See		520	—	—	—	520
		1,230	10,672	72	16,369	28,343

Notes:

- (a) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.
- (b) Mr. Chen Xiaofeng was appointed as the non-executive director of the Company with effect from 17 August 2021.
- (c) Ms. Wong Wai Ching was appointed as independent non-executive director with effect from 25 March 2022.
- (d) Mr. Tian Shuchen resigned as the executive director of the Company and remains as senior management with effect from 22 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 and 2021.

Of the five individuals with the highest emoluments, three (2021: four) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining two (2021: one) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	4,368	1,594
Contributions to retirement benefit schemes	36	18
Performance related incentive payments	6,170	4,929
	10,574	6,541

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

	2022	2021
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$5,500,001 to HK\$6,000,000	1	—
HK\$6,500,001 to HK\$7,000,000	—	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 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

12 INCOME TAX EXPENSES, NET

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong profits tax	303,412	173,144
Other jurisdictions income tax	1,950,713	1,732,453
Mainland China land appreciation tax ("LAT")	30,906	29,621
Mainland China withholding income tax	15,355	—
	2,300,386	1,935,218
Under/(over) provision in prior years:		
Hong Kong profits tax	2,815	(98,628)
Other jurisdictions income tax	(29,122)	(11,261)
	(26,307)	(109,889)
Deferred tax, net (Note 23)	35,142	123,965
Income tax expenses for the year, net	2,309,221	1,949,294

Hong Kong profits tax is calculated at 16.5% (2021:16.5%) 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:

	2022 HK\$'000	2021 HK\$'000
Profit before tax	10,778,685	9,385,178
Share of profits of		
Joint ventures	(275,196)	(369,246)
Associates	(333,934)	(782,808)
	10,169,555	8,233,124
Tax at domestic income tax rate of 16.5% (2021: 16.5%)	1,677,977	1,358,465
Effect of different tax rates of profit arising from other jurisdictions	473,552	478,985
Mainland China withholding income tax	15,355	—
LAT	30,906	29,621
Tax effect of LAT	(5,100)	(7,405)
Tax effect of expenses not deductible for tax purpose	296,722	319,568
Tax effect of income not taxable for tax purpose	(149,498)	(115,769)
Tax effect of tax losses not recognised	165,586	106,868
Tax effect of utilisation of previously unrecognised tax losses	(127,246)	(109,819)
Overprovision in prior years	(26,307)	(109,889)
Others	(42,726)	(1,331)
Tax charge for the year	2,309,221	1,949,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

13 PROFIT FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Contracts costs	85,954,314	64,256,900
Cost of inventories sold	1,397,477	493,601
Cost of supply of heat, steam and electricity	392,299	320,580
Employee benefits expense (including directors' emoluments):		
Staff costs	6,021,770	5,557,856
Contributions to retirement benefit plans	350,718	293,254
Share-based payment	34,127	44,540
	6,406,615	5,895,650
Depreciation of property, plant and equipment	402,007	415,391
Depreciation of right-of-use assets	99,726	68,725
	501,733	484,116
Amortisation of concession operating rights (included in costs of sales)	168,262	174,984
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	17,693	17,967
Auditor's remuneration:		
Audit services	9,227	8,905
Non-audit services	1,248	839
	10,475	9,744
Short-term lease expense in respect of:		
Plant and machinery	316,744	375,037
Land and buildings	33,194	52,694
	349,938	427,731
Rental income from operating leases	(118,559)	(124,893)
Less: Direct operating expenses from property that generated rental income	26,804	20,540
Net rental income	(91,755)	(104,353)
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	37,697	(6,131)
Exchange losses, net	49,068	123,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

14 DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distributions during the year:		
2021 Final, paid — HK20.5 cents per share (2021: 2020 Final, paid — HK19 cents per share)	1,032,711	957,147
2022 Interim, paid — HK24 cents per share (2021: 2021 Interim, paid — HK20 cents per share)	1,209,028	1,007,523
	2,241,739	1,964,670

The final dividend of HK24 cents (2021: HK20.5 cents) per share amounting to approximately HK\$1,209,028,000 (2021: HK\$1,032,711,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15 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:

	2022 HK\$'000	2021 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	7,956,876	6,800,879

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,037,617	5,039,788

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 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

16 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 2021	3,401,723	2,067,987	1,278,996	310,016	127,577	770,010	7,956,309
Exchange adjustments	117,551	85,389	21,180	6,135	2,770	17,599	250,624
Additions	5,349	3,496	64,738	137,203	24,493	451,058	686,337
Reclassification upon the completion of construction	511,727	43,269	97,365	—	—	(652,361)	—
Transfer between property, plant and equipment and investment properties or properties under development, net	257,208	—	—	—	—	(403,956)	(146,748)
Disposals	(31,329)	—	(38,621)	(22,901)	(5,477)	—	(98,328)
At 31 December 2021 and 1 January 2022	4,262,229	2,200,141	1,423,658	430,453	149,363	182,350	8,648,194
Exchange adjustments	(201,400)	(198,176)	(31,066)	(14,044)	(6,363)	(10,175)	(461,224)
Additions	28,636	2,064	111,616	115,515	13,520	91,512	362,863
Reclassification upon the completion of construction	106,931	51,510	11,844	—	—	(170,285)	—
Transfer between property, plant and equipment and investment properties, net	22,159	—	—	—	—	—	22,159
Transfer from right-of-use assets	36,531	—	1,101	—	—	—	37,632
Disposals	(70,883)	(509)	(43,158)	(14,161)	(11,315)	—	(140,026)
At 31 December 2022	4,184,203	2,055,030	1,473,995	517,763	145,205	93,402	8,469,598
Depreciation							
At 1 January 2021	711,594	1,040,005	1,048,736	237,693	99,106	—	3,137,134
Exchange adjustments	59,495	49,058	6,307	2,402	2,039	—	119,301
Charge for the year	156,355	86,820	93,975	63,858	14,383	—	415,391
Transfer between property, plant and equipment and investment properties	(102,299)	—	—	—	—	—	(102,299)
Disposals	(3,887)	—	(33,503)	(22,224)	(5,077)	—	(64,691)
At 31 December 2021 and 1 January 2022	821,258	1,175,883	1,115,515	281,729	110,451	—	3,504,836
Exchange adjustments	(48,777)	(113,598)	(13,505)	(8,844)	(4,670)	—	(189,394)
Charge for the year	155,070	67,319	93,730	72,705	13,183	—	402,007
Transfer between property, plant and equipment and investment properties	(9,211)	—	—	—	—	—	(9,211)
Transfer from right-of-use assets	6,085	—	1,101	—	—	—	7,186
Disposals	(54,045)	(480)	(39,295)	(12,148)	(9,674)	—	(115,642)
At 31 December 2022	870,380	1,129,124	1,157,546	333,442	109,290	—	3,599,782
Carrying values							
At 31 December 2022	3,313,823	925,906	316,449	184,321	35,915	93,402	4,869,816
At 31 December 2021	3,440,971	1,024,258	308,143	148,724	38,912	182,350	5,143,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2022 HK\$'000	2021 HK\$'000
Land and buildings in Hong Kong under medium-term leases	1,615,346	1,617,137
Heat and electricity plants in Mainland China under medium-term leases	213,594	250,678
Other premises in Mainland China under medium-term leases	974,138	1,049,130
Freehold land in Macau	63,963	66,544
Freehold land in Canada	416,538	457,482
Land and buildings in United States of America under medium-term leases	30,244	—
	3,313,823	3,440,971

At 31 December 2022, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities is approximately HK\$416,537,000 (2021: HK\$16,418,000).

At 31 December 2021, the carrying amount of the Group's owned property and motor vehicles held under finance lease was approximately HK\$31,038,000. The finance lease was released during the year.

17 LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Prepaid land lease payment (Note)	375,117	417,417
Land and buildings and plant and machinery	—	30,853
Others	194,908	106,708
	570,025	554,978
Lease liabilities		
Current	86,671	51,154
Non-current	112,195	58,454
	198,866	109,608

Note: The Group has prepaid land lease payment for leasehold land located in Mainland China with PRC government under medium term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

17 LEASES *(continued)*

(i) Amounts recognised in the consolidated statement of financial position *(continued)*

Additions to the right-of-use assets during the year were approximately HK\$183,295,000 (2021: HK\$110,083,000).

(ii) Amounts recognised in the consolidated income statement

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

	2022 HK\$'000	2021 HK\$'000
Depreciation charge of right-of-use assets		
Prepaid land lease payment	10,425	11,896
Land and buildings and motor vehicles	406	981
Others	88,895	55,848
	99,726	68,725

The total cash outflow for leases during the year was approximately HK\$444,882,000 (2021: HK\$486,306,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 9 years (2021: 1 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 46 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

18 INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment property under construction HK\$'000	Total HK\$'000
At 1 January 2021	4,643,331	—	4,643,331
Transfer between property, plant and equipment or properties under development and investment properties, net	(35,872)	—	(35,872)
Exchange adjustments	31,051	—	31,051
Change in fair value	487,722	—	487,722
	5,126,232	—	5,126,232
At 31 December 2021 and 1 January 2022			
Transfer between property, plant and equipment and investment properties, net	(19,386)	—	(19,386)
Transfer from properties held for sale	537,300	—	537,300
Transfer from properties under development	—	1,356,000	1,356,000
Exchange adjustments	(141,691)	—	(141,691)
Change in fair value	221,817	—	221,817
	5,724,272	1,356,000	7,080,272
At 31 December 2022			

(i) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Jones Lang LaSalle Limited, Cushman & Wakefield Limited, KPMG, 北京卓信大華資產評估有限公司 and 深圳市深信資產評估土地房地產估價有限公司. They are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuation included the use of inputs that are not based on an observable market data (level 3 assets). The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

All of the Group's leasehold property interests (i.e. right-of-use assets) to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

18 INVESTMENT PROPERTIES *(continued)*

(ii) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties and, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2022 and 2021.

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2022 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties				
Properties in Hong Kong	2,998,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month (3) market price per square foot for office portion	2.7%-3.0% HK\$60-HK\$185
Properties in Macau	215,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	3.0% HK\$10-HK\$12
Properties in Mainland China	1,422,832	Direct Comparison Approach	(1) market price per square foot	RMB195-RMB3,030
Properties in Mainland China	1,088,440	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	2.8%-3.2% RMB5-RMB8
Investment property under construction				
Property in Macau	1,356,000	Residual Method	(1) estimated costs to completion (2) developer's profit margin	HK\$153,000,000 15%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

18 INVESTMENT PROPERTIES *(continued)*

(ii) Fair value measurements using significant unobservable inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*

Description	Fair value at 31 December 2021 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties				
Properties in Hong Kong	3,125,462	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month (3) market price per square foot for office portion	2.7%-3.0% HK\$60-HK\$190
Properties in Macau	215,000	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	3.0% HK\$10-HK\$12
Properties in Mainland China	870,338	Direct Comparison Approach	(1) market price per square foot	RMB910-RMB3,030
Properties in Mainland China	915,432	Income Capitalisation Approach	(1) capitalisation rate (2) market rent per square foot per month	2.9%-3.7% RMB3-RMB6

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.

In arriving at the value for the investment property under construction, the Group has adopted the residual approach, which essentially involves determination of gross development value ("GDV") based on a hypothetical development scheme as at the date of valuation. The estimated development cost for the proposed development including construction costs and professional fees together with allowances on interest payment and developer's profit are deducted from the established GDV. The resultant figure is being the existing state of the property.

(iii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals receivable monthly. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, please refer to note 46 to the consolidated financial statements for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

19 INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	2022 HK\$'000	2021 HK\$'000
Interests in infrastructure project investments	5,213,954	5,799,391
Less: Current portion	(471,693)	(72,752)
Non-current portion	4,742,261	5,726,639

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 5 to 22 years.

The effective interest rates on the infrastructure project investments range from 6.6% to 17.1% (2021: 6.6% to 18%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2022 and 2021.

The directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2022 and 2021 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

At 31 December 2022, interests in infrastructure project investments of approximately HK\$2,739,757,000 (2021: HK\$2,975,894,000) had been pledged to secure banking facilities granted to the Group (Note 36).

20 INTERESTS IN JOINT ARRANGEMENTS

Joint ventures

	2022 HK\$'000	2021 HK\$'000
Cost of investments, unlisted	14,386,505	14,803,989
Share of post-acquisition profits and other comprehensive income, net of dividends	2,384,626	3,584,096
	16,771,131	18,388,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

20 INTERESTS IN JOINT ARRANGEMENTS (continued)

Joint ventures (continued)

Particulars regarding the principal joint ventures as at 31 December 2022 and 2021 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2022	2021	
			%	%	
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
貴州雷裕高速公路投資管理有限公司	Incorporated	Mainland China	69	69	Infrastructure investment
曲阜尼山文旅置業有限責任公司	Incorporated	Mainland China	60	60	Infrastructure investment
上海臨博海峯城市建設發展有限公司	Incorporated	Mainland China	49	49	Infrastructure investment
中建國際(襄陽)建設有限公司	Incorporated	Mainland China	70	70	Infrastructure investment

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:

	2022 HK\$'000	2021 HK\$'000
Aggregate carrying value	16,771,131	18,388,085
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	275,196	369,246
Other comprehensive (expense)/income	(1,209,852)	442,184
Total comprehensive (expense)/income	(934,656)	811,430

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2022 and 2021. At 31 December 2022, there are unpaid committed investments relating to the Group's interests in joint ventures of approximately HK\$1,307,381,000 (2021: HK\$2,270,047,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 and 2021 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2022 %	2021 %	
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
AJC Joint Venture	Unincorporated	Hong Kong	30.5	30.5	Civil engineering works
CSME – Southa Joint Venture	Unincorporated	Hong Kong	51	51	Mechanical and electrical engineering works

21 INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Unlisted companies		
Cost of investments in associates	2,890,203	3,187,379
Share of post-acquisition profits and other comprehensive income, net of dividends	1,069,594	1,463,030
	3,959,797	4,650,409
Loans to associates	3,522,796	4,696,816
	7,482,593	9,347,225

Included in the cost of investments in associates is goodwill of approximately HK\$494,000 (2021: HK\$494,000) arising from acquisitions of associates in prior years.

The loans to associates of approximately HK\$606,818,000 (2021: HK\$907,030,000) are unsecured, interest free and are not expected to be repaid within twelve months after the end of reporting period. The balances are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

21 INTERESTS IN ASSOCIATES *(continued)*

The remaining loans to associates are unsecured, interest bearing ranging from 4.75% to 9.5% (2021: from 4.75% to 9.5%) per annum and are not expected to be repaid within twelve months after the end of reporting period. The balances are denominated in HK\$ and RMB.

Particulars regarding the principal associates as at 31 December 2022 and 2021 are follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group		Principal activities
				2022 %	2021 %	
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
Macfull Limited	Incorporated	Hong Kong	Ordinary	20	20	Property development
六盤水董大公路投資開有限責任公司	Incorporated	Mainland China	Ordinary	25	25	Infrastructure investment
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
株州中海地產有限公司	Incorporated	Mainland China	Ordinary	30	30	Property development
珠海市海悅房地產開發有限公司 ("珠海市海悅")	Incorporated	Mainland China	Ordinary	20	20	Property development

[#] 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% (2021: 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 2022

21 INTERESTS IN ASSOCIATES *(continued)*

During the year, share of profits of associates amounted to approximately HK\$213,931,000 (2021: HK\$577,810,000) was derived from Fast Shift, Trillion Vantage and 珠海市海悦. Set out below is the aggregate financial information of the Group's associates:

	2022 HK\$'000	2021 HK\$'000
Aggregate carrying value	3,959,797	4,650,409
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	333,934	782,808
Other comprehensive (expense)/income	(212,060)	136,293
Total comprehensive income	121,874	919,101

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2022 and 2021.

22 CONCESSION OPERATING RIGHTS

	2022 HK\$'000	2021 HK\$'000
Cost		
At 1 January	6,869,067	6,645,435
Exchange adjustments	(506,110)	223,632
At 31 December	6,362,957	6,869,067
Amortisation and impairment		
At 1 January	3,084,295	2,832,909
Charge for the year	168,262	174,984
Exchange adjustments	(217,666)	76,402
At 31 December	3,034,891	3,084,295
Carrying values		
At 31 December	3,328,066	3,784,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

22 CONCESSION OPERATING RIGHTS *(continued)*

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province with net carrying amounts of approximately HK\$1,643,176,000 (2021: HK\$1,877,916,000) and HK\$1,684,890,000 (2021: HK\$1,906,856,000), respectively, both of which are located in 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 Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2022 and 2021, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, length of operating rights, maintenance costs and discount rates. An average revenue growth rate of 6% to 14% (2021: 9% to 12%) and a pre-tax discount rate of 12% (2021: 12%) have been used in the value-in-use calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

23 DEFERRED TAXATION

The analysis of the Group's deferred tax liabilities/(assets) is as follows:

	Revaluation of investment properties	Accelerated tax depreciation	Concession operating rights	Deferred income	Undistributed earnings of Mainland China subsidiaries and joint ventures	Recognition of intangibles assets on business combination	Revaluation of land	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	68,338	9,738	152,993	(36,188)	38,304	30,940	5,158	(73,385)	26,309	222,207
Exchange adjustments	2,356	–	3,071	(3,865)	–	–	–	(62)	(708)	792
Charged/(credited) to consolidated income statement (Note 12)	137,012	3,550	(24,374)	(9,928)	–	–	–	18,541	(836)	123,965
At 31 December 2021 and 1 January 2022	207,706	13,288	131,690	(49,981)	38,304	30,940	5,158	(54,906)	24,765	346,964
Exchange adjustments	(1,810)	–	(1,780)	8,312	–	–	–	–	1,366	6,088
Charged/(credited) to consolidated income statement (Note 12)	153,334	(8,740)	(101,743)	(57,705)	–	–	(753)	52,334	(1,585)	35,142
Charged to investment revaluation reserve	316	–	–	–	–	–	–	–	–	316
At 31 December 2022	359,546	4,548	28,167	(99,374)	38,304	30,940	4,405	(2,572)	24,546	388,510

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

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	119,698	173,764
Deferred tax liabilities	(508,208)	(520,728)
	(388,510)	(346,964)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

23 DEFERRED TAXATION *(continued)*

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:

	2022 HK\$'000	2021 HK\$'000
Unused tax losses (Note)	6,687,729	6,455,368

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\$3,478,711,000 (2021: HK\$2,039,105,000) 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\$38,038,137,000 (2021: HK\$31,606,500,000) as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	216,708	45,359	184,435	577,664	1,024,166
Exchange adjustments	—	—	6,876	—	6,876
At 31 December 2021 and 1 January 2022	216,708	45,359	191,311	577,664	1,031,042
Exchange adjustments	—	—	(14,014)	—	(14,014)
At 31 December 2022	216,708	45,359	177,297	577,664	1,017,028
Amortisation					
At 1 January 2021	94,809	45,359	27,918	—	168,086
Charge for the year	10,836	—	7,131	—	17,967
Exchange adjustments	—	—	1,223	—	1,223
At 31 December 2021 and 1 January 2022	105,645	45,359	36,272	—	187,276
Charge for the year	10,836	—	6,857	—	17,693
Exchange adjustments	—	—	(2,966)	—	(2,966)
At 31 December 2022	116,481	45,359	40,163	—	202,003
Carrying values					
At 31 December 2022	100,227	—	137,134	577,664	815,025
At 31 December 2021	111,063	—	155,039	577,664	843,766

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\$127,184,000 (2021: HK\$145,089,000) as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

24 TRADEMARK, PROJECT BACKLOGS, LICENCES AND GOODWILL

(continued)

The construction licences with carrying amount of approximately HK\$9,950,000 (2021: HK\$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

Goodwill is allocated to the Group's CGU of the CSC Development Group. For impairment assessment of goodwill, the recoverable amount of the CSC Development Group cash-generating unit as at the end of each reporting period is determined based on fair value less costs of disposal by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considers 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 equity and debt securities at FVOCI

Equity and debt securities at FVOCI comprise:

- Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers the classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

(ii) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Unlisted securities		
Equity securities (Note)	195,947	197,294

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

Note: At 31 December 2022, an amount of approximately HK\$140,811,000 (2021: HK\$140,811,000) included in the carrying amount of equity securities are those issued by subsidiaries of China Overseas Land & Investment Ltd. ("COLI"), a fellow subsidiary of the Group.

(iii) Debt securities at FVOCI

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

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Listed securities		
— Debt securities listed in Hong Kong (Note)	182,512	254,752
— Debt securities listed in overseas	167,427	241,344
	349,939	496,096

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

Note: At 31 December 2022, an amount of approximately HK\$43,207,000 (2021: HK\$62,063,000) included in the carrying amount of debt securities listed in Hong Kong, represents debentures issued by a subsidiary of COLI, a fellow subsidiary of the Group.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets is either past due or impaired. No impairment loss on debt securities is recognised as the issuers of the securities have high credit ratings and no default interest payment have occurred in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

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

	2022 HK\$'000	2021 HK\$'000
HK\$	140,811	141,852
RMB	3,656	3,962
US\$	349,939	496,096
Macao Pataca ("MOP")	51,480	51,480
	545,886	693,390

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within twelve months from the end of the reporting period.

26 AMOUNTS DUE FROM INVESTEE COMPANIES

Amounts due from investee companies are unsecured, interest free and repayable on demand. No repayment is expected within next twelve months from the end of the reporting period.

At 31 December 2022, these amounts include advances to subsidiaries of COLI, a fellow subsidiary of the Group, amounting to approximately HK\$211,853,000 (2021: HK\$192,178,000)

27 TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables and retention receivables	98,919,189	97,611,273
Less: Allowance for doubtful debts	(60,240)	(24,400)
	98,858,949	97,586,873
Other receivables	20,256,913	16,087,530
Trade and other receivables (Note (a))	119,115,862	113,674,403
Less: Current portion	(65,830,023)	(59,239,650)
Non-current portion (Note (b))	53,285,839	54,434,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27 TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

- (a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK\$4,821,288,000 (2021: HK\$6,689,381,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements.
- (b) The balances of non-current portion are mainly attributable to certain construction related investment projects in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2024 to 2032, with approximately HK\$17,693,939,000 in 2024, HK\$11,793,807,000 in 2025, HK\$7,994,621,000 in 2026 and HK\$15,803,472,000 in 2027 to 2032. As a result, they are classified as non-current.

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

	2022 HK\$'000	2021 HK\$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	20,671,014	23,896,383
31–90 days	3,281,673	3,588,257
Over 90 days	69,308,598	64,754,514
	93,261,285	92,239,154
Retention receivables	5,597,664	5,347,719
Other receivables	20,256,913	16,087,530
Trade and other receivables	119,115,862	113,674,403
Less: Current portion	(65,830,023)	(59,239,650)
Non-current portion	53,285,839	54,434,753

Included in the receivables aged over 90 days are receivables attributable to the construction related investment projects amounting to approximately HK\$50,960,828,000 (2021: HK\$52,112,570,000).

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 2022, the amount of retention receivables expected to be recovered after more than one year is approximately HK\$2,933,641,000 (2021: HK\$3,131,498,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27 TRADE AND OTHER RECEIVABLES *(continued)*

At 31 December 2022, trade receivables of approximately HK\$13,428,479,000 (2021: HK\$15,336,068,000) are pledged to secure banking facilities granted to the Group (Note 36).

Movement in the allowance for doubtful debts

	2022 HK\$'000	2021 HK\$'000
At 1 January	24,400	29,896
Exchange adjustments	(1,857)	635
Impairment losses/(reversal of impairment losses) recognised on receivables	37,697	(6,131)
At 31 December	60,240	24,400

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.

Other receivables

The analysis of the receivables is as follows:

	2022 HK\$'000	2021 HK\$'000
Payments for government targeted repurchase project (Note (a))	13,840,000	11,142,805
Bid and other deposits (Note (b))	1,780,788	1,282,542
Advances receivables (Note (c))	964,368	873,923
Input value-added tax	3,010,414	2,003,522
Others	661,343	784,738
	20,256,913	16,087,530

Notes:

- (a) The balance represents amounts paid to local governments for acquisitions of land for construction of government targeted repurchase projects. It will be charged to profit and loss over the period of the contract by reference to the progress towards completion satisfaction of that performance obligation.
- (b) The balance represents bid deposits, performance bonds, wage guarantee deposits and other deposits for construction related projects. These balances will be refunded upon completion of tender process or projects.
- (c) The balance represents construction and material purchase costs paid on behalf of sub-contractors and employers of construction related projects. It includes balances with fellow subsidiaries amounting to approximately HK\$168,159,000 (2021: HK\$211,521,000), which are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27 TRADE AND OTHER RECEIVABLES *(continued)*

Trade and other receivables are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	6,137,263	6,103,379
RMB	111,545,615	104,424,227
MOP	1,169,976	2,740,793
US\$	51,863	97,991
Others	211,145	308,013
	119,115,862	113,674,403

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% (2021: 4.75% to 5.88%) per annum and is expected to be repaid within twelve months after the end of the reporting period. The balances are denominated in RMB.

Non-current portion of the loans to joint ventures is unsecured, carrying interest at 5.00% to 5.88% (2021: 5.50%) per annum and is not expected to be repaid within twelve months after the end of the reporting period. The balances are denominated in HK\$ and RMB (2021: HK\$).

29 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials and consumables	311,627	259,784
Work in progress	3,656	9,448
Finished goods	274,963	97,735
	590,246	366,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

30 PROPERTIES UNDER DEVELOPMENT

	2022 HK\$'000	2021 HK\$'000
Properties under development	6,827,851	6,312,434

Note: Included in the amount are properties under development of approximately HK\$6,502,238,000 (2021: HK\$5,596,185,000) 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 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
Contract assets related to construction services (Note (a))	18,777,148	13,467,619	11,981,742
Contract liabilities related to (Note (b))			
— Construction services	(8,014,288)	(9,092,852)	(7,979,011)
— Thermoelectricity business	(1,152,700)	(1,237,073)	(1,224,408)
	(9,166,988)	(10,329,925)	(9,203,419)
Less: Current portion	8,503,090	9,662,819	8,547,294
Non-current portion	(663,898)	(667,106)	(656,125)

Notes:

- (a) 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.
- (b) 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 2022

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:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Construction services	6,250,972	4,769,483
— Thermoelectricity business	459,922	525,430
	6,710,894	5,294,913
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods		
— Construction services	93,092	70,025

The following table shows the amount of unsatisfied performance obligations:

	2022 HK\$'000	2021 HK\$'000
Expected to be recognised within one year	108,034,667	105,549,565
Expected to be recognised after one year	51,973,433	52,939,339
	160,008,100	158,488,904

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 to the consolidated financial statements 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 2022

33 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due are unsecured, interest free and repayable on demand.

34 BANK BALANCES AND CASH

	2022 HK\$'000	2021 HK\$'000
Bank balances and cash	23,881,499	24,407,419
Less: Pledged bank deposits (Note (a))	(6,367)	(67,548)
Non-pledged time deposits with original maturity of over three months	(373,951)	—
Cash and cash equivalents (Note (b))	23,501,181	24,339,871

Notes:

- (a) Bank deposits are pledged and earn interest at fixed rates of 0.25% to 2.60% (2021: 0.30% to 2.75%) per annum.
- (b) Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 5.080% (2021: 0.001% to 1.725%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

Bank balances include balances with a fellow subsidiary of the Group, which is a non-bank financial institution in Mainland China, amounting to approximately HK\$612,300,000 (2021: HK\$992,944,000).

Bank balances and cash are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	6,270,944	5,598,591
RMB	15,617,709	16,908,190
MOP	1,648,566	1,725,858
US\$	256,812	96,335
Others	87,468	78,445
	23,881,499	24,407,419

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 2022

35 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:

	2022 HK\$'000	2021 HK\$'000
Trade payables, aged:		
0–30 days	42,992,914	35,871,788
31–90 days	1,562,303	1,089,962
Over 90 days	9,106,748	9,684,973
	53,661,965	46,646,723
Retention payables	6,820,303	5,967,206
Other payables and accruals	9,254,451	7,947,435
	69,736,719	60,561,364

Included in trade payables and retention payables are balances with related companies amounting to approximately HK\$14,418,863,000 (2021: HK\$16,330,237,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements.

Other payables and accruals mainly comprise staff cost, other tax and other operating expenses payables. Included in other payables and accruals are balances with immediate holding company and related companies amounting to approximately HK\$1,500,000 (2021: Nil) and HK\$382,289,000 (2021: HK\$528,549,000), respectively, which are unsecured, interest free and repayable on demand.

The average credit period on trade and construction cost payables is 60 days. At 31 December 2022, the amount of retention payables expected to be settled after more than one year is approximately HK\$3,971,625,000 (2021: HK\$3,386,125,000).

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

	2022 HK\$'000	2021 HK\$'000
HK\$	11,992,699	9,991,935
RMB	54,411,111	46,576,850
MOP	3,159,543	3,755,099
US\$	19,178	18,971
Others	154,188	218,509
	69,736,719	60,561,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36 BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank borrowings, secured	16,272,083	18,474,397
Bank borrowings, unsecured	42,904,781	39,478,883
	59,176,864	57,953,280
Less: Current portion	(13,719,657)	(10,104,945)
Non-current portion	45,457,207	47,848,335
Carrying amount repayable:		
Within one year or on demand	13,719,657	10,104,945
More than one year but not exceeding two years	16,551,708	18,213,834
More than two years but not more than five years	19,068,083	21,216,807
More than five years	9,837,416	8,417,694
	59,176,864	57,953,280

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

The secured bank borrowings are secured by property, plant and equipment, interests in infrastructure project investments and trade receivables. The unsecured bank borrowings including the bank borrowings with financial covenant are required to fulfil by the Group to the banks.

Bank borrowings are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	12,067,937	6,628,382
RMB	46,679,304	50,888,103
Canadian Dollar ("CAD")	429,623	436,795
	59,176,864	57,953,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36 BANK BORROWINGS *(continued)*

The effective interest rates of bank borrowings are as follows:

	2022			2021		
	HK\$ %	RMB %	CAD %	HK\$ %	RMB %	CAD %
Bank borrowings, secured	—	4.53	6.59	—	4.68	4.24
Bank borrowings, unsecured	2.70	3.93	6.20	1.19	4.07	2.56

37 LOANS FROM A FELLOW SUBSIDIARY

As at 31 December 2022, loans from a fellow subsidiary are unsecured, carrying interests ranging from 3.00% to 3.45% (2021: 3.50% to 3.60%) per annum and repayable on demand. The balances are denominated in RMB.

38 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
At 1 January 2021	5,049,156,668	126,229
Cancellation of shares repurchased (Note)	(11,540,000)	(289)
At 31 December 2021, 1 January 2022 and 31 December 2022	5,037,616,668	125,940

Note: The Company repurchased its 11,540,000 shares on the SEHK at a total consideration of approximately HK\$54,725,000. The repurchased shares were then cancelled during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

39 SHARE PREMIUM AND RESERVES

	Share premium	Special reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Total
	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000
At 1 January 2021	20,540,459	(6,578,796)	337	122,254	(538,842)	593,150	34,828,983	48,967,545
Profit for the year	–	–	–	–	–	–	6,800,879	6,800,879
Loss on fair value changes of debt securities at FVOCI, net of tax	–	–	–	(9,662)	–	–	–	(9,662)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	–	–	–	269	–	–	–	269
Gain on fair value changes of investment properties transferred from property, plant and equipment or properties under development	–	–	–	100,429	–	–	–	100,429
Exchange differences on translation of subsidiaries	–	–	–	–	1,856,854	–	–	1,856,854
Exchange differences on translation of joint ventures	–	–	–	–	442,184	–	–	442,184
Exchange differences on translation of associates	–	–	–	–	136,293	–	–	136,293
Total comprehensive income for the year	–	–	–	91,036	2,435,331	–	6,800,879	9,327,246
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	–	44,540	–	–	–	–	–	44,540
Lapse of incentive shares (Note 43)	–	(753)	–	–	–	–	753	–
Exercise of incentive shares (Note 43)	–	(7,747)	–	–	–	–	7,747	–
2020 final dividend paid	–	–	–	–	–	–	(957,147)	(957,147)
2021 interim dividend paid	–	–	–	–	–	–	(1,007,523)	(1,007,523)
Transfer to statutory reserve	–	–	–	–	–	99,386	(99,386)	–
Repurchase and cancellation of shares	(54,436)	–	–	–	–	–	–	(54,436)
Total transactions with owners, recognised directly in equity	(54,436)	36,040	–	–	–	99,386	(2,055,556)	(1,974,566)
At 31 December 2021	20,486,023	(6,542,756)	337	213,290	1,896,489	692,536	39,574,306	56,320,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

39 SHARE PREMIUM AND RESERVES (continued)

	Share premium	Special reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Total
	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000
At 1 January 2022	20,486,023	(6,542,756)	337	213,290	1,896,489	692,536	39,574,306	56,320,225
Profit for the year	-	-	-	-	-	-	7,956,876	7,956,876
Loss on fair value changes of debt securities at FVOCI, net of tax	-	-	-	(97,783)	-	-	-	(97,783)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	-	-	-	7,311	-	-	-	7,311
Gain on fair value changes of investment properties transferred from property, plant and equipment, net of tax	-	-	-	8,470	-	-	-	8,470
Exchange differences on translation of subsidiaries	-	-	-	-	(2,994,195)	-	-	(2,994,195)
Exchange differences on translation of joint ventures	-	-	-	-	(1,209,852)	-	-	(1,209,852)
Exchange differences on translation of associates	-	-	-	-	(212,060)	-	-	(212,060)
Total comprehensive (expense) income for the year	-	-	-	(82,002)	(4,416,107)	-	7,956,876	3,458,767
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	-	32,990	-	-	-	-	-	32,990
Lapse of incentive shares (Note 43)	-	(5,513)	-	-	-	-	5,513	-
Exercise of incentive shares (Note 43)	-	(20,743)	-	-	-	-	20,743	-
Disposal of partial interest in a subsidiary (Note(e))	-	92,481	-	-	-	-	-	92,481
2021 final dividend paid	-	-	-	-	-	-	(1,032,711)	(1,032,711)
2022 interim dividend paid	-	-	-	-	-	-	(1,209,028)	(1,209,028)
Transfer to special reserve	-	135,294	-	-	-	-	(135,294)	-
Transfer to statutory reserve	-	-	-	-	-	379,961	(379,961)	-
Unclaimed dividends forfeited	-	-	-	-	-	-	1,497	1,497
Total transactions with owners, recognised directly in equity	-	234,509	-	-	-	379,961	(2,729,241)	(2,114,771)
At 31 December 2022	20,486,023	(6,308,247)	337	131,288	(2,519,618)	1,072,497	44,801,941	57,664,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

39 SHARE PREMIUM AND RESERVES *(continued)*

Notes:

- (a) Special reserve mainly represents merger reserve arose from business combinations under common control, reserve arose from the changes in shareholding of subsidiaries, capital contribution relating to share-based payment borne by an intermediate holding company, contribution from former shareholders and work safety funds.
- (b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.
- (c) Statutory reserve of the Group represents a general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.
- (d) Included in retained profits as at 31 December 2022 is the proposed 2022 final dividend of approximately HK\$1,209,028,000 (2021: HK\$1,032,711,000).
- (e) During the year, a wholly-owned subsidiary of the Company disposed of an aggregate of 100,000,000 shares of CSC Development at a price of HK\$2.20 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 74.1% to 69.4%. Subsequently, the wholly-owned subsidiary of the Company subscribed an aggregate of 100,000,000 new shares of CSC Development at a price of HK\$2.20 per share. As a result, the Group's shareholding in CSC Development was increased from 69.4% to 70.8%. 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\$92,481,000, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK\$219,028,000 and the carrying amount of the attributable share of net assets of CSC Development of approximately HK\$126,547,000, was credited to the special reserve.

40 PERPETUAL CAPITAL SECURITIES

On 3 December 2019, a subsidiary of the Group issued US\$500,000,000 4.0% subordinated perpetual capital securities (the "2019 Perpetual Capital Securities"). The 2019 Perpetual Capital Securities do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the 2019 Perpetual Capital Securities 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 2019 Perpetual Capital Securities at the distribution rates as defined in the subscription agreements.

On 9 June 2021, a subsidiary of the Group issued US\$500,000,000 3.4% subordinated perpetual capital securities (the "2021 Perpetual Capital Securities"). The 2021 Perpetual Capital Securities do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the 2021 Perpetual Capital Securities 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 2021 Perpetual Capital Securities at the distribution rates as defined in the subscription agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41 GUARANTEED NOTES PAYABLES AND CORPORATE BONDS

	Notes	2022 HK\$'000	2021 HK\$'000
US\$550,000,000 3.375% guaranteed notes	(a)	—	4,286,155
US\$250,000,000 3.875% guaranteed notes	(b)	1,942,070	1,940,634
RMB2,000,000,000 3.48% corporate bonds	(c)	2,412,002	2,460,203
RMB500,000,000 3.45% corporate bonds	(d)	568,182	615,763
RMB1,000,000,000 3.52% corporate bonds	(e)	1,136,364	1,231,527
RMB1,500,000,000 3.10% corporate bonds	(f)	1,704,545	1,847,291
RMB960,000,000 2.98% corporate bonds	(g)	1,090,909	—
RMB1,500,000,000 3.09% corporate bonds	(h)	1,704,545	—
RMB1,040,000,000 2.70% corporate bonds	(i)	1,181,819	—
		11,740,436	12,381,573
Less: Current portion		(2,980,184)	(4,286,155)
Non-current portion		8,760,252	8,095,418

Notes:

- (a) In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$550,000,000 (the “2017 Notes I”). The 2017 Notes I bore fixed interest at the rate of 3.375% per annum payable semi-annually, were unconditionally and irrevocably guaranteed by the Company. The 2017 Notes I became immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which included, inter alia, the negative pledge given by the Company and the said subsidiary. The 2017 Notes I was matured on 29 November 2022 at the principal amount. The fair value of the 2017 Notes I at 31 December 2021 was estimated at approximately HK\$4,346,800,000, which was determined based on the closing market price of the 2017 Notes I at that date and was within level 1 of the fair value hierarchy.
- (b) In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$250,000,000 (the “2017 Notes II”). The 2017 Notes II bear fixed interest at the rate of 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2017 Notes II shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2017 Notes II will mature on 29 November 2027 at the principal amount. The fair value of the 2017 Notes II at 31 December 2022 was estimated at approximately HK\$1,798,271,000 (2021: HK\$2,039,330,000), which was determined based on the closing market price of the 2017 Notes II at that date and is within level 1 of the fair value hierarchy.
- (c) On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of RMB2,000,000,000 (the “2020 Bonds I”) to professional investors in Mainland China. The 2020 Bonds I have a maturity of 3 years and the coupon rate is 3.48% per annum. The 2020 Bonds I were listed on the Inter-bank Bond Market. The 2020 Bonds I will mature on 29 July 2023 at the principal amount. The fair value of the 2020 Bonds I at 31 December 2022 was estimated at approximately HK\$2,278,227,000 (2021: HK\$2,484,039,000), which was determined based on the closing market price of the 2020 Bonds I at that date and is within level 1 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

41 GUARANTEED NOTES PAYABLES AND CORPORATE BONDS *(continued)*

Notes: *(continued)*

- (d) On 26 October 2020, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB500,000,000 (the “2020 Bonds II”) in Mainland China. The 2020 Bonds II have a maturity of 3 years and the coupon rate is 3.45% per annum. The 2020 Bonds II were listed on the Inter-bank Bond Market. The 2020 Bonds II will mature on 28 October 2023 at the principal amount. The fair value of the 2020 Bonds II at 31 December 2022 was estimated at approximately HK\$569,301,000 (2021: HK\$621,262,000), which was determined based on the closing market price of the 2020 Bonds II at that date and is within level 1 of the fair value hierarchy.
- (e) On 31 May 2021, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB1,000,000,000 (the “2021 Bonds I”) in Mainland China. The 2021 Bonds I have a maturity of 3 years and the coupon rate is 3.52% per annum. The 2021 Bonds I were listed on the Inter-bank Bond Market. The 2021 Bonds I will mature on 31 May 2024 at the principal amount. The fair value of the 2021 Bonds I at 31 December 2022 was estimated at approximately HK\$1,139,398,000 (2021: HK\$1,244,594,000), which was determined based on the closing market price of the 2021 Bonds I at that date and is within level 1 of the fair value hierarchy.
- (f) On 29 December 2021, a subsidiary of the Company completed its public issuance of medium-term notes (second phase) with a principal amount of RMB1,500,000,000 (the “2021 Bonds II”) in Mainland China. The 2021 Bonds II have a maturity of 3 years and the coupon rate is 3.10% per annum. The 2021 Bonds II were listed on the Inter-bank Bond Market. The 2021 Bonds II will mature on 29 December 2024 at the principal amount. The fair value of the 2021 Bonds II at 31 December 2022 was estimated at approximately HK\$1,692,563,000 (2021: HK\$1,847,106,000), which was determined based on the closing market price of the 2021 Bonds II at that date and is within level 1 of the fair value hierarchy.
- (g) On 2 April 2022, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB960,000,000 (the “2022 Bonds I”) in Mainland China. The 2022 Bonds I have a maturity of 3 years and the coupon rate is 2.98% per annum. The 2022 Bonds I were listed on the Inter-bank Bond Market. The 2022 Bonds I will mature on 2 April 2025 at the principal amount. The fair value of the 2022 Bonds I at 31 December 2022 was estimated at approximately HK\$1,076,782,000, which was determined based on the closing market price of the 2022 Bonds I at that date and is within level 1 of the fair value hierarchy.
- (h) On 27 April 2022, a subsidiary of the Company completed its public issuance of medium-term notes (second phase) with a principal amount of RMB1,500,000,000 (the “2022 Bonds II”) in Mainland China. The 2022 Bonds II have a maturity of 3 years and the coupon rate is 3.09% per annum. The 2022 Bonds II were listed on the Inter-bank Bond Market. The 2022 Bonds II will mature on 27 April 2025 at the principal amount. The fair value of the 2022 Bonds II at 31 December 2022 was estimated at approximately HK\$1,686,239,000, which was determined based on the closing market price of the 2022 Bonds II at that date and is within level 1 of the fair value hierarchy.
- (i) On 19 August 2022, a subsidiary of the Company completed its public issuance of medium-term notes (third phase) with a principal amount of RMB1,040,000,000 (the “2022 Bonds III”) in Mainland China. The 2022 Bonds III have a maturity of 5 years and the coupon rate is 2.70% per annum. The 2022 Bonds III were listed on the Inter-bank Bond Market. The 2022 Bonds III will mature on 19 August 2027 at the principal amount. The fair value of the 2022 Bonds III at 31 December 2022 was estimated at approximately HK\$1,153,126,000, which was determined based on the closing market price of the 2022 Bonds III at that date and is within level 1 of the fair value hierarchy.

42 LOAN FROM A JOINT VENTURE

Loan from a joint venture is unsecured, carrying interest at 6.8% (2021: 6.8%) per annum and expected to be matured in 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43 SHARE-BASED PAYMENTS

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 transferable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL’s achievement of performance conditions and individual’s key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual’s key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase III) determined using a comparable generally accepted methodology was RMB2.112 per share. The significant inputs into the methodology include closing price of RMB5.58 per share on the Grant Date (Phase III), exercise price of RMB3.468 per share and share-based payments cap at 30% of respective two years’ employees’ remuneration.

In 2019, except for 630,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

In 2020, except for 1,080,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

In 2021, 5,480,000 incentive shares were exercised in accordance with the Incentive Plan (Phase III). In addition, except for 720,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

During the year, 5,010,000 incentive shares were exercised in accordance with the Incentive Plan (Phase III). In addition, except for 820,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase IV) (the “Incentive Plan (Phase IV)”) of CSCECL, 34,620,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 23 December 2020 (the “Grant Date (Phase IV)”) with an exercise price of RMB3.060 per share, subject to a lock-up period of two years’ service from the Grant Date (Phase IV) (the “Lock-Up Period (Phase IV)”). During the Lock-Up Period (Phase IV), these shares are not transferable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase IV). Subject to CSCECL’s achievement of performance conditions and individual’s key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual’s key performance indicators are not achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43 SHARE-BASED PAYMENTS *(continued)*

The fair value of incentive shares on the Grant Date (Phase IV) determined using a comparable generally accepted methodology was RMB1.94 per share. The significant inputs into the methodology include closing price of RMB5 per share on the Grant Date (Phase IV), exercise price of RMB3.060 per share and share-based payments cap at 40% of respective two years' employees' remuneration.

In 2020, no incentive shares were exercised, lapsed or cancelled.

In 2021, except for 300,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

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

44 CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities					Total HK\$'000
	Guaranteed notes payables and corporate bonds	Lease liabilities	Loans from fellow subsidiaries	Loan from a joint venture	Bank borrowings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	9,179,000	52,381	3,050,900	2,843,602	45,196,252	60,322,135
Cash flows	3,026,634	(58,507)	(2,339,223)	—	11,050,223	11,679,127
Exchange adjustments	168,771	1,296	28,029	112,063	1,690,713	2,000,872
Other non-cash movements	7,168	114,438	—	—	16,092	137,698
At 31 December 2021 and 1 January 2022	12,381,573	109,608	739,706	2,955,665	57,953,280	74,139,832
Cash flows	(177,192)	(94,847)	232,082	—	5,073,422	5,033,465
Exchange adjustments	(470,994)	(5,135)	(62,697)	(228,392)	(3,861,589)	(4,628,807)
Other non-cash movements	7,049	189,240	—	—	11,751	208,040
At 31 December 2022	11,740,436	198,866	909,091	2,727,273	59,176,864	74,752,530

45 CONTINGENT LIABILITIES

As at 31 December 2022, the Group provided guarantees amounted to approximately HK\$616,383,000 (2021: HK\$290,702,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

46 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group leases its investment properties under operating lease arrangements. All of the properties leased out have committed tenants for the next 1 to 8 years (2021: 1 to 6 years) without termination options granted to tenants.

At 31 December 2022 and 2021, the Group had contracted with tenants for the following future minimum lease payments:

	2022 HK\$'000	2021 HK\$'000
Within one year	84,330	120,220
After one year but within two years	29,577	44,347
After two years but within three years	6,737	22,062
After three years but within four years	1,008	8,424
After four years but within five years	1,586	1,240
After five years	11,494	695
	134,732	196,988

47 COMMITMENTS

At 31 December 2022 and 2021, the Group has the following commitments contracted but not provided for in the consolidated financial statements.

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for		
— construction in progress for property, plant and equipment	20,947	23,569

For unpaid committed investments relating to the Group's interests in joint ventures, please refer to note 20 for details.

48 RELATED PARTY TRANSACTIONS

Apart from the balances due from or to related parties detailed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, a related company, associates and joint ventures during the year:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

48 RELATED PARTY TRANSACTIONS (continued)

Transactions

	2022 HK\$'000	2021 HK\$'000
Fellow subsidiaries		
Rental income	5,081	4,862
Rental expenses	1,741	1,570
Security service payments	19,110	17,169
Revenue from construction contracts	5,222,792	8,414,041
Project consultancy service income	63,614	85,344
Construction costs	11,456,333	14,067,655
Revenue from connection service	13,548	18,649
Insurance premium income	1,327	1,349
Interest income on debt securities at FVOCI	2,884	2,884
Interest income on deposits	4,112	6,573
Interest expenses	29,697	52,395
Management fee expenses	3,637	—
Sales of building materials	17,943	—
Purchase of construction materials	64,197	—
Associates		
Purchase of construction materials	445,999	326,339
Revenue from construction contracts	3,336,650	2,073,457
Interest income	54,903	125,614
Management fee income	20,533	35,837
Project consultancy service income	5,561	—
Joint ventures		
Revenue from construction contracts	5,853,249	9,774,847
Rental income from lease of machinery	—	7,355
Sales of building materials	—	1,295
Insurance premium income	—	18,047
Interest income	24,829	51,662
Interest expenses	216,546	216,983
Immediate holding company		
Revenue from construction contracts	18,844	7,929
Insurance premium income	2,205	2,036
Intermediate holding company		
Revenue from construction contracts	2,974,441	849,363
Related company		
Revenue from construction contracts	156,277	953,733
Project consultancy service income	33,893	36,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

48 RELATED PARTY TRANSACTIONS *(continued)*

Significant transactions with other government-related entities in Mainland China

Certain of the Group's business are operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the PRC government. In addition, the Group itself is part of a larger group of companies under CSCEC which is controlled by the PRC government.

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, related company, associates and joint ventures of the Group, the Group has entered into transactions with other government-related entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

Certain of the Company's subsidiaries had entered into various transactions with government-related entities, including general banking facilities transactions with certain banks and financial institutions which are government-related entities, in their ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	76,787	88,644
Post-employment benefits	270	270
	77,057	88,914

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Apart from transactions with associates and joint ventures, certain related party transactions also constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") for which the disclosure requirements in accordance with Chapter 14A of the Listing Rules had been duly complied with.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

49 COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT

	2022 HK\$'000	2021 HK\$'000
Non-current Assets		
Interests in subsidiaries	12,795,322	15,657,804
Loan to a subsidiary	—	170,000
	12,795,322	15,827,804
Current Assets		
Deposits, prepayments and other receivables	9,634	—
Amounts due from subsidiaries	17,050,437	10,462,020
Amount due from a joint venture	3,120	1,560
Bank balances and cash	66,921	141,302
	17,130,112	10,604,882
Current Liabilities		
Other payables	123,441	47,877
Tax payable	935	849
Bank borrowings	1,244,126	1,496,007
Corporate bonds	2,412,002	—
	3,780,504	1,544,733
Net Current Assets	13,349,608	9,060,149
Total Assets less Current Liabilities	26,144,930	24,887,953
Capital and Reserves		
Share capital	125,940	125,940
Share premium and reserves (Note)	20,771,490	20,857,298
	20,897,430	20,983,238
Non-current Liabilities		
Bank borrowings	5,247,500	1,444,512
Corporate bonds	—	2,460,203
	5,247,500	3,904,715
	26,144,930	24,887,953

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

49 COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT (continued)

Note:

	Share premium HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	20,540,459	47,576	337	568,324	21,156,696
Profit and total comprehensive income for the year	—	—	—	1,681,814	1,681,814
Capital contribution relating to share-based payment borne by an intermediate holding company	—	37,894	—	—	37,894
Lapse of incentive shares	—	(753)	—	753	—
Exercise of incentive shares	—	(7,747)	—	7,747	—
2020 final dividend paid	—	—	—	(957,147)	(957,147)
2021 interim dividend paid	—	—	—	(1,007,523)	(1,007,523)
Repurchase and cancellation of shares	(54,436)	—	—	—	(54,436)
At 31 December 2021 and 1 January 2022	20,486,023	76,970	337	293,968	20,857,298
Profit and total comprehensive income for the year	—	—	—	2,124,199	2,124,199
Capital contribution relating to share-based payment borne by an intermediate holding company	—	30,235	—	—	30,235
Lapse of incentive shares	—	(5,513)	—	5,513	—
Exercise of incentive shares	—	(20,743)	—	20,743	—
2021 final dividend paid	—	—	—	(1,032,711)	(1,032,711)
2022 interim dividend paid	—	—	—	(1,209,028)	(1,209,028)
Unclaimed dividends forfeited	—	—	—	1,497	1,497
At 31 December 2022	20,486,023	80,949	337	204,181	20,771,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
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	500,000 ordinary shares of HK\$500,000	100	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	1,355,569,190 ordinary shares of HK\$1,355,569,190 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
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	Cayman Islands/ 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 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company:					
China Overseas Building Construction Limited	Hong Kong	129,999,900 ordinary shares of HK\$1,299,999,900 and 100 non-voting deferred shares of HK\$1,000	100	100	Building construction project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK\$50,000,000	100	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK\$19,999,000 and 100 non-voting deferred shares of HK\$1,000	100	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK\$99,500,000 and 500,000 non-voting deferred shares of HK\$500,000	100	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK\$100,000,000	100	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Property investment
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	100 ordinary share of HK\$100	100	100	Mechanical and electrical engineering works and project management
Far East Facade (Hong Kong) Limited	Hong Kong	900,000 ordinary shares of HK\$188,952,242 and 5,000 non-voting deferred shares of HK\$500,000	70.78	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	150,000,000 ordinary shares of HK\$150,000,000	70.78	74.06	Building construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company: (continued)					
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	70.78	74.06	Investment holding
Ambition Enterprises Limited (formerly known as 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	70.78	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	70.78	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	66.27	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	2,255,545,000 ordinary shares of HK\$0.01 each	70.78	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	20,000,000 ordinary shares of GBP1 each	100	100	Building construction, civil and marine engineering works, project and construction management
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	70.78	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company: <i>(continued)</i>					
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	100	100	Building construction, civil engineering works and investment holding
COHL (Macau) 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
Far East Facade (Macau) Limited	Macau	MOP25,000	70.78	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	66.27	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	66.27	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) (ii)	Mainland China	HK\$250,000,000	100	100	Property investment and management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company: (continued)					
瀋陽皇姑熱電有限公司 (i) (ii)	Mainland China	RMB680,660,000	70.78	74.06	Generation and supply of heat and electricity and investment holding
中海建築有限公司 (i) (ii)	Mainland China	RMB350,000,000	100	100	Building construction, civil engineering works and investment holding
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	70.78	74.06	Provision of project consultancy service
中建海龍科技有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	100	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (i) (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) (ii)	Mainland China	US\$29,800,000	100	100	Investment holding
中建國際投資集團有限公司 (i) (ii)	Mainland China	US\$3,048,920,000	100	100	Investment holding
中建(漳州)建設開發有限公司 (i) (ii)	Mainland China	US\$48,000,000	100	100	Infrastructure investment
杭州海嘉建設有限公司 (i) (ii)	Mainland China	RMB460,000,000	100	100	Infrastructure investment
溫州海嘉建設有限公司 (i) (ii)	Mainland China	RMB900,000,000	100	100	Infrastructure investment
平陽海嘉建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (i) (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	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company: (continued)					
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB37,958,749	70.78	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
遠東幕牆(深圳)有限公司 (ii)	Mainland China	RMB70,000,000	70.78	74.06	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
中建國際投資(湖州)有限公司 (i) (ii)	Mainland China	RMB270,000,000	100	100	Infrastructure investment
中建國際投資(杭州)有限公司 (i) (ii)	Mainland China	RMB600,000,000	100	100	Infrastructure investment
中建國際投資(山東)有限公司 (i) (ii)	Mainland China	RMB830,000,000	100	100	Infrastructure investment
中建國際投資(淮安)有限公司 (i) (ii)	Mainland China	RMB310,000,000	100	100	Infrastructure investment
中建國際投資(句容)有限公司 (i) (ii)	Mainland China	RMB200,000,000	90	90	Infrastructure investment
嘉興海悅建設有限公司 (i) (ii)	Mainland China	RMB385,722,110	100	100	Infrastructure investment
資陽海悅建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
濱州海嘉建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淮安海嘉建設有限公司 (i) (ii)	Mainland China	RMB581,000,000	100	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
深圳裕龍建築有限公司 (ii)	Mainland China	RMB2,000,000	100	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Manufacture and sales of precast structures
中建國際投資(台州)有限公司 (i) (ii)	Mainland China	RMB185,185,000	100	100	Infrastructure investment
杭州海榮建設有限公司 (i) (ii)	Mainland China	RMB160,000,000	90	90	Infrastructure investment
濰博海勝建設有限公司 (i) (ii)	Mainland China	RMB372,000,000	100	100	Infrastructure investment
鄭州海河建設工程有限公司 (i) (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022	2021	
			%	%	
Indirectly held by the Company: (continued)					
淄博海嘉建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淄博海悅建設有限公司 (i) (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
淮安海悅建設有限公司 (i) (ii)	Mainland China	RMB120,000,000	100	100	Infrastructure investment
嘉興海耀建設有限公司 (i) (ii)	Mainland China	RMB169,663,489	100	100	Infrastructure investment
杭州海悅建設有限公司 (i) (ii)	Mainland China	RMB140,000,000	100	100	Infrastructure investment
中建國際投資(嘉興)有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
成都海耀建設有限公司 (i) (ii)	Mainland China	RMB25,000,000	100	100	Infrastructure investment
長沙海嘉建設有限公司 (i) (ii)	Mainland China	RMB692,000,000	90	90	Infrastructure investment
句容海嘉建設有限公司 (i) (ii)	Mainland China	RMB443,500,000	90	90	Infrastructure investment
平和海嘉建設有限公司 (i) (ii)	Mainland China	RMB175,000,000	80	80	Infrastructure investment
濟寧海嘉建設有限公司 (i) (ii)	Mainland China	RMB371,831,000	100	100	Infrastructure investment
安康中建建設發展有限公司 (i) (ii)	Mainland China	RMB150,000,000	90	90	Infrastructure investment
淄博海榮建設有限公司 (i) (ii)	Mainland China	RMB200,000,000	99	99	Infrastructure investment
溫州海耀建設有限公司 (i) (ii)	Mainland China	RMB350,000,000	100	100	Infrastructure investment
句容海悅建設有限公司 (i) (ii)	Mainland China	RMB234,000,000	90	90	Infrastructure investment
南昌海博建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	95	95	Infrastructure investment
南昌海悅建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	95	95	Infrastructure investment
龍山海嘉建設有限公司 (i) (ii)	Mainland China	RMB78,000,000	80	80	Infrastructure investment
成都海旭建設有限公司 (i) (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
臨沂海嘉建設有限公司 (i) (ii)	Mainland China	RMB272,000,000	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 (i) (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
徐州海嘉建設有限公司 (i) (ii)	Mainland China	RMB120,000,000	100	100	Infrastructure investment
濟寧海耀建設有限公司 (i) (ii)	Mainland China	RMB238,600,000	99	99	Infrastructure investment
貴州海投建設有限公司 (i) (ii)	Mainland China	RMB250,000,000	100	100	Infrastructure investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022 %	2021 %	
Indirectly held by the Company: (continued)					
淄博海新建設有限公司 (i) (ii)	Mainland China	RMB182,430,000	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 (i) (ii)	Mainland China	RMB10,000,000	100	100	Manufacturing and sales of precast structure
合肥海嘉建築有限公司 (ii)	Mainland China	RMB200,000,000	100	100	Infrastructure investment
武穴海嘉建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	90	90	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
中建國際投資(徐州)有限公司 (i) (ii)	Mainland China	RMB361,500,000	90	90	Infrastructure investment
濟南海嘉建設有限公司 (i) (ii)	Mainland China	RMB70,000,000	100	100	Infrastructure investment
湖州海榮建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
杭州海旭建設有限公司 (i) (ii)	Mainland China	RMB60,000,000	100	100	Infrastructure investment
中建國際工程有限公司 (ii)	Mainland China	RMB137,000,000	100	100	Building construction, civil engineering works and investment holding
安徽中建國際投資置業有限公司 (ii)	Mainland China	RMB280,000,000	100	100	Property development
中建興業投資(湖南)有限公司 (ii)	Mainland China	RMB200,000,000	70.78	74.06	Investment holding
湖南遠東力進建築工程有限公司 (ii)	Mainland China	RMB50,000,000	70.78	74.06	Consultancy and construction service
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 (i) (ii)	Mainland China	RMB100,000,000	75	75	Infrastructure investment
湖州海旭建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	90	90	Infrastructure investment
杭州海勝建設有限公司 (i) (ii)	Mainland China	RMB92,800,000	93	93	Infrastructure investment
邯鄲海嘉建設有限公司 (i) (ii)	Mainland China	RMB143,157,900	95	95	Infrastructure investment
綿陽海升建設有限公司 (i) (ii)	Mainland China	RMB360,000,000	90	90	Infrastructure investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022	2021	
			%	%	
Indirectly held by the Company: (continued)					
泉州海嘉建設有限公司 (i) (ii)	Mainland China	RMB30,000,000	80	80	Infrastructure investment
泉州海悅建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	79.99	79.99	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 (i) (ii)	Mainland China	RMB100,000,000	80	80	Infrastructure investment
滁州海嘉同創建設管理有限公司 (i) (ii)	Mainland China	RMB500,000,000	69	69	Infrastructure investment
濟南海新建設有限公司 (i) (ii)	Mainland China	RMB56,000,000	100	100	Infrastructure investment
安福海福建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	95	95	Infrastructure investment
台州海旭建設有限公司 (i) (ii)	Mainland China	RMB157,120,000	90	90	Infrastructure investment
鹽城海銳置業有限公司 (i) (ii)	Mainland China	RMB300,000,000	100	100	Property development
溫州海恒建設發展有限公司 (ii)	Mainland China	RMB40,000,000	100	100	Infrastructure investment
台州海創建設有限公司 (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
湖州海嘉建設發展有限公司 (ii)	Mainland China	RMB50,000,000	100	100	Infrastructure investment
台州海恒建設有限公司 (i) (ii)	Mainland China	RMB183,000,000	100	100	Infrastructure investment
莆田海恒建設有限公司 (i) (ii)	Mainland China	RMB100,000,000	100	100	Infrastructure investment
淄博海創置業有限公司 (i) (ii)	Mainland China	RMB35,294,100	51	51	Property development
鹽城海建置業有限公司 (ii)	Mainland China	RMB20,000,000	55	55	Property development
江蘇鹽城城投海銘建設發展有限公司 (i) (ii)	Mainland China	RMB200,000,000	80	80	Infrastructure investment
溫州海銳建設發展有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment
溫州海澤建設發展有限公司 (i) (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment
西安海盛紡織城建設發展有限公司 (i) (ii)	Mainland China	RMB44,444,400	90	90	Infrastructure investment
洛陽海誠建設發展有限公司 (ii)	Mainland China	RMB200,000,000	80	80	Infrastructure investment
淮南海嘉建設有限公司 (i) (ii)	Mainland China	RMB300,000,000	100	100	Infrastructure investment
湖州海創建設有限公司 (ii)	Mainland China	RMB85,000,000	100	100	Infrastructure investment
溫州海築建設發展有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2022	2021	
			%	%	
Indirectly held by the Company: <i>(continued)</i>					
溫州海揚建設發展有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment
中建澳門(廣東橫琴)發展有限公司 (i) (ii)	Mainland China	RMB42,221,520	100	100	Investment holding
泰州海鑫建設發展有限公司 (ii)	Mainland China	RMB20,000,000	100	100	Infrastructure investment
滁州海悅建設發展有限公司 (ii)	Mainland China	RMB30,000,000	100	100	Infrastructure investment
寧波海昱建設有限公司 (i) (ii)	Mainland China	RMB430,000,000	100	100	Infrastructure investment
廣東海領建設工程有限公司 (i) (ii) (iv)	Mainland China	HK\$377,998,219	100	—	Infrastructure investment
西咸新區海嘉新城建設發展有限公司 (ii) (iv)	Mainland China	RMB20,000,000	100	—	Infrastructure investment
寧波海晉建設有限公司 (i) (ii) (iv)	Mainland China	RMB50,000,000	100	—	Infrastructure investment

Notes:

- (i) Registered as foreign owned enterprise
- (ii) Limited liability company registered in Mainland China
- (iii) Listed company
- (iv) Incorporated in 2022

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 guaranteed notes payable and corporate bonds of US\$250,000,000 (2021: US\$800,000,000) and RMB6,500,000,000 (2021: RMB3,000,000,000), respectively (Note 41).

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				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
Revenue	55,626,304	61,669,678	62,458,009	77,309,614	101,975,265
Profit before finance costs	6,939,577	8,190,659	8,342,932	10,901,326	13,160,974
Share of profits of					
Joint ventures	705,024	452,654	701,944	369,246	275,196
Associates	342,621	920,143	1,879,577	782,808	333,934
Finance costs	(1,781,717)	(2,278,985)	(2,679,977)	(2,668,202)	(2,991,419)
Profit before tax	6,205,505	7,284,471	8,244,476	9,385,178	10,778,685
Income tax expense, net	(1,648,872)	(1,560,891)	(1,760,302)	(1,949,294)	(2,309,221)
Profit for the year	4,556,633	5,723,580	6,484,174	7,435,884	8,469,464
Profit for the year attributable to:					
Owners of the Company	4,500,148	5,413,208	6,015,368	6,800,879	7,956,876
Holders of perpetual capital securities	17,000	260,166	407,246	465,132	295,824
Non-controlling interests	39,485	50,206	61,560	169,873	216,764
	4,556,633	5,723,580	6,484,174	7,435,884	8,469,464

FIVE YEAR FINANCIAL SUMMARY (CONTINUED)

CONSOLIDATED NET ASSETS

	For the year ended 31 December				2022 HK\$'000
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	
NON-CURRENT ASSETS					
Property, plant and equipment	4,149,806	4,240,373	4,819,175	5,143,358	4,869,816
Right-of-use assets	—	486,005	571,372	554,978	570,025
Investment properties	4,680,776	5,067,333	4,643,331	5,126,232	7,080,272
Interests in infrastructure project investments	3,680,414	4,747,131	5,713,846	5,726,639	4,742,261
Prepaid lease payments	367,032	—	—	—	—
Interests in joint ventures	11,709,355	14,012,737	16,453,237	18,388,085	16,771,131
Interests in associates	5,654,865	6,300,683	6,829,830	9,347,225	7,482,593
Concession operating rights	4,154,800	3,837,846	3,812,526	3,784,772	3,328,066
Deferred tax assets	198,830	157,833	177,691	173,764	119,698
Trademark, project backlogs and licences	308,535	289,117	278,416	266,102	237,361
Goodwill	577,664	577,664	577,664	577,664	577,664
Financial assets at fair value through other comprehensive income	505,416	658,355	689,958	693,390	545,886
Amounts due from investee companies	211,806	211,806	211,806	211,806	231,481
Trade and other receivables	38,047,727	44,317,072	53,729,653	54,434,753	53,285,839
Loans to joint ventures	1,612,397	1,020,307	295,761	898,754	827,673
	75,859,423	85,924,262	98,804,266	105,327,522	100,669,766
CURRENT ASSETS	60,262,668	75,499,641	88,007,041	113,956,903	128,180,363
TOTAL ASSETS	136,122,091	161,423,903	186,811,307	219,284,425	228,850,129
NON-CURRENT LIABILITIES					
Bank borrowings	(32,033,950)	(29,347,618)	(35,488,761)	(47,848,335)	(45,457,207)
Guaranteed notes payables and corporate bonds	(6,210,963)	(6,216,049)	(9,179,000)	(8,095,418)	(8,760,252)
Contract liabilities	(740,010)	(688,210)	(656,125)	(667,106)	(663,898)
Deferred tax liabilities	(427,087)	(403,675)	(399,898)	(520,728)	(508,208)
Loan from a joint venture	—	(2,711,864)	(2,843,602)	(2,955,665)	(2,727,273)
Lease liabilities	—	(43,152)	(24,882)	(58,454)	(112,195)
Obligations under finance leases	(1,842)	—	—	—	—
	(39,413,852)	(39,410,568)	(48,592,268)	(60,145,706)	(58,229,033)
CURRENT LIABILITIES	(53,629,989)	(71,105,770)	(79,939,492)	(92,922,448)	(102,824,642)
TOTAL LIABILITIES	(93,043,841)	(110,516,338)	(128,531,760)	(153,068,154)	(161,053,675)
NET ASSETS	43,078,250	50,907,565	58,279,547	66,216,271	67,796,454

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 Rooms A, B, E, F on 4th Floor, Rooms B to D on 5th Floor, 6th Floor, Rooms B to F on 7th Floor, 8th Floor, Rooms B to F on 9th Floor, Rooms A, D, E on 10th Floor, Rooms C to F on 11th Floor, Rooms A to B on 12th Floor, Rooms C to E on 15th Floor, Rooms C to F on 16th Floor, Rooms A to E on 18th Floor, 19th to 22nd Floors and Rooms E to F on 24th Floor, 6 car parking spaces on basement floor and 61 car parking spaces on 2nd and 3rd Floors, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease	129,505	100
(h) Room 201-401, Building #1, 371 Ding Mao Qiao Road, Zhenjiang, Jiangsu Province, Mainland China	Commercial	Medium-term lease	389,380	100

PARTICULARS OF MAJOR INVESTMENT PROPERTIES (CONTINUED)

Address	Use	Lease term	Approximate gross floor area (sq.ft)	Group's interest %
(i) Factory at Lot No. 8, north of Dabieshan Road, south of Yonghe Road, east of Yunshan Road, west of Shuishan Road, Yeji Economic Development Zone, Luan, Anhui Province, Mainland China	Industrial	Medium-term lease	109,879	100
(j) Factory 1-7 and 15, South of Yinxing Road, east of Jingui Road, Small and Micro Pioneer Park, Yeji Economic Development Zone, Luan, Anhui Province, Mainland China	Industrial	Medium-term lease	82,754	100
(k) Yao Li Factory, West of 2nd Industrial Road, Yao Li Industrial Zone, Yeji District, Luan, Anhui Province, Mainland China	Industrial	Medium-term lease	31,670	100
(l) Haifu Warehouse Building, Futian Bonded Zone, Shenzhen, Guangdong Province, Mainland China	Industrial	Medium-term lease	240,612	100
(m) China Overseas Warehouse, Futian Bonded Zone, Shenzhen, Guangdong Province, Mainland China	Industrial	Medium-term lease	14,091	100
(n) China Overseas Logistics Centre, Mingzhu Road, Yantian District, Shenzhen, Guangdong Province, Mainland China	Industrial	Medium-term lease	474,050	100



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