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This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis of any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

Neither this announcement nor anything herein constitutes an offer of securities for sale or solicitation of an offer to buy securities in the United States or any other jurisdictions where it is unlawful to do so. The securities and the guarantee referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act).

PUBLICATION OF OFFERING CIRCULAR

China State Construction Finance (Cayman) I Limited

(incorporated in the Cayman Islands with limited liability)

U.S.$ 500,000,000

Subordinated Guaranteed Perpetual Capital Securities

(Stock Code: 40712)

unconditionally and irrevocably guaranteed by

中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Please refer to the offering circular dated 1 June 2021 (the "**Offering Circular**") appended herein in relation to the U.S.$ 500,000,000 at an initial distribution rate of 3.40 per cent. per annum subordinated guaranteed perpetual capital securities (the "**Securities**") to be issued by China State Construction Finance (Cayman) I Limited (the "**Issuer**") and guaranteed by China State Construction International Holdings Limited (the "**Guarantor**"). The Offering Circular is published in English only. No Chinese version of the Offering Circular has been and will be published.

Notice to Hong Kong investors: the Issuer and the Guarantor confirm that the Securities are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Securities are not appropriate as an investment for retail investors in Hong Kong or elsewhere. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

By order of the Board
China State Construction International Holdings Limited
Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 9 June 2021

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

As at the date of this announcement, the board of directors of the Issuer comprises Mr. Zhang Haipeng, Mr. Zhou Hancheng and Mr. Guo Feng.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. In order to view the Offering Circular or make an investment decision with respect to the securities, you must be a non-U.S. person outside the United States.

Confirmation of Your Representation: The Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Haitong International Securities Company Limited, Mizuho Securities Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd. (together, the "**Managers**") that (1) you are a non-U.S. person outside the United States and, to the extent you purchase the securities described in the attached Offering Circular you will be doing so outside the United States in an offshore transaction pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Managers, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the attached Offering Circular) nor any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTIONS WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer (as defined in the attached Offering Circular), the Guarantor (as defined in the attached Offering Circular), the Managers, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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China State Construction Finance (Cayman) I Limited

(incorporated in the Cayman Islands with limited liability)

U.S.$500,000,000 3.40 per cent. Subordinated Guaranteed Perpetual Capital Securities

unconditionally and irrevocably guaranteed by

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

China State Construction International Holdings Limited
中國建築國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Issue Price: 100.00 per cent.

The 3.40 per cent. subordinated guaranteed perpetual capital securities in the aggregate principal amount of U.S.$500,000,000 (the "**Securities**") will be issued by China State Construction Finance (Cayman) I Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by China State Construction International Holdings Limited 中國建築國際集團有限公司 (the "**Guarantor**") pursuant to the guarantee under the trust deed to be executed dated on or about 8 June 2021 (the "**Trust Deed**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Securities are subordinated as provided in Condition 2 of the terms and conditions of the Securities (the "**Terms and Conditions of the Securities**"). The obligations of the Guarantor under the Guarantee will constitute a direct, unsecured and subordinated obligation of the Guarantor which will rank *pari passu* with any Parity Securities of the Guarantor. The rights and claims of the Securityholders in respect of the Guarantee of the Securities will be subordinated as provided in Condition 2 of the Terms and Conditions of the Securities. The Securities will confer a right to receive distribution (each a "**Distribution**") (i) in respect of the period from, and including, 8 June 2021 (the "**Issue Date**") to, but excluding, 8 June 2026 (the "**First Call Date**"), at 3.40 per cent. per annum, and (ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date (as defined in the Terms and Conditions of the Securities) falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, at the Relevant Reset Distribution Rate (as defined in the Terms and Conditions of the Securities).

Distributions shall be payable on the Securities semi-annually in arrear in equal instalments on 8 June and 8 December of each year (each, a "**Distribution Payment Date**"). The Issuer may, at its sole and absolute discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders (in accordance with Condition 14 in the Terms and Conditions of the Securities), DB Trustees (Hong Kong) Limited as trustee (the "Trustee") and the Principal Paying Agent (as defined in the Terms and Conditions of the Securities) in writing not more than ten Payment Business Days (as defined in the Terms and Conditions of the Securities) nor less than five Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event (as defined in the Terms and Conditions of the Securities) has occurred. Any Distribution so deferred shall constitute "Arrears of Distribution" and the restrictions as described in "Terms and Conditions of the Securities – Distribution– Distribution Deferral – Restrictions in the case of Deferral" shall apply. Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate (as defined in the Terms and Conditions of the Securities) (the "**Additional Distribution Amount**"). The Issuer may further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. See "Terms and Conditions of the Securities – Distribution – Distribution Deferral – Cumulative Deferral".

Upon the occurrence of a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (each as defined in the Terms and Conditions of the Securities), unless (x) an irrevocable notice to redeem the Securities has been given to Securityholders by the Issuer pursuant to Condition 6 by the 30th day following the occurrence of a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as the case may be) or (y) in the case of a Breach of Covenants Event or a Relevant Indebtedness Default Event, the Covenant Breach (as defined in the Terms and Conditions of the Securities) or the Relevant Indebtedness Default Event (as the case may be) is remedied by the 30th day following the occurrence of such Breach of Covenants Event or such Relevant Indebtedness Default Event (as the case may be), the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date or (b) if the date on which a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date provided that the maximum aggregate increase in the Distribution Rate shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate (as defined in the Terms and Conditions of the Securities), as further described in "Terms and Conditions of the Securities – Distribution – Increase or Decrease in Distribution Rate following occurrence of certain events".

Payments on the Securities or under the Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed levied, collected, withheld or assessed by or within any Relevant Jurisdiction (as defined in the Terms and Conditions of the Securities) as further described in "Terms and Conditions of the Securities – Taxation".

The Securities are perpetual securities and will have no fixed redemption date. The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent (as defined in the Terms and Conditions of the Securities) in writing and to the Securityholders in accordance with Condition 14 of the Terms and Condition of the Securities at their principal amount together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) on the First Call Date or on any Distribution Payment Date after the First Call Date. The Securities can also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in "Terms and Conditions of the Securities – Redemption and Purchase" upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdictions, (b) an Equity Disqualification Event (as defined in the Terms and Conditions of the Securities), (c) a Change of Control Event, (d) a Breach of Covenants Event, (e) a Relevant Indebtedness Default Event, or (f) at least 80 per cent. in principal amount of the Securities originally issued on the Issue Date having already been cancelled prior to the redemption.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately (the "**NDRC Notice**"), China State Construction Engineering Corporation (中國建築集團有限公司) ("**CSCEC**") as the Guarantor's controlling shareholder has filed and registered with the NDRC and obtained the Enterprise Foreign Debt Pre-issuance Registration Certificate on 21 January 2021 (the "**NDRC Certificate**") pursuant to the NDRC Notice. Under the NDRC Notice, as the Securities will be issued within the NDRC Certificate, the Guarantor is not required to complete the pre-issuance registration in respect of the Securities with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Securities after the issuance of such Securities. The Guarantor intends to provide or procure to be provided the requisite information on the issuance of the Securities to the NDRC within the prescribed timeframe after the Issue Date and in accordance with the NDRC Notice and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time.

Investing in the Securities involves certain risks. See "Risk Factors" beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Securities. Investors should be aware that the Securities are perpetual in tenor and that they have no right to require redemption, that Distributions may be deferred in the circumstances set out in "Terms and Conditions of the Securities — Distribution — Distribution Deferral", that there are limited remedies for default under the Securities and that there are various other risks relating to the Securities, the Issuer, the Guarantor, the Group, their business and their jurisdictions of operation which investors should familiarise themselves with before making an investment in the Securities. See "Risk Factors — Risks Relating to the Guarantee and the Securities" beginning on page 33.

The Securities and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Circular, see "Subscription and Sale".

The denomination of the Securities shall be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Application has been made to The Stock Exchange of Hong Kong Limited ("**SEHK**" or the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Securities by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Securities are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer and the Guarantor confirm that the Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Securities on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Securities, the Issuer, the Guarantor, the Group or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Securities will be represented by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

The Securities are expected to be rated Baa3 by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China International Capital Corporation **CLSA**

Joint Bookrunners and Joint Lead Managers

Haitong International **Mizuho Securities** **HSBC** **DBS Bank Ltd.**

THIS OFFERING CIRCULAR DATED 1 JUNE 2021

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IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Guarantor and its subsidiaries (including the Issuer) taken as a whole (the "**Group**"), the Securities and the Guarantee which is material in the context of the issue and offering of the Securities; (ii) the statements contained herein relating to the Issuer, the Guarantor and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Securities and the Guarantee, the omission of which would, in the context of the issue and offering of the Securities make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements; and (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities described in this Offering Circular. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Haitong International Securities Company Limited, Mizuho Securities Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd. (together, the "**Managers**") to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor and the Managers represents that this Offering Circular may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Securities or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the Cayman Islands, the PRC, Hong Kong, Singapore and Japan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see "Subscription and Sale".

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

*In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Securities and the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Securities) (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them) to subscribe for or purchase any of the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Securities. Neither the Issuer nor the Guarantor has authorised its use for any other purpose. This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Securities. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Securities offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them). None of the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees advisers, representatives or agents or any person who controls any of them) has independently verified any of the information contained in this Offering Circular and can give assurance that this information is accurate, truthful or complete.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them) that any recipient of this Offering Circular should purchase the Securities. Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Securities should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Under the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Issuer as data controller has obligations with respect to the processing of personal data by the Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the Issuer could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the Securities to continue or to enable the Securities to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Securities or to redeem the Securities.

The Issuer has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Issuer's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the "General Information" section of this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ANY OF THE MANAGERS (OTHER THAN DBS BANK LTD.) APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) (PROVIDED THAT DBS BANK LTD. SHALL NOT PARTICIPATE IN SUCH STABILISATION IN ANY EVENT) MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILISATION

ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them) in connection with its investigation of the accuracy of such information or its investment decision.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See ″Risk Factors″ herein for a discussion of certain factors to be considered in connection with an investment in the Securities. The risks and investment considerations identified in this Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Securities and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Market data and certain industry statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, advisers, representatives or agents or any person who controls any of them), and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors officers, employees, advisers, representatives or agents or any person who controls any of them) makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

FINANCIAL DATA

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the Guarantor's audited consolidated financial statements for the year ended 31 December 2019 (the "**2019 Audited Financial Statements**") and the Guarantor's audited consolidated financial statements for the year ended 31 December 2020 (the "**2020 Audited Financial Statements**", together with the 2019 Audited Financial Statements, the "**Audited Financial Statements**"), which are included elsewhere in this Offering Circular. The Audited Financial Statements were prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The 2019 Audited Financial Statements have been audited by PricewaterhouseCoopers, the previous independent auditor of the Guarantor and the 2020 Audited Financial Statements have been audited by Ernst & Young, the current independent auditor of the Guarantor. There is no material difference between HKFRS and International Financial Reporting Standards ("**IFRS**"). The Audited Financial Statements are prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other countries, which differences might be material to the financial information presented herein.

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Guarantor and its subsidiaries (including the Issuer) compiled on a consolidated basis.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Offering Circular to "**China**", "**Mainland China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC.

Unless otherwise indicated, all references in this Offering Circular to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, all references to "**Hong Kong dollars**" or "**HK$**" are to the lawful currency of Hong Kong, all references to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States of America.

Solely for the sake of convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts into U.S. dollar amounts at specified rates. Unless otherwise indicated, the translation of Hong Kong dollar amounts into U.S. dollar amounts has been made at the rate HK$7.7534 to U.S.$1.00, being the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States on 31 December 2021. Further information on exchange rates is set forth in "**Exchange Rate Information**".

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- the "**Issuer**" are to China State Construction Finance (Cayman) I Limited;
- the "**Guarantor**" are to China State Construction International Holdings Limited 中國建築國際集團有限公司;
- the "**Group**" are to the Guarantor and its subsidiaries (including the Issuer) taken as a whole;
- "**CSCEC**" are to China State Construction Engineering Corporation;
- "**CSCECL**" are to China State Construction Engineering Corporation Limited;
- "**COHL**" are to China Overseas Holdings Limited;
- "**HKAS**" are to Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**");
- "**IFRS**" are to International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**");
- "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China; and
- "**United Kingdom**" or the "**UK**" are to the United Kingdom of Great Britain and Northern Ireland; and
- "**United States**" or the "**U.S.**" are to the United States of America.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among others, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. The words "anticipate", "believe", "estimate", "expect", "intend", "plan", "may", "seek", "target" and similar expressions are intended to identify a number of these forward-looking statements. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed in the section headed "Risk Factors", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

In addition to the risks related to the business of the Group discussed in the section headed "Risk Factors", other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- changes to regulatory and operating conditions in, and the general regulatory environment of, the industry and markets in which the Group operates;
- the performance and future development of the construction and infrastructure markets in Hong Kong, Macau, Mainland China or elsewhere, in which the Group may engage in projects;
- changes in political, regulatory, economic, legal and social conditions in the PRC, Hong Kong and Macau, including the specific policies of the relevant governments and the local authorities in the regions in which the Group operates;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- availability and cost of bank loans and other forms of financing;
- the performance of the obligations and undertakings of the Group's subcontractors;
- changes in currency exchange rates; and
- other factors beyond the Group's control.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more details elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors, and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled "Risk Factors", before making an investment decision.

OVERVIEW

The Group is principally engaged in (i) major construction and engineering projects in Hong Kong and Macau, (ii) construction-related investments including affordable housing, roads and bridges, public facilities, other infrastructure projects and integrated urban development in over 70 cities in Mainland China, and (iii) the operation of infrastructure assets such as bridges, toll roads and other infrastructure facilities in Mainland China. The Group is also engaged in curtain wall, building works and operating management businesses through CSC Development. The Group has established a sound track record for its construction business in Hong Kong, Macau and Mainland China.

As a main contractor, the Group is involved in the day-to-day management and implementation of construction projects awarded to the Group. Normally, the Group delegates part of the construction works to subcontractors and coordinates with customers or consultants, subcontractors and suppliers when carrying out the construction. The Group maintains a vertically integrated business model by engaging in peripheral operations which complement its building construction and civil engineering operations, including through its subsidiaries in foundation works, site investigation, mechanical and electrical engineering works and pre-casting facilities, and through its associated companies in concrete production.

As an operator of infrastructure assets, the Group is involved in the management and operation of the assets. It is responsible for all related operating expenses, and it is entitled to the revenue derived from the operation of the assets.

The Guarantor has received strong support from its controlling shareholders, CSCEC and CSCECL, which has fostered its long-term sustainable development. The Guarantor is an indirect subsidiary of CSCEC. See "*China State Construction Engineering Corporation*" and "*The Group – Ownership Structure*" for details. CSCEC is a PRC state-owned construction group. CSCECL, a subsidiary of CSCEC, is the world's largest construction and real estate conglomerate, one of the largest state-owned enterprises and a "core enterprise" under the direct administration of the PRC government.

The Guarantor is CSCECL's sole construction and engineering projects platform in Hong Kong and Macau, sole platform for the operation of infrastructure assets and flagship platform for infrastructure investments in Mainland China. The Guarantor has received direct support from its controlling shareholders in the form of co-investment in certain joint ventures as well as through share subscriptions, asset injections and introductions to assist the Guarantor to achieve its growth strategy. The Guarantor also benefits from integrated financing strategic plans and from the sharing of internal resources for engineering design and services and has employment or secondment arrangements with CSCECL. The Group's management expects to continue to benefit from having strong and reputable controlling shareholders in the future.

The Guarantor was incorporated on 25 March 2004 in the Cayman Islands and has been listed on the Hong Kong Stock Exchange since 2005 (stock code: 03311.HK). For the years ended 31 December 2018, 2019 and 2020, the Guarantor's consolidated revenue amounted to approximately HK$55.6 billion, HK$61.7 billion and HK$62.5 billion, respectively. For the same periods, the Guarantor's consolidated net profit amounted to approximately HK$4.6 billion, HK$5.7 billion and HK$6.5 billion, respectively. The Guarantor's subsidiary, CSC Development, is also listed on the Hong Kong Stock Exchange (stock code: 00830.HK).

As at 31 December 2020, the Guarantor had a market capitalisation of approximately HK$22.3 billion, which made it one of the largest Hong Kong/Macau/Mainland China focused building construction and infrastructure investment companies listed on the Hong Kong Stock Exchange in terms of market capitalisation as at such date. The Group's shares are a constituent stock of the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark Index, Hang Seng ESG 50 Index, the MSCI China Index, the FTSE China Index and the FTSE4GOOD Emerging Markets Index.

COMPETITIVE STRENGTHS

The Group's competitive strengths include the following:

- the Group is a leading construction and infrastructure investment platform backed by reputable state-owned shareholders;
- the Group benefits from its foreign company status and state-owned background and enjoys unparalleled advantages in both overseas and domestic markets;
- the Group is well positioned to seize the opportunities in Greater Bay Area by consolidating its leading position in the construction and infrastructure markets in Hong Kong and Macau and robust operations in Mainland China;
- the Group has developed advanced construction technologies with a view to enhancing operational efficiency and achieving sustainability;
- the Group benefits from an experienced management team and seasoned professionals; and
- the Group has prudent capital management and diversified financing channels.

BUSINESS STRATEGIES

The Group's key business strategies are as follows:

- the Group plans to continue to achieve quality growth in scale;
- the Group intends to seize unprecedented opportunities under the Greater Bay Area initiative;
- the Group will continue to drive business momentum underpinned by technological innovation; and
- the Group plans to leverage on the Belt and Road Initiative to explore overseas markets.

THE ISSUE

The following contains some summary information about the Securities and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Securities" and "Summary of Provisions Relating to the Securities in Global Form" shall have the same meanings in this summary. For a comprehensive description of the terms and conditions of the Securities, see the section entitled "Terms and Conditions of the Securities" in this Offering Circular.

Issuer	China State Construction Finance (Cayman) I Limited
Guarantor	China State Construction International Holdings Limited 中國建築國際集團有限公司
Guarantee	Pursuant to the Guarantee contained in the Trust Deed, the Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed and the Securities.
Issue	U.S.$500,000,000 3.40 per cent. subordinated guaranteed perpetual capital securities.
Issue Price	100.00 per cent.
Status of the Securities	The Securities will constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Securities are subordinated as provided in the Terms and Conditions of the Securities. Subject to applicable law, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer and shall rank *pari passu* with the claims of holders of Parity Securities of the Issuer and shall be subordinated in right of payment to the claims of the general creditors of the Issuer. "Junior Securities" means (a) in respect of the Issuer, (i) any class of the Issuer's shares (including without limitation any preference shares) and (ii) any security or instrument issued, entered into or guaranteed by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, junior to the obligations of the Issuer under the Securities; and (b) in respect of the Guarantor, (i) any class of the Guarantor's shares (including without limitation any preference shares) and (ii) any security or instrument issued, entered into or guaranteed by the Guarantor which ranks, or is expressed to rank, by its terms or by operation of law, junior to the obligations of the Guarantor under the Guarantee.

	"Parity Securities" means (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (b) in respect of the Guarantor, any instrument or security issued, entered into or Guaranteed by the Guarantor, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee.
Status of the Guarantee	The Guarantee will constitute a direct, unsecured and subordinated obligation of the Guarantor which ranks *pari passu* with any Parity Securities of the Guarantor. The rights and claims of the Securityholders in respect of the Guarantee will be subordinated as provided in the Terms and Conditions of the Securities. Subject to applicable law, in the event of the Winding-Up of the Guarantor, the rights and claims of the Securityholders in respect of the Guarantee shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Guarantor and shall rank *pari passu* with the claims of holders of Parity Securities of the Guarantor and shall be subordinated in right of payment to the claims of the general creditors of the Guarantor.
Form and Denomination	The Securities will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	8 June 2021.
Maturity Date	There is no maturity date.
Negative Pledge	So long as any Security remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of their respective Subsidiaries (except any Listed Subsidiaries) will, create or permit to subsist or have outstanding any mortgage, charge, lien, pledge or other security interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto giving the Securities the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Securityholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

Distribution	Subject to deferral of Distribution as provided in Condition 5(d) of the Terms and Conditions of the Securities, the Securities confer a right to receive Distribution from the Issue Date at the applicable Distribution Rate in accordance with Condition 5 of the Terms and Conditions of the Securities. Subject to Condition 5(d) of the Terms and Conditions of the Securities, Distribution shall be payable on the Securities semi-annually in arrear in equal instalments on 8 June and 8 December of each year (each, a "**Distribution Payment Date**").
Distribution Rate	Subject to any increase pursuant to Condition 5(e), the rate of distribution (the "**Distribution Rate**") applicable to the Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, 8 June 2026 (the "**First Call Date**"), 3.40 per cent. per annum known as the "Initial Distribution Rate"; and (ii) in respect of the period (A) from, and including, the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate. "**Relevant Reset Distribution Rate**" means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the initial spread of 2.581 per cent., (b) the Treasury Rate and (c) a margin of 3.00 per cent. per annum. "**Reset Date**" means the First Call Date and each day falling every five calendar years after the First Call Date.

Pursuant to Condition 5(e) of the Terms and Conditions of the Securities, upon the occurrence of (A) a Change of Control Event, (B) a Breach of Covenants Event or (C) a Relevant Indebtedness Default Event, unless (I) an irrevocable notice to redeem the Securities has been given to Securityholders by the Issuer pursuant to Condition 6 of the Terms and Conditions of the Securities by the 30th day following the occurrence of a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as the case may be) or (II) in the case of a Breach of Covenants Event or a Relevant Indebtedness Default Event, the Covenant Breach or the Relevant Indebtedness Default Event (as the case may be) is remedied by the 30th day following the occurrence of such Breach of Covenants Event or such Relevant Indebtedness Default Event (as the case may be), the Distribution Rate will increase by 3.00 per cent. per annum with effect from (x) the next Distribution Payment Date or (y) if the date on which a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date provided that the maximum aggregate increase in the Distribution Rate shall be 3.00 per cent. per annum, as further described in Condition 5(e) of the Terms and Conditions of the Securities.

Maximum Distribution Rate

"**Maximum Distribution Rate**" means:

(i) in respect of the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate plus 3.00 per cent. per annum; and

(ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 3.00 per cent. per annum.

Optional Deferral

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders (in accordance with Condition 14 of the Terms and Conditions of the Securities) and to the Trustee and the Principal Paying Agent in writing not more than ten Payment Business Days nor less than five Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred. Any partial payment of any Distribution by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

Compulsory Distribution Payment Event	The Issuer may not elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date if during the six-month period ending on the day before a scheduled Distribution Payment Date either or both of the following have occurred: (a) a discretionary dividend, distribution or other discretionary payment has been declared or paid by the Issuer or the Guarantor on or in respect of any of its Parity Securities or Junior Securities (except (i) in relation to the Parity Securities of the Issuer or the Guarantor, on a *pro-rata* basis or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor); or (b) the Issuer or the Guarantor has at its discretion repurchased, redeemed or otherwise acquired any of its Parity Securities or Junior Securities (except (i) in relation to the Parity Securities of the Issuer or the Guarantor on a *pro-rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities). For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 5(d)(i) of the Terms and Conditions of the Securities will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities. In addition, the incurrence of any Parity Securities (including any senior indebtedness) or Junior Securities itself will not constitute a Compulsory Distribution Payment Event. A non-discretionary payment on, or redemption of, Parity Securities or Junior Securities (such as a scheduled payment of principal and interest on such Parity Securities or Junior Securities, which the issuer thereof has no right to defer) does not constitute a Compulsory Distribution Payment Event.
No Obligation to Pay	The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with the Terms and Conditions of the Securities. Notwithstanding any other provision in the Terms and Conditions of the Securities or in the Trust Deed, the deferral of any Distribution in accordance with Condition 5(d) of the Terms and Conditions of the Securities shall not constitute a default for any purpose on the part of the Issuer under the Securities or the Guarantor under the Guarantee.

Cumulative Deferral	Any Distribution deferred pursuant to Condition 5(d) of the Terms and Conditions of the Securities shall constitute "Arrears of Distribution". Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate (the "**Additional Distribution Amount**"). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution. The Issuer may, at its sole discretion, elect to defer further any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred.
Restrictions in the case of Deferral	If, on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities (including any Arrears of Distribution and any Additional Distribution Amount)) is not made in full, each of the Issuer and the Guarantor shall not: (a) declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Guarantor (except (I) in relation to the Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis, or (II) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor); or (b) at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Guarantor (except (I) in relation to the Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis, or (II) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor or (III) as a result of the exchange or conversion of its Parity Securities for its Junior Securities), in each case, unless and until (x) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution and the Additional Distribution Amount; or (y) the Issuer or the Guarantor is permitted to do so by an Extraordinary Resolution of the Securityholders.

Satisfaction of Arrears of Distribution by payment	The Issuer in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of: (a) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6 of the Terms and Conditions of the Securities; (b) the next Distribution Payment Date following the occurrence of a breach of Condition 5(d)(v) of the Terms and Conditions of the Securities or the occurrence of a Compulsory Distribution Payment Event; (c) a Winding-Up of the Issuer or the Guarantor; and (d) the date of any substitution or variation in accordance with Condition 12(c) of the Terms and Conditions of the Securities. Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.
Taxation	All payments of principal, premium (if applicable) and Distributions (including any Arrears of Distribution or any Additional Distribution Amount) by or on behalf of the Issuer or the Guarantor in respect of the Securities or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, as further described in the Terms and Conditions of the Securities. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in Condition 8 of the Terms and Conditions of the Securities, pay such additional amounts as will result in receipt by the Securityholders of such amounts as would have been receivable by them had no such withholding or deduction been required.
Redemption at the Option of the Issuer	The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date.

Redemption for Taxation Reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Gross-Up Event.

Redemption for Accounting Reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at:

(a) 101 per cent. of their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

(b) their principal amount, together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

upon the occurrence of an Equity Disqualification Event.

Redemption for a Change of Control Event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at 101 per cent. of their principal amount (together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Change of Control Event.

Redemption on the occurrence of a Breach of Covenants Event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Breach of Covenants Event.

Redemption on the occurrence of a Relevant Indebtedness Default Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Relevant Indebtedness Default Event.
Redemption for minimum outstanding amount	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 13 of the Terms and Conditions of the Securities) has already been cancelled.
Proceedings for Winding-Up	If (i) there is a Winding-Up of the Issuer or the Guarantor, or (ii) the Issuer or the Guarantor fails to make payment in respect of the Securities, the Guarantee, or under the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee and the Securities and the Trustee may, subject to the provisions of Condition 9(d) of the Terms and Conditions of the Securities, institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.
Limited Rights to institute proceedings	No Securityholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or to prove in such Winding-Up or to claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer or the Guarantor as those which the Trustee is entitled to exercise as set out in Condition 9 of the Terms and Conditions of the Securities.

Clearing Systems	The Securities will be represented by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstance described in the Global Certificate, owners of interests in Securities represented by the Global Certificate will not be entitled to receive Definitive Certificates in respect of their individual holdings of such Securities. The Securities are not issuable in bearer form.
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2344740811, Common Code: 234474081.
Governing Law and governing jurisdiction of the Securities	English law except that the subordination provisions applicable to the Issuer and the Guarantor under Condition 2(a) to 2(d) (both inclusive) of the Terms and Conditions of the Securities shall be governed by, and construed in accordance with, the laws of the Cayman Islands. Exclusive jurisdiction of the Hong Kong courts.
Trustee	DB Trustees (Hong Kong) Limited
Principal Paying Agent, Transfer Agent and Registrar	Deutsche Bank AG, Hong Kong Branch
Listing	Application has been made to the SEHK for the listing of the Securities by way of debt issues to Professional Investors only.
Further Issues	The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date, the first Distribution on them and the timing for the Post-Issuance Filing with the NDRC) and so that such further issue shall be consolidated and form a single series with the outstanding Securities, as further described in Condition 13 of the Terms and Conditions of the Securities.
Use of Proceeds	See the section entitled “Use of Proceeds”.
Legal Entity Identifier of the Issuer	213800WAVVOPS85N2205

RISK FACTORS

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Securities. The risks and uncertainties described below may not be the only ones that the Issuer, the Guarantor or the Group faces. Additional risks and uncertainties that the Issuer, the Guarantor and the Group are not aware of or that they currently believe are immaterial may also adversely affect their respective business, financial condition, results of operations or prospects. If any of the possible events described below occurs, the Issuer's, the Guarantor's or the Group's business, financial condition, results of operations or prospects could be materially and adversely affected. In such case, the Issuer or the Guarantor or the Group may not be able to satisfy their respective obligations under the Securities or the Guarantee (as applicable), and investors could lose all or part of their investment. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in the position to express a view on the likelihood of any such contingency occurring.

The Issuer or the Guarantor does not represent that the statements below regarding the risk factors of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE BUSINESS OF THE GROUP

The Group contracts with government customers and derives substantial revenue from contracts with governmental agencies and entities.

Many of the Group's customers are agencies or entities owned or otherwise controlled by the governments. The Hong Kong government was one of the largest customers of the Group for the years ended 31 December 2018, 2019 and 2020, accounting for approximately 7.6 per cent., 3.7 per cent. and 8.9 per cent. of the Group's total revenue during the same periods, respectively. To the extent that the Group's projects are funded by any government, the projects may be subject to delays or changes as a result of the changes in budgets or for other policy considerations.

Any government's spending on infrastructure and other construction projects has historically been, and will continue to be, vulnerable to policy changes. In particular, the PRC government exerts considerable direct and indirect influence by imposing industry policies and other economic measures, such as control over the supply of land for property development. Through these policies and measures, the PRC government may restrict or reduce opportunities for construction, affordable housing and infrastructure projects. Many of the policies carried out by the PRC government are unprecedented and are expected to be refined over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. In addition, the PRC government may adopt additional and more stringent industry policies, regulations and measures in the future. In some circumstances, agencies or entities owned or otherwise controlled by governments may also require the Group to change its construction methods, equipment or other performance terms or direct the Group to reconfigure its designs or purchase specific equipment for the relevant project in connection with its engineering and construction projects or undertake additional obligations or change other contractual terms, thereby subjecting the Group to additional costs. Resolution of any disagreement with them with respect to such changes may be time-consuming and may cause the Group to incur additional costs. Changes in governmental budgets and policies and other factors relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or withholding of, or delay in, payment to the Group. If a government entity or other public organisation terminates a contract with the Group, the Group's order book could be reduced, the Group's business plans may be adversely affected, and its business, financial condition, results of operations and prospects may be materially and adversely affected as a result.

The Group therefore has significant exposure to risks associated with contracting with public organisations. In addition, any disputes with governmental entities or other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments due to the Group from these governmental entities or other public organisations may be delayed as a result. Such entities or organisations may also attempt to assert sovereign immunity as a defence to any claims that the Group may make against them. The Group's participation in government projects may, more likely than in the case of projects for private sector customers, draw public attention. Such publicity may or may not be adverse, and there is no assurance that any such publicity, whether adverse to the Group or not, will not be overstated.

In addition, the Group has exposure to risks associated with undertaking public-private-partnership ("**PPP**") projects include potential disagreements or disputes with partners in PPP projects, fluctuating economic conditions and the Group's inaccurate estimate of project profitability. Any inability to assess the risks particular to PPP projects, or execute or handle PPP projects to generate sufficient, or any, returns on the Group's investment may materially and adversely affect its business, financial condition, results of operations and prospects. The profitability of PPP projects may ultimately depend on government policies relating to public-private participation and the sharing of risks and returns from these projects with partners in PPP projects. Some changes in government policies may, to a certain extent, limit the Group's ability to profit from its PPP projects, which may materially and adversely affect its business and results of operations.

Labour shortage, increases in construction material costs and labour costs may have an adverse impact on the Group's financial condition.

Construction projects are labour intensive. For any given project, a large number of workers from different trades with different skills may be required. The labour market for the construction industry in the markets where the Group operates, especially Hong Kong and Macau, has been tight, and labour costs have increased significantly. In addition, there is no assurance that the supply of skilled labour will be stable. In the event that the Group or its subcontractors fail to retain the existing skilled labour or recruit sufficient skilled labour in a timely manner to cope with the demand of the Group's existing or future projects, the Group may not be able to complete its projects on schedule. In addition, the price of the construction materials, particularly steel, has been volatile in recent years. The Group's profitability and profit margin is sensitive to changes in prices of the construction materials. There is no assurance that the cost of construction materials will be stable, and that the quality of construction materials supplied to the Group will meet its required standards. The Group may be forced to replace these construction materials from other suppliers at additional costs or time delay. If the Group is unable to factor in these potential fluctuations into its tenders or quotations and pass on a part or the whole of any additional costs to its customers, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group's business is subject to extensive laws and regulations in the markets in which the Group operates.

The Group's business is subject to extensive government regulations in all of the jurisdictions in which the Group operates. The Group must comply with various requirements mandated by laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations or guidance (including but not limited to, state-owned assets administration, foreign investment industrial guidance catalog and project construction, financing and operation administration) on the contract terms or requirements of infrastructure investments. If the Group fails to adapt its operations to new laws and regulations, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Under the relevant PRC laws, rules and regulations, the Group is required to obtain and maintain various certificates, licences, permits and government approvals for its business activities and use of properties. The Group is required to meet certain conditions before the relevant government authorities issue or renew any such certificate, licence or permit. Failure to obtain and maintain the requisite certificate, licence or permit in a timely manner, or at all, may adversely affect the Group's business. There is no assurance that the Group could obtain and maintain all of the requisite certificates, licences and permits in a timely manner, or at all, which may in turn have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's qualifications or licences are important to the Group as they dictate the range and size of public works in which the Group is eligible to participate as the main contractor. Contractors qualified or licensed with the regulators are subject to a regulatory regime that is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out governmental works. In particular, a qualified/licenced contractor could be prohibited from tendering for public works of a relevant category during a suspension period if a fatal construction accident occurs at a construction site for which the contractor is responsible or if the performance of the contractor is not satisfactory.

The Group faces a number of development, construction and regulatory risks associated with its projects. The Group's projects may not be completed according to planned schedules and may not generate the levels of expected turnover or contemplated investment returns.

There are a number of construction, financing, operating and other risks associated with construction, affordable housing and infrastructure projects. Some types of projects undertaken by the Group require substantial capital expenditure during the construction phase and usually take several months, sometimes years, before they generate a return on the Group's investment. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, housing demolition, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these circumstances could give rise to delays in the completion of construction or to cost overruns.

In relation to the Group's projects, certain government approvals, permits, licences or consents will need to be obtained or renewed. A delay or failure in obtaining, maintaining or renewing the requisite licences, permits or approvals from government agencies or authorities may increase the cost or delay or prevent the commencement of a project, which could adversely affect the business, financial condition, results of operations and prospects of the Group.

Construction delays may result in a loss of turnover. The failure to complete construction according to specifications may result in liabilities, reduced efficiency and lower financial returns. There can be no assurance that the Group's projects will continue to be completed substantially on schedule or that future projects will be completed on time, or at all, and generate satisfactory returns.

The Group may not be able to complete its projects as it originally budgeted when it submitted its tender to undertake the project. Even if the Group's construction contracts are fixed-price contracts with price-adjustment terms, the price adjustment terms may not be sufficient to cover cost overruns from inflation or raw material price hikes, and the Group may not be able to achieve matching fixed-price contracts with its subcontractors.

The Group recorded a net operating cash outflow for the years ended 31 December 2018, 2019 and 2020, and the Group is exposed to the risk of payment delays by the Group's customers.

The Group undertakes a large number of projects at any given period, and the cash outflow of a particular project can offset the cash inflows from other projects. If the Group takes up too many significant projects, which require substantial initial set up costs without cash inflows from other projects at a particular point of time, its cash flow position may be adversely affected. For the years ended 31 December 2018, 2019 and 2020, the Group recorded a net cash outflow used in operating activities of approximately HK$1.9 billion, HK$2.7 billion and HK$4.5 billion, respectively. The net operating cash outflow was mainly because the Group undertook some PPP projects, and the buy-back period of PPP projects was comparatively longer than that of traditional build-transfer model. Furthermore, the Group has been optimising the structure of orders on hand to accelerate the turnover by increasing the proportion of investment in government targeted repurchase of resettlement housing, which incurs large investment at preliminary stage but has a shorter payback period than PPP projects.

The Group is also subject to the credit risks of the Group's customers, and the Group's profitability is dependent on its customers making prompt payments on billings for work done by the Group. The Group's construction and engineering contracts provide for payments by instalment according to the progress of each project. The Group normally makes advance payments to procure equipment and collect such amounts from customers subsequently. The Group also typically provides a one-year warranty period for most of its projects, during which usually an amount of up to five per cent. or, in some circumstances, up to ten per cent. of the contract price would be retained by the relevant customers as retention monies for any required defect rectification during the period. The retention monies are paid to the Group upon the expiration of the warranty period, subject to its rectification of any defects.

Defaults and delays by the Group's customers may be difficult to detect, anticipate or prevent. In particular, if any of the Group's customers were to go into liquidation or bankruptcy, the Group may not be able to receive full or any payment of uncollected sums due to the Group or enforce any judgment debts against such customers. Non-payment or delay in payments by the Group's customers may materially and adversely affect the Group's level of profitability, business, financial condition, results of operations and prospects.

The Group engages subcontractors in construction projects, and subcontractors may not be able to deliver their work as the Group expects.

The Group, consistent with customary practice in the construction industry, relies to a significant extent on subcontractors to assist in completing construction projects, since this minimises the need to employ a large workforce including skilled labour in different specialised areas or semi-skilled labour and increases flexibility and cost effectiveness in carrying out contracts. In addition, in certain projects, the Group engages CSCECL for subcontracting services. There is no assurance that services rendered by the Group's subcontractors will be satisfactory.

A subcontractor may also fail to meet the Group's quality standards or breach the Group's subcontracting agreement, and the Group may be unable to hire an alternative subcontractor in a timely manner or on favourable terms, or at all. In addition, the Group may also be required to bear the liability arising from any defect of its subcontractor's work and thus may be subject to claims arising from any such defective work. The Group may attempt to seek indemnity from the relevant subcontractor in the event such a liability claim is brought against the Group in respect of the subcontractor's work, but the Group may be required to compensate its customer before it is able to recover such amount from the subcontractor. In the event that the Group is unable to seek indemnity from its subcontractor or that the Group is not compensated for a protracted period of time, it may be required to bear significant financial burden. All of these factors could adversely affect the Group's business, financial condition, results of operations, prospects and reputation.

The Group may be exposed to claims due to delayed completion, quality, safety and environmental issues.

The Group is principally responsible for the implementation of construction projects, and the Group may receive claims in respect of various matters from customers, subcontractors, workers and other parties concerned with the construction from time to time. Insofar as claims for delayed completion of construction works and delivery of substandard works are concerned, the Group is not involved in any litigation, arbitration or claim of material importance, and no litigation or claim of material importance against any member of the Group is known to the Group to be pending or threatened as at the date of this Offering Circular.

Although the Group retains moneys from its subcontractors to cover construction claims, the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitration authorities, and the result of any of the outstanding claims may be unfavourable to the Group. Should such claims fall outside the moneys retained from subcontractors, the Group's business, financial position, results of operations and prospects may be adversely affected.

The Group's business is subject to safety regulations and guidelines. There is no assurance that fatal construction accidents will not occur on construction sites for which the Group is responsible as the main contractor, or that the Group will not be subject to regulatory actions in the future which may have an adverse impact on the Group's overall operations or on the Group's eligibility to tender for government works.

As required by applicable laws and regulations, each project developed by the Group is required to undergo environmental assessments, and the Group is required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencement of its construction. It is possible that there are potential material environmental liabilities of which the Group is unaware. Efforts taken to comply with environmental laws and regulations may result in delays in development, cause the Group to incur substantial compliance costs and prohibit or severely restrict project development activities in environmentally-sensitive regions or areas.

The Group purchases and maintains insurance policies in accordance with the needs of its business as required under the relevant laws and regulations and in line with business practice in Hong Kong, Macau and Mainland China. The Group maintains insurance coverage on substantially all of its projects under construction, third-party liabilities and employer's liabilities. However, certain types of losses due to events such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered as they are either uninsurable or not economically insurable. In addition, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn materially and adversely affect its business, financial position, results of operations and prospects.

Infrastructure projects and investments are capital-intensive with long payback periods.

The Group's infrastructure projects and investments typically require significant initial cash outlays and have long payback periods. Infrastructure projects may require the Group to make a substantial financial investment during the construction phase of the project, which typically lasts approximately 18 to 36 months. The Group may receive no payment from its customers before or during the construction phase when the Group makes substantial capital investments. After the construction is completed, the Group may receive regular, tariff payments from its customers during the concession term from the commercial operations of the relevant facilities, or the Group may receive payments from its customers during the payback period. Due to the capital-intensive and long-term nature of infrastructure projects and other projects requiring capital investment, there is no assurance that the Group will be able to secure adequate funding or refinancing for these projects on terms that are acceptable to the Group, or at all, or that these projects will be profitable and achieve their initial expected returns. Furthermore, the Group may have difficulties in obtaining the funding for those infrastructure projects and investments, the costs of such funding may also not be economical compared to the rate of return of the projects during the concession period and may result in the Group incurring losses with respect to such projects. If the Group fails to obtain project financing or refinancing for its infrastructure projects and investments in the amount budgeted, or at all, the Group may need to finance these projects from its internal resources, which may strain its resources for developing or acquiring other projects and other corporate purposes and therefore having a material adverse impact on the Group's business, financial condition, results of operations and prospects.

Reduction of traffic volume or in the rate of growth in traffic volume on toll roads and bridges operated by the Group could adversely affect the Group.

Revenue from the toll roads and bridges operated by the Group are principally dependent upon the number and classes of vehicles using such toll roads and bridges and the applicable regime. The number and classes of vehicles using toll roads and bridges are to a large extent dependent on factors outside the Group's control, including toll rates, fuel prices, vehicle prices, the cost of owning and operating vehicles, the mix between different vehicle classes using the toll roads, bridges or tunnels, population growth, vehicle ownership growth and growth in the number of people of driving age; the occurrence of natural disasters, such as flooding, earthquakes and forest fires; meteorological conditions that can make driving difficult or dangerous, such as heavy snowfall, fog or rain, environmental legislation or regulation, including measures to restrict motor vehicle use, the quality and proximity of its toll roads compared to alternative roads and other competing modes of transportation, including air travel, waterways and railways, capacity constraints on the number of vehicles that can efficiently use the toll roads and bridges in any given period, general development of the provinces, cities and townships served by the Group's toll roads; and general economic conditions.

The volume of traffic on a given toll road or bridge is also influenced by the basis and extent of the road's connection with other parts of the local and national highway and expressway network. There can be no assurance that future changes in the highway and expressway system and network in the areas in which the Group's projects are located will not adversely affect the traffic volume on the Group's toll roads and bridges. The profitability of the Group's toll roads and bridges may be affected by the existence, proximity, affordability and efficiency of other competing means of transport and alternative routes of similar quality. The Group prefers to invest in projects where there are no existing alternative routes, but there can be no assurance that alternative routes that avoid tolls or impose lower or no tolls will not be developed, or that alternative means of transport competing with the Group's toll roads and bridges will not be constructed or developed in the future.

The Group's financing costs are subject to changes in interest rates and the Group may be subject to risks presented by fluctuations in exchange rates between Hong Kong dollars and other currencies.

Changes in interest rates have affected and will continue to affect the Group's financing costs and, ultimately, its results of operations. As at 31 December 2020, the Group had total consolidated borrowings of approximately HK$54.4 billion, and the costs of certain Renminbi and Hong Kong dollar denominated borrowings were subject to changes in interest rates. As at 31 December 2020, Renminbi and Hong Kong dollar denominated borrowings accounted for approximately 77.5 per cent. and 10.5 per cent. of the Group's total consolidated borrowings, respectively. As at 31 December 2020, the average interest rate on the Group's outstanding Renminbi borrowings was substantially higher than the average interest rate on its outstanding Hong Kong dollar borrowings. There can be no assurance that interest rates will not rise in Mainland China or in Hong Kong due to the recent escalating tension between the United States and the PRC over trade policies or any other reasons beyond the Group's control. To the extent that interest rates increase in respect of any of the Group's borrowings (in particular, its bank borrowings with floating rates) and the Group was not able to pass on such costs to its customers, the Group's business, financial condition and results of operations could be materially and adversely affected. Any further increase in these interest rates will increase the Group's financing costs and may materially and adversely affect its business, financial condition, results of operations and prospects.

In addition, the Group's financial statements are expressed in Hong Kong dollars. However, the Group's revenue derived from projects outside Hong Kong is typically payable in currencies other than Hong Kong dollars, and certain of its expenses, including payments under the Securities, are payable in currencies other than Hong Kong dollars. The Group is therefore subject to risks associated with foreign currency fluctuations and changes in the value of foreign currencies. For example, the fluctuations in exchange rate of Renminbi against the Hong Kong dollars could affect the Group's results of operations as shown in its financial statements.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between Renminbi and other currencies. As at the date of this Offering Circular, the Group does not have any hedging arrangements in place to reduce its exposure to such risks. Any future fluctuations in exchange rates between Hong Kong dollars and other currencies could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

The Guarantor's controlling shareholders are able to control the Group's corporate policies and direct the outcome of corporate actions.

Approximately 64.81 per cent. of the Guarantor's outstanding shares were beneficially owned by COHL as at the date of this Offering Circular. COHL in turn is wholly owned by CSCECL, a company listed on the Shanghai Stock Exchange since 2009, of which approximately 56.31 per cent. was owned by its parent company, CSCEC, as at the date of this Offering Circular. CSCEC is a state-owned construction group that is one of the 97 core state-owned enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission ("**SASAC**") of the PRC government. The Guarantor, therefore, is ultimately controlled by CSCEC. See "China State Construction Engineering Corporation" elsewhere in this Offering Circular. Subject to compliance with applicable laws, by maintaining such ownership, COHL, CSCECL and CSCEC are able to control the Group's corporate policies, appoint and/or replace the Group's directors and officers and vote on corporate actions requiring shareholders' approval. The strategic goals and interests of COHL, CSCECL and CSCEC may not always be aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. Likewise, the Group benefits from financial and other support provided by its controlling shareholders, and no assurance can be given that such support will continue to be available in the future. The interests of the Guarantor's controlling shareholders may differ from those of the Securityholders.

The Group's success depends on the continuing efforts of its senior management team and other key personnel, and its business may be harmed if the Group loses their services.

The Group's future success depends heavily on the continuing services of its senior management team. If one or more of the Group's senior executives or other key personnel are unable or unwilling to continue in their current positions and if the Group is unable to replace them easily, or at all, its business may be disrupted, and its financial condition, results of operations and prospects may be materially and adversely affected. Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and the Group may not be able to retain the services of senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. Furthermore, the Group may lose the services of senior executives or other key personnel if the Guarantor's controlling shareholders (one of which, CSCEC, is a core state-owned enterprise) choose to shuffle the management teams of such shareholders' subsidiaries or otherwise choose to change the composition of the Guarantor's management and key personnel team. In addition, if any member of the senior management team or any other key personnel joins a competitor or forms a competing company, the Group may lose customers and key professionals and staff members.

Certain of the Group's businesses are conducted through joint ventures.

The Group has substantial investments in joint venture companies formed to undertake various projects and to make investments in infrastructure assets. Although the Group has historically maintained a certain level of control over the projects through ownership of a controlling interest or management in order to impose established financial control, management and supervisory techniques, joint ventures involve risks or problems associated with the joint venture partners, including, among others, reputational issues, inconsistent business interests or one or more of the partners experiencing financial difficulties and exposing the Group to credit risk. Any of the above may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group may not be able to operate successfully in markets outside Hong Kong, Macau and Mainland China.

The Group is exploring business opportunities in selected markets outside Hong Kong, Macau and Mainland China. These markets are new to the Group. As such, the Group faces risks in conducting its business outside Hong Kong, Macau and Mainland China. The risks include differences in general business environment, legal and regulatory requirements, licencing regime, tendering regime, payment practices, potentially adverse tax consequences, competition within the local market, fluctuations in currency exchange rates, differences in legal burdens in complying with local laws and regulations and changes in political and economic conditions. There is no assurance that the Group will be able to operate successfully in such selected overseas markets, and the deployment of human and financial resources in pursuit of such plans in such markets may have a material and adverse impact on the business, financial condition, results of operations and prospects of the Group.

The Group faces intense competition.

The Group competes for major construction and engineering projects in Hong Kong and Macau, and for affordable housing and infrastructure projects in Mainland China. The Group faces intense competition from leading developers in Hong Kong and, to a lesser extent, foreign developers from other countries or regions in Asia. Some of the Group's competitors may have stronger brand names, greater access to capital, longer operating histories and greater marketing resources than the Group does. Due to the evolving markets in which the Group competes, additional competitors with significant market presence and financial resources may enter those markets provided that they have the appropriate skills and are granted the requisite licences, which may thereby intensify the competition. These competitors may be able to reduce the Group's market share by adopting more aggressive pricing policies than the Group or by developing services that gain wider market acceptance. Existing and potential competitors may also develop relationships with the Group's customers in a manner that could significantly harm its ability to secure contracts. If the Group fails to effectively compete, it may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business may be impacted by global economic conditions and the economic and social conditions in the market where it operates.

Economic events in major developed economies outside Hong Kong, Macau and Mainland China may adversely affect the Group's business. For example, in 2018 and 2019, the U.S. government, under the administration of the then President Donald J. Trump, imposed several rounds of tariffs on cumulatively U.S.$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively U.S.$185 billion worth of U.S. products. On 15 January 2020, the U.S. and PRC governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. The U.S.-China trade war has made the capital markets volatile. The U.S. government's approach, under the new administration of President Joseph R. Biden, towards China remains to be seen. Any change in the U.S. global trade policy against China, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on China's economy. In addition, on 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union. On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which is provisionally applicable since 1 January 2021 and awaits ratification by the European Parliament and the Council of the European Union and legal revision before it formally comes into effect. There is substantial uncertainty relating to the implementation of the United Kingdom's exit or its impact on the economic conditions of other part of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Continued concerns about the systemic impact of potential long-term and widespread recession, energy costs, geopolitical issues, the availability and cost of credit, the global housing and mortgage markets and the escalating tension between the United States and the PRC over trade policies have contributed to increased market volatility and diminished expectations for economic growth around the world. The outlook for the world economy and financial markets remains uncertain. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2017 slightly increased to 6.9 per cent. on a year-on-year basis from 6.7 per cent. on a year-on-year basis in 2016, it further decreased to 6.6 per cent. in 2018 on a year-on-year basis. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth.

In addition, any negative development in the economic and social conditions in the market where the Group operates could have a material adverse effect on the Group's business and development. The economy in Hong Kong, for example, was negatively affected by the social unrest in 2019, bringing a slowdown in the growth of its gross domestic product. The economic outlook was negatively affected business and consumer confidence and contributed to significant levels of volatility. Any recurrence of a global financial crisis, which could potentially be sparked by the market volatility attributed to concerns over several European countries and U.S.-China trade war, or social unrest in Hong Kong, may cause a further slowdown in the global economy. Continued turbulence in the international markets, prolonged declines in consumer spending or any social unrest, as well as any slowdown of economic growth in Mainland China, may have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

The name of the parent company of the Group's controlling shareholder, CSCEC, closely matches with the name of an entity on a list of Chinese companies produced by the U.S. Department of Defense that were identified as "Communist Chinese Military Companies" that is subject to restrictions imposed by a U.S. Presidential Executive Order that prohibits U.S. persons from engaging in any transactions in publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities of such Communist Chinese Military Companies.

Since 2018, the uncertainty to global markets (including the U.S.-China trade war and the outbreak of COVID-19 pandemic) has impacted businesses and financial market sentiment, influenced financial market volatility, and slowed investment and trade. Amidst the continued intensification of tensions between the United States and China, the U.S. government, citing that for U.S. national security concerns reasons, increase scrutiny of foreign businesses (in particular targeting business pertaining to Chinese parties), such as CSCEC, the parent company of the Guarantor's controlling shareholder which holds approximately 64.81 per cent. of equity interest in the Guarantor.

In August 2020, the U.S. Department of Defense produced a list of 20 Chinese companies (the "**Pentagon List**"), including China State Construction Group Co., Ltd., which were identified as "Communist Chinese Military Companies" pursuant to Section 1237 of the National Defense Authorisation Act for Fiscal Year 1999 ("**Section 1237**"). CSCEC, whose name closely matches with China State Construction Group Co., Ltd., is the parent company of controlling shareholder of the Group and the Group conducts business with CSCEC and other subsidiaries of CSCEC from time to time. The U.S. Department of Defense has added further Chinese companies onto the Pentagon List during 2020 and 2021.

On 12 November 2020, the then President Trump issued an Executive Order titled "Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies" (the "**Executive Order**"). The Executive Order prohibits, beginning on 11 January 2021, "U.S. persons" (defined under the Executive Order, as any United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States ("**U.S. persons**")) from engaging in any transactions in "publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities" (each a "**Restricted Security**") of the companies on the Pentagon List, or those that the U.S. Secretary of Defense or U.S. Secretary of the Treasury identifies as such a company in the future. The U.S. Secretary of the Treasury is authorised to "publicly list" a subsidiary of an "already determined" Communist Chinese Military Company. The Executive Order includes a 10-month wind down period where purchases for value or sales made within the prescribed period by U.S. persons solely to divest, in whole or in part, from such Restricted Security are permitted. Subsidiaries of the Communist Chinese Military Companies are not automatically covered by the restrictions set out in the Executive Order, unless they have a name that exactly or closely matches the name of an entity identified in the Annex to the Executive Order (effective 11 January 2021) or subsequently identified pursuant to the Executive Order (effective 60 days subsequent to a public notice).

The Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") has published a series of FAQs (the "**FAQs**") related to the Executive Order. According to the FAQs, the prohibitions in the Executive Order apply to Restricted Securities of an entity with a name that exactly or closely matches the name of an entity identified in the Annex to the Executive Order (effective 11 January 2021) or subsequently identified pursuant to the Executive Order (effective 60 days subsequent to a public notice). Subsidiaries of the Communist Chinese Military Companies will be covered after such subsidiaries are publicly listed as such by the U.S. Secretary of the Treasury pursuant to the Executive Order. However, if the subsidiary has an exact or closely matching name to that of a Communist Chinese Military Company listed by the U.S. Secretary of Defense or U.S. Secretary of the Treasury, the prohibitions are applicable regardless of their listing. OFAC has published a list of Communist Chinese Military Companies called the Non-SDN Communist Chinese Military Companies List. As a temporary measure as the new Biden administration conducts a review of the Executive Order, OFAC published certain general licenses, including General License 1B, which authorises through 11 June 2021, all transactions and activities that would otherwise be prohibited by the Executive Order relating to securities of an entity whose name closely matches the name of a Communist Chinese Military Company identified in the Annex to the Executive Order but which is not listed on the Non-SDN Communist Chinese Military Companies List. The outcome of such review remains uncertain.

The Executive Order is a form of U.S. sanctions. There is no assurance that the Guarantor or any other member of the Group may not become subject to this Executive Order or to similar executive orders as there is a significant amount of uncertainty about the policies and the future actions that may be taken by the government of the United States. If the Guarantor or any other member of the Group is subject to similar regulations or executive orders prohibiting U.S. investors from investing in the Securities, the liquidity of the market and the trading price of the Securities will be adversely impacted.

In the future, any further escalation of the U.S.-China tensions may cause the U.S. government to impose on CSCEC and/or the Group sanctions or restrictions pursuant to Section 1237 and/or other sanction programs, which could include measures with a range of severity, including possible prohibition of transactions by the sanctioned entity through the U.S. financial system and blocking sanctions, the imposition of additional or heightened restrictions or the prohibition on the ability of U.S. persons from engaging in commercial activities with sanctioned entities by the U.S. government. The Group has been closely monitoring the development of the Pentagon List and the impacts of the Executive Order. It is actively implementing corresponding mitigation measures in response to the latest development of such situations. In addition, a number of the loan agreements entered into by members of the Group (including the Guarantor) contain customary representations on sanctions that require the relevant obligors to confirm from time to time that the Group and its affiliates (where such affiliates would generally be interpreted to include CSCEC) are not the subject of any sanctions. As of the date of this Offering Circular, the Group has not received any notice from any of its lenders that it considers the Group to be in non-compliance of such sanction representations or any requests for early repayment of such offshore facilities. However, there is no assurance that any such possible restrictions or sanctions on CSCEC and/or the Group will not materially and adversely affect CSCEC and/or the Group's business, prospects, financial condition and results of operations and their future business expansion in the overseas markets (including the U.S.).

Adverse weather conditions, natural disasters, epidemics and acts of God could adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's construction business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or if natural disaster occurs, the Group may be prevented from performing works on its sites and thereby fail to meet specified time schedule. If the Group has to halt operations during inclement weather or natural disaster, it may continue to incur operating expenses even while the Group experiences reduced revenues and profitability.

Several countries and regions in Asia, including Mainland China, Hong Kong and Macau and elsewhere, have suffered from outbreaks of diseases such as the COVID-19 pandemic, SARS or avian influenza over the past few years, which had a significant adverse impact on the economies of many of the countries affected. In addition, some regions in Mainland China, including the cities where the Group operates, are under the threat of flood, earthquake, sandstorm, snowstorm, fire and drought.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including Mainland China, Hong Kong and Macau. Various degrees of travel restrictions had been imposed in cities where the Group operates in an effort to curb the spread of the highly infectious COVID-19. As a result, some of the Group's construction and sales activities were temporarily suspended. Moreover, supply of the Group's raw materials and productivity of its employees were temporarily adversely affected. The Group's operations, construction schedule and sales of projects were temporarily disturbed. As a result, the completion of its projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in its development costs, late delivery of projects or otherwise adversely affect its profitability and cash flows. In addition, the COVID-19 outbreak poses risks to the wellbeing of the Group's employees and the safety of its workplace, which may materially and adversely affect its business operation. The Group's ability to adequately staff, manage and maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. Furthermore, the Group's properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in its properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on its business, financial condition, results of operations, performance and prospects. Since March 2020, Mainland China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, there can be no assurance that this recovery momentum will continue in the future.

Any future occurrence of natural disasters, epidemics and acts of God which are beyond the control of the Group or any prolonged or renewed outbreak of COVID-19, SARS, pandemic avian influenza or another widespread public health problem in Mainland China, Hong Kong and Macau could have a material adverse effect on the Mainland China, Hong Kong and Macau economies and the property market generally, and on the Group's business, financial condition, results of operations and prospects.

Economic, legal and policy developments in Mainland China, Hong Kong and Macau could adversely affect the Group's business, financial condition, results of operations and prospects.

A majority of the Group's businesses are conducted in Mainland China, Hong Kong and Macau. As a result, the general state of the economy and the legal and policy developments in Mainland China, Hong Kong and Macau have a significant impact on the Group's operating results and financial condition. Any disruption to the economy of the territories, such as an increase in the unemployment rate, a reduction in consumer spending, an upsurge in interest rates, labour disputes, the occurrence of social unrest, a slowdown in the rate of economic growth in Mainland China, Hong Kong and Macau, may have an adverse impact on the Group's financial condition, asset value, results of operations and prospects. Hong Kong and Macau are Special Administrative Regions of the PRC, each with their own government and legislature. If there were any change in the political or legal environment in Hong Kong or Macau, the Group's business and financial condition may be adversely affected. Any future actions and policies adopted by the PRC government could materially affect the economy of Mainland China, which may adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

PRC government control over currency conversion may limit the Group's ability to utilise its cash effectively, including the proceeds from the Securities, and may affect the value of the Securities.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law. These currency controls may limit the Group's ability to use the proceeds from the Securities for its PRC operations if required. A portion of the Group's revenue is denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange of the PRC ("**SAFE**") by complying with certain procedural requirements. However, approval from or registration with SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans or debt securities denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

The legal system in the PRC is less developed than in certain other countries, and laws in the PRC may not be interpreted and enforced in a consistent manner.

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group and its joint ventures. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and operating results.

The Guarantor may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax ("EIT") Law, which may subject it to the PRC taxation on its worldwide income.

The Issuer is a Cayman Islands company, and the Guarantor is a Cayman Islands holding company with a substantial part of its operations conducted in Mainland China through the Guarantor's operating subsidiaries. Under the PRC Enterprise Income Tax Law (the "**PRC EIT Law**") that took effect on 1 January 2008, as amended in February 2017 and December 2018, enterprises established outside Mainland China whose "de facto management bodies" are located in Mainland China are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25 per cent. EIT rate as to their worldwide income. Under the implementation regulations issued by the State Council relating to the PRC EIT Law, a "de facto management body" is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. On 22 April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. These criteria include (i) the enterprise's day-to-day operations management is primarily exercised in Mainland China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in Mainland China, (iii) the enterprise's primary assets, accounting books and records, company seals, board and shareholders' meeting minutes are located or maintained in Mainland China, and (iv) 50 per cent. or more of voting board members or senior executives of the enterprise habitually reside in Mainland China. If all of these criteria are met, the relevant foreign enterprises that are controlled by PRC enterprises will be deemed to have its "de facto management" in Mainland China and therefore be deemed a PRC "resident enterprise". On 27 July 2011, the State Administration of

Taxation issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), which became effective on 1 September 2011, and was amended in June 2015, October 2016 and June 2018, to provide more guidance on the implementation of the circular issued on 22 April 2009.

Since certain of the Guarantor's management is currently based in Mainland China and will remain in Mainland China in the future, it cannot be assured that the Guarantor will not be considered a PRC resident enterprise. If the Guarantor is deemed to be a PRC resident enterprise, it would be subject to enterprise income tax at a rate of 25 per cent. on its worldwide income accordingly, which may have an adverse effect on the net profit or cash flow of the Guarantor.

In addition, if the Issuer or the Guarantor is deemed to be a PRC resident enterprise, it would be required to withhold taxes on payments in respect of the Securities and the Securityholders would be required to pay taxes on gains realised from the sale of the Securities. See "*Taxation*".

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group, its directors or senior management in the PRC.

The Terms and Conditions of the Securities and the transaction documents are governed by English law and the Issuer and the Guarantor have submitted to the exclusive jurisdiction of the Hong Kong courts. However, most companies in the Group are incorporated in the PRC and a substantial amount of the Group's assets and companies are located in the PRC. Further, most of the Group's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned（關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排）(the "**Arrangement**"), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong（關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排）(the "**New Arrangement**"), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Securityholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Securityholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

The PRC government has no obligations under the Securities.

The PRC government is not an obligor and Securityholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Securities or the Guarantee in lieu of the Issuer or the Guarantor. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises（財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號）(the "**MOF Circular**") promulgated on 28 March 2018 and which took effect on the same day and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks（國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知，發改外資[2018]706號） (the "**Joint Circular**") promulgated on 11 May 2018 and which took effect on the same day MOF Circular and the Joint Circular. Both Circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties. The PRC government as the ultimate shareholder of the Guarantor only has limited liability in the form of its equity contribution in the Guarantor. As such, the PRC government does not have any payment obligations under the Securities or the Guarantee. The Securities are solely to be repaid by the Issuer (and the Guarantee by the Guarantor) as independent legal persons. In addition, any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, any of the Issuer's or the Guarantor's financial condition. Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Guarantor and the Group and base any perceived credit risk associated with an investment in the Securities only on the Group's own financial information reflected in its financial statements.

RISKS RELATING TO THE GUARANTEE AND THE SECURITIES

The Securities and the Guarantee are unsecured obligations.

The Securities and the Guarantee are unsecured obligations. The payment under the Securities or the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under any of the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of the Issuer's or the Guarantor's indebtedness.

The Securities may not be a suitable investment for all investors.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

- understand thoroughly the terms of the Securities; and

- be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The Issuer does not and will not have operating activities or revenue, and payments with respect to the Securities are dependent upon its receipt of timely remittance of funds from the Group.

The Issuer is established for the sole purpose of fund raising. It does not and will not have any operating activities or revenue. The Issuer's ability to make payments under the Securities will depend upon its receipt of timely remittance of funds from the Guarantor and/or other members of the Group. In the event that the Guarantor and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash flows or other factors, the Issuer's ability to make payments under the Securities may be adversely affected.

The Securities do not provide any participating rights upon a takeover, nor conversion to the ordinary shares or any other securities of the Issuer and do not provide the investors with right to require redemption.

The Securities are perpetual and have no maturity date. Save in certain circumstances described in the Terms and Conditions of the Securities, the Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Securityholders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Furthermore, there will be no conversion right for the Securities to be converted into the ordinary shares or any other securities of the Issuer, and the Securityholders do not have any participating rights in the event of a takeover for the Issuer.

Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions of the Securities.

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions of the Securities, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions of the Securities. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of discretionary dividends on its Junior Securities and its Parity Securities, and the discretionary redemption and repurchase of its Parity Securities and Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities. However, neither the Issuer nor the Guarantor has a consistent track record of making dividend payments and there is no immediate prospect of dividend payments being made by the Issuer or the Guarantor. As such, the effectiveness of such restrictions as a deterrent against deferral of Distribution is limited and uncertain.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities may be redeemed at the Issuer's option on the First Call Date and on each Call Date after the First Call Date or the occurrence of certain other events.

The Securities are redeemable at the option of the Issuer on the First Call Date and on each Distribution Payment Date after the First Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of (i) a Gross-up Event, (ii) an Equity Disqualification Event, (iii) a Change of Control Event, (iv) a Breach of Covenants Event and (v) a Relevant Indebtedness Default Event. The Securities may also be redeemed at the option of the Issuer if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued (including Securities (if any) subsequently issued pursuant to Condition 13 of the Terms and Conditions of the Securities) has already been cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for non-payment under the Securities.

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute proceedings for the Winding-Up of the Issuer or the Guarantor is limited to circumstances where proceedings for the Winding-Up of the Issuer or the Guarantor have been initiated or where payment in respect of the Securities, the Guarantee or under the Trust Deed has become due and the Issuer or the Guarantor fails to make such payment for a period of 14 days or more after the date on which such payment is due. Also, no Securityholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholders shall have only such rights against the Issuer or the Guarantor as those the Trustee is entitled to exercise.

The Securities confer Securityholders with limited rights upon the occurrence of a Change of Control Event, Breach of Covenants Event or Relevant Indebtedness Default Event.

The Securities confer limited rights on the Securityholders upon the occurrence of a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Principal Paying Agent and Securityholders, redeem in whole, but not in part of the Securities if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 5(e) of the Terms and Conditions of the Securities.

The Distribution Rate will be reset on the First Call Date and each Reset Date, which may affect the market value of the Securities.

The Distribution Rate applicable to the Securities will initially be 3.40 per cent. per annum from, and including, the Issue Date to, but excluding, the First Call Date. However, the Distribution Rate will be reset on the First Call Date and every Reset Date as described in the Terms and Conditions of the Securities such that the applicable Reset Distribution Rate will be equal to the sum of (a) the initial spread of 2.581 per cent., (b) the Treasury Rate (as defined in the Terms and Conditions of the Securities) and (c) a margin of 3.00 per cent. per annum. As a result, the applicable Distribution Rate following any Reset Date could be less than the Distribution Rate that applies immediately prior to such Reset Date, which could affect the amount of any Distribution payments under the Securities and therefore the market value of an investment in the Securities.

The Issuer may raise other capital which affects the price of the Securities.

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness as set out in Condition 4(a) of the Terms and Conditions of the Securities, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up of the Issuer or the Guarantor or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

The Securities and the Guarantee are subordinated obligations.

The obligations of the Issuer under the Securities, and the obligations of the Guarantor under the Guarantee, will constitute unsecured and subordinated obligations of the Issuer and the Guarantor, respectively. In the event of the Winding-Up of the Issuer or the Guarantor (if the Guarantor is obligated to make payment under the Guarantee), the rights of the holders of Securities to receive payments in respect of the Securities or the Guarantee will rank senior to the holders of all Junior Securities and *pari passu* with the holders of all Parity Securities, but junior to the claims of all general creditors. In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amount or accrued Distribution.

In addition, there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer or the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Securities or the Guarantee. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Securities on a Winding-Up of the Issuer or the Guarantor and/or may increase the likelihood of a non-payment under the Securities and/or the Guarantee.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

The liquidity and price of the Securities following this offering may be volatile.

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There can be no assurance that these developments will not occur in the future.

The Trustee may request the Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, giving of notice to the Issuer and the Guarantor and the taking of steps and/or actions and/or the instituting of proceedings pursuant to Condition 9 of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion) request the Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Securityholders. The Trustee will not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders to take such steps and/or actions and/or institute such proceedings directly.

Securityholders are bound by decisions of defined majorities in respect of any modification, waivers and substitution.

The Terms and Conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Securities may be adverse to the interests of individual holders of the Securities.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Securityholders, agree (i) to any modification of the Trust Deed, the Agency Agreement or the Terms and Conditions of the Securities (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Securityholders and (ii) to any modification of the Trust Deed, the Agency Agreement or the Terms and Conditions of the Securities which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the Securityholders, authorise or waive any proposed breach or breach of the Trust Deed, the Agency Agreement or the Terms and Conditions of the Securities if, in the opinion of the Trustee, the interests of the Securityholders will not be materially prejudiced thereby.

Furthermore, the Terms and Conditions of the Securities provide that if a Special Event has occurred and is continuing, then the Issuer may at its option, subject to certain restrictions as set out in the Terms and Conditions of the Securities and subject to it having satisfied the Trustee that Condition 12(c) of the Terms and Conditions of the Securities has been satisfied as to certain matters and giving not less than thirty nor more than sixty days' irrevocable notice to the Securityholders in accordance with Condition 14 of the Terms and Conditions of the Securities and to the Trustee and the Principal Paying Agent in writing, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in the Terms and Conditions of the Securities).

An active trading market for the Securities may not develop.

There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Managers are not obligated to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. In addition, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The insolvency laws of the Cayman Islands may differ from those of another jurisdiction with which the Securityholders are familiar.

As the Issuer and the Guarantor were incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the Cayman Islands, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of another jurisdictions with which the Securityholders are familiar.

If the Group is unable to comply with the restrictions and covenants in its debt agreements, it may result in defaults or other adverse effect under the terms of these agreements such as an increase of the Distribution Rate under the Securities.

Debt agreements entered into by members of the Group contain financial and other covenants and restrictions. If any member of the Group is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements and the Securities contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the Group's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt or result in defaults or other adverse effect under the Group's other debt agreements such as increase of the Distribution Rate under the Securities. If any of these events occur, there can be no assurance that their assets and cash flows would be sufficient to repay in full all of its indebtedness, or that it would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group.

Exchange rate risks and exchange controls may result in a Securityholder receiving less Distribution or principal than expected.

The Issuer will pay principal and Distribution on the Securities in U.S. dollars. This presents certain risks relating to currency conversions if a Securityholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency equivalent yield on the Securities; (ii) the Investor's Currency equivalent value of the principal payable on the Securities; and (iii) the Investor's Currency equivalent market value of the Securities.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Securityholder may receive less Distribution or principal than expected, or no Distribution or principal.

An investment in the Securities is subject to market interest rate risks.

An investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of them. The holders of the Securities may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Securities, resulting in a capital loss for the holders of the Securities. However, the holders of the Securities may reinvest the Distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Securities may rise. The holders of the Securities may enjoy a capital gain but Distribution payments received may be reinvested at lower prevailing interest rates.

Developments in the international financial markets may adversely affect the market price of the Securities.

The market price of the Securities may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Securities could be adversely affected.

The Securities will initially be held in book-entry form, and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Securities will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate will trade in book-entry form only, and Securities in definitive form, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Securities. Payments of principal, Distribution and other amounts owing on or in respect of the Global Certificate representing the Securities will be made to the paying agent which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the Global Certificate representing the Securities and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer and the Guarantor will have no responsibility or liability for the payment of Distribution, principal or other amounts to the owners of book-entry interests. Accordingly, if an investor owns a book-entry interest, the investor must rely on the procedures of Euroclear and Clearstream, and if the investor is not a participant in Euroclear and Clearstream, on the procedures of the participant through which interest is owned, to exercise any rights and obligations of a Securityholder under the Trust Deed. Unlike the Securityholders themselves, owners of book-entry interests will not have the direct right to act upon the Group's solicitations for consents, requests for waivers or other actions from the Securityholders. Instead, if an investor owns a book-entry interest, the investor will be permitted to act only to the extent the investor has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable the investor to vote on a timely basis. Similarly, unless and until definitive registered Securities are issued in respect of all book-entry interests, if the investor owns a book-entry interest, the investor will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Securities.

The Guarantor's subsidiaries in the PRC may be unable to obtain and remit foreign exchange.

The ability of the Guarantor's PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends may affect the Guarantor's ability to satisfy its obligations under the Guarantee. The Guarantor's subsidiaries in the PRC must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan the Group makes to its PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay the Guarantor dividends or interest and principal on shareholder loans, which may affect the Guarantor's ability to satisfy its obligations under the Guarantee.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Securities.

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities (including the Securities) or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 business days after the issuance of debt securities (including the Securities) or the drawing. CSCEC as the Group's controlling shareholder has filed and registered with the NDRC and obtained the Enterprise Foreign Debt Pre-issuance Registration Certificate on 21 January 2021 pursuant to the NDRC Notice. Under the NDRC Notice, as the Securities will be issued with the NDRC Certificate, the Guarantor is not required to complete the pre-issuance registration in respect of the Securities within the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Securities after the issuance of such Securities.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Securities. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Securities in the PRC. Potential investors of the Securities are advised to exercise due caution when making their investment decisions.

Distributions payable by the Issuer or the Guarantor to overseas Securityholders and gains on the transfer of the Securities may be subject to income tax and/or value-added tax under PRC tax laws.

Under the PRC EIT Law of the PRC, an enterprise established outside the PRC with a "de facto management body" within the PRC is deemed a "resident enterprise", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes. Each of the Issuer and Guarantor believes that it is currently not PRC resident enterprises and, as confirmed by the Issuer and Guarantor, as at the date of this Offering Circular, each of the Issuer and the Guarantor has not been notified or informed by the PRC tax authorities that it is considered as a "resident enterprise" for the purpose of the PRC EIT Law. However, the Issuer cannot assure the Securityholders that it will not be deemed a "resident enterprise" under the PRC EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25.0 per cent. on its global income in the future. If the Issuer or the Guarantor is not considered to be PRC resident enterprises for PRC EIT Law purposes, the payment of Distributions on the Securities to the overseas Securityholders will not be subject to PRC withholding tax under the PRC EIT law.

Under the PRC EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10.0 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises, subject to adjustment by applicable treaty. The PRC EIT Law's implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. If the Issuer is deemed a PRC resident enterprise for tax purposes, Distributions paid to overseas Securityholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10.0 per cent. for enterprise Securityholders and 20.0 per cent. for individual Securityholders (or a lower treaty rate, if any).

Any gains realised on the transfer of the Securities by such Securityholders may also be subject to PRC income tax at a rate of 10.0 per cent. for corporate Securityholders or 20.0 per cent. for individual Securityholders, if such gains are regarded as PRC-sourced. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Securityholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Securities.

On 23 March 2016, the Ministry of Finance ("**MOF**") and the State Administration of Taxation ("**SAT**") jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知)(財稅[2016]36號) ("**Circular 36**"), which was amended on 11 July 2017. Circular 36 provides that all business tax payers are included into the pilot programme to pay VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. In connection with the issuance of the Securities, none of the Issuer or the Guarantor is located in the PRC. There is no assurance that the issuance of the Securities will not be treated as financial services for VAT purpose. If the issuance of Securities is treated as the Securityholders providing financing services within the PRC by the relevant tax authorities, the Securityholders would be subject to VAT at the rate of 6 per cent. when receiving the Distributions payments under the Securities.

Under Circular 36, VAT is unlikely to be applicable to any transfer of Securities between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Securities, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located inside the PRC or is deemed a PRC resident.

If a Securityholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on capital gains on the transfer of the Securities, the value of the relevant Securityholder's investment in the Securities may be materially and adversely affected.

USE OF PROCEEDS

The net proceeds of the issue of the Securities, after deducting the fees and other expenses in connection with the issue of the Securities, will be approximately U.S.$498 million, which are intended to be used by the Guarantor to repay and/or refinance the existing indebtedness of the Group and for general corporate purposes.

CAPITALISATION

The following table sets out, on a consolidated basis, the capitalisation of the Guarantor as at 31 December 2020, on an actual basis and as adjusted to give effect to the issue of the Securities (before deducting the underwriting commissions and other estimated offering expenses payable by the Guarantor):

	As at 31 December 2020			
	Actual		Adjusted[(1)]	
	(HK$'000)	(U.S.$'000)[(2)]	(HK$'000)	(U.S.$'000)[(2)]
Short-term borrowings				
Borrowings due within one year	9,707,491	1,252,030	9,707,491	1,252,030
Total short-term borrowings	9,707,491	1,252,030	9,707,491	1,252,030
Long-term borrowings				
Borrowings due after one year	35,488,761	4,577,187	35,488,761	4,577,187
Guaranteed notes payables and corporate bonds	9,179,000	1,183,868	9,179,000	1,183,868
Total long-term borrowings	44,667,761	5,761,055	44,667,761	5,761,055
Total borrowings	54,375,252	7,013,085	54,375,252	7,013,085
Equity				
Share capital	126,229	16,280	126,229	16,280
Share premium and reserves[(3)]	48,967,545	6,315,622	48,967,545	6,315,622
Perpetual capital securities	7,799,208	1,005,908	7,799,208	1,005,908
Non-controlling interests	1,386,565	178,833	1,386,565	178,833
Securities to be issued[(4)]	–	–	3,876,700	500,000
Total equity	58,279,547	7,516,643	62,156,247	8,016,643
TOTAL CAPITALISATION[(5)]	102,947,308	13,277,698	106,824,008	13,777,698
TOTAL SHORT-TERM BORROWINGS AND CAPITALISATION	112,654,799	14,529,728	116,531,499	15,029,728

Notes:

(1) Figures in the "As Adjusted" column reflect the issue of the Securities before deducting the underwriting commissions and other estimated offering expenses payable by the Guarantor.

(2) Based on the exchange rate of HK$7.7534 to U.S.$1.00, the noon buying rate as set forth in the H. 10 statistical release of the Board of Governors of the Federal Reserve System of the United States on 31 December 2020.

(3) The share premium and reserves as at 31 December 2020 included retained profits, share premium and all other reserves.

(4) In accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation", the Securities shall be recognised as an equity instrument. For illustrative purpose only, the aggregate principal amount of the Securities to be issued before deducting the underwriting commissions and other estimated offering expenses payable by the Guarantor has been presented as equity in the above table.

(5) Total capitalisation represents the sum of total long-term borrowings and total equity. Adjusted total capitalisation represents total capitalisation upon issuance of the Securities before deducting the underwriting commissions and other estimated offering expenses payable by the Guarantor.

Save as indicated above, there has been no material change in the total capitalisation, on a consolidated basis, of the Guarantor since 31 December 2020 and up to the date of this Offering Circular.

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The selected financial information as set out below is derived from the Guarantor's Audited Financial Statements, which are included elsewhere in this Offering Circular.

The 2019 Audited Financial Statements have been audited by PricewaterhouseCoopers, the previous independent auditor of the Guarantor, and the 2020 Audited Financial Statements have been audited by Ernst & Young, the current independent auditor of the Guarantor.

CONSOLIDATED INCOME STATEMENT

	For the years ended 31 December		
	2018	2019	2020
	(HK$'000)	(HK$'000)	(HK$'000)
Revenue	55,626,304	61,669,678	62,458,009
Costs of sales	(46,929,883)	(52,433,975)	(53,173,850)
Gross profit	8,696,421	9,235,703	9,284,159
Investment income, other income and other (losses)/gains, net	(360,250)	636,756	979,166
Administrative, selling and other operating expenses	(1,396,594)	(1,681,800)	(1,920,393)
Share of profits of:			
Joint ventures	705,024	452,654	701,944
Associates	342,621	920,143	1,879,577
Finance costs	(1,781,717)	(2,278,985)	(2,679,977)
Profit before tax	6,205,505	7,284,471	8,244,476
Income tax expenses, net	(1,648,872)	(1,560,891)	(1,760,302)
Profit for the year	4,556,633	5,723,580	6,484,174
Profit for the year attributable to:			
Owners of the Guarantor	4,500,148	5,413,208	6,015,368
Holders of perpetual capital securities	17,000	260,166	407,246
Non-controlling interests	39,485	50,206	61,560
	4,556,633	5,723,580	6,484,174
Earnings per share (HK cents)			
Basic	89.13	107.21	119.14
Diluted	89.13	107.21	119.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2018	2019	2020
	(HK$'000)	(HK$'000)	(HK$'000)
ASSETS			
Non-current Assets			
Property, plant and equipment	4,149,806	4,726,378	5,390,547
Investment properties	4,680,776	5,067,333	4,643,331
Interests in infrastructure project investments	3,680,414	4,747,131	5,713,846
Prepaid lease payments	367,032	–	–
Interests in joint ventures	11,709,355	14,012,737	16,453,237
Interests in associates	5,654,865	6,300,683	6,829,830
Concession operating rights	4,154,800	3,837,846	3,812,526
Deferred tax assets	198,830	157,833	177,691
Trademark, project backlogs and licences	308,535	289,117	278,416
Goodwill	577,664	577,664	577,664
Financial assets at fair value through other comprehensive income	505,416	658,355	689,958
Amounts due from investee companies	211,806	211,806	211,806
Trade and other receivables	38,047,727	44,317,072	53,729,653
Loans to joint ventures	1,612,397	1,020,307	295,761
Total non-current assets	75,859,423	85,924,262	98,804,266
Current Assets			
Interests in infrastructure project investments	45,811	52,053	62,142
Inventories	280,204	259,811	410,072
Properties under development	2,349,510	1,810,383	4,311,691
Properties held for sale	710,275	1,716,919	1,431,447
Contract assets	9,081,810	12,115,947	11,981,742
Trade and other receivables	25,321,390	30,601,279	38,160,276
Deposits and prepayments	265,530	500,604	1,536,738
Loans to joint ventures	338,024	327,883	342,222
Amounts due from joint ventures	3,781,326	5,105,117	6,421,303
Amounts due from associates	105,179	373,897	846,103
Tax recoverable	57,901	12,127	47,943
Bank balances and cash	17,925,708	22,623,621	22,455,362
Total current assets	60,262,668	75,499,641	88,007,041

	As at 31 December		
	2018	2019	2020
	(HK$'000)	(HK$'000)	(HK$'000)
ASSETS			
LIABILITIES			
Current Liabilities			
Contract liabilities	9,027,486	7,830,567	8,547,294
Trade payables, other payables and accruals	36,714,715	44,699,248	51,288,246
Deposits received	38,802	34,352	61,326
Amounts due to joint ventures	1,064,099	1,353,803	1,481,867
Amounts due to associates	102,645	86	311,097
Amount due to a related company	–	–	137,222
Current tax payables	3,885,617	4,781,892	5,326,550
Borrowings	2,795,832	10,040,968	9,707,491
Loans from fellow subsidiaries	–	2,340,000	3,050,900
Lease liabilities	–	24,854	27,499
Obligations under finance leases	793	–	–
Total current liabilities	53,629,989	71,105,770	79,939,492
Net current assets	6,632,679	4,393,871	8,067,549
Total assets less current liabilities	82,492,102	90,318,133	106,871,815
Capital and Reserves			
Share capital	126,229	126,229	126,229
Share premium and reserves	38,328,139	42,021,941	48,967,545
Equity attributable to owners of the Guarantor	38,454,368	42,148,170	49,093,774
Perpetual capital securities	3,878,468	7,781,962	7,799,208
Non-controlling interests	745,414	977,433	1,386,565
Total equity	43,078,250	50,907,565	58,279,547
Non-current Liabilities			
Borrowings	32,033,950	29,347,618	35,488,761
Guaranteed notes payables and corporate bonds	6,210,963	6,216,049	9,179,000
Contract liabilities	740,010	688,210	656,125
Deferred tax liabilities	427,087	403,675	399,898
Loan from a joint venture	–	2,711,864	2,843,602
Lease liabilities	–	43,152	24,882
Obligations under finance leases	1,842	–	–
Total non-current liabilities	39,413,852	39,410,568	48,592,268

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the years ended 31 December		
	2018	2019	2020
	(HK$'000)	(HK$'000)	(HK$'000)
Net cash used in operating activities	(1,924,595)	(2,704,349)	(4,531,608)
Net cash (used in)/from investing activities	(6,953,970)	(3,090,041)	324,540
Net cash from financing activities	9,581,114	10,506,627	2,881,279
Net increase/(decrease) in cash and cash equivalents	702,549	4,712,237	(1,325,789)
Cash and cash equivalents at the beginning of the year	17,570,868	17,924,196	22,600,362
Effect of foreign exchange rate changes	(349,221)	(36,071)	1,137,116
Cash and cash equivalents at the end of the year	17,924,196	22,600,362	22,411,689

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to modification and other than the words in italics, is the text of the Terms and Conditions of the Securities which will appear on the reverse of each of the definitive certificates evidencing the Securities:

The issue of the U.S.$500,000,000 3.40 per cent. subordinated guaranteed perpetual capital securities (the "**Securities**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 13 and consolidated and forming a single series therewith) by China State Construction Finance (Cayman) I Limited (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 24 May 2021. The Securities are guaranteed by China State Construction International Holdings Limited 中國建築國際集團有限公司 (the "**Guarantor**"). The giving of the Guarantee (as defined in Condition 2(b)) was authorised by a resolution of the board of directors of the Guarantor passed on 24 May 2021. The Securities are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or about 8 June 2021 (the "**Issue Date**") between the Issuer, the Guarantor and DB Trustees (Hong Kong) Limited (the "**Trustee**", which expression shall, where the context so permits, include all persons for the time being acting as the trustee or trustees under the Trust Deed) as trustee for itself and the Securityholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities. An agency agreement dated on or about the Issue Date (as amended and/or supplemented from time to time, the "**Agency Agreement**") will be entered into in relation to the Securities between the Issuer, the Guarantor, the Trustee and Deutsche Bank AG, Hong Kong Branch as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Securities), as transfer agent (the "**Transfer Agent**", which expression shall include any successor or additional transfer agent appointed from time to time in connection with the Securities) and as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Securities) and any other agents named therein. The Principal Paying Agent, the Registrar and the Transfer Agent for the time being together with any other agents appointed under the Agency Agreement are referred to as the "**Agents**". The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) from the principal place of business of the Trustee (being at the Issue Date at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) and from the specified office for the time being of the Principal Paying Agent, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, DENOMINATION AND TITLE

(a) **Form and denomination**: The Securities are issued in registered form, in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. A certificate (each, a "**Definitive Certificate**") will be issued to each Securityholder in respect of its registered holding of Securities. Each Definitive Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Definitive Certificate and in the register of Securityholders (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

(b) **Title**: Title to the Securities shall pass only by transfer and registration of title in the Register. Each Securityholder shall, except as ordered by a court of competent jurisdiction or as otherwise required by law, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on (other than the endorsed form of transfer), or the theft or loss of, the Definitive Certificate issued in respect of it), and no person shall be liable for so treating the Securityholder. In these Conditions, "**Securityholder**" and "**holder**" in relation to a Security shall mean the person in whose name a Security is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Securities will be represented by a global certificate (the "**Global Certificate**") substantially in the form attached as a schedule to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Securities in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in the Securities represented by the Global Certificate will not be entitled to receive Definitive Certificates in respect of their individual holdings of such Securities. The Securities are not issuable in bearer form.

2 STATUS AND GUARANTEE

(a) **Status**: The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Securities are subordinated as provided in this Condition 2.

(b) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed and the Securities (the "**Guarantee**"). The Guarantor's obligations in respect of the Guarantee are contained in the Trust Deed. The Guarantee constitutes a direct, unsecured and subordinated obligation of the Guarantor which ranks *pari passu* with any Parity Securities of the Guarantor. The rights and claims of the Securityholders in respect of the Guarantee are subordinated as provided in this Condition 2.

(c) **Ranking of claims in respect of the Securities**: Subject to applicable law, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer and shall rank *pari passu* with the claims of holders of Parity Securities of the Issuer and shall be subordinated in right of payment to the claims of the general creditors of the Issuer.

(d) **Ranking of claims in respect of the Guarantee**: Subject to applicable law, in the event of the Winding-Up of the Guarantor, the rights and claims of the Securityholders in respect of the Guarantee shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Guarantor and shall rank *pari passu* with the claims of holders of Parity Securities of the Guarantor and shall be subordinated in right of payment to the claims of the general creditors of the Guarantor.

(e) **Set-off – Securities**: Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Securityholder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(f) **Set-off – Guarantee**: Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Guarantee, and each Securityholder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Guarantor in respect of, or arising under or in connection with the Guarantee is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

3 TRANSFERS OF SECURITIES AND ISSUE OF DEFINITIVE CERTIFICATES

(a) **Register**: The Issuer will cause the Register to be kept at the specified office of the Registrar outside of the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and registered accounts of the Securityholders and the particulars of the Securities held by them and of all transfers of the Securities. Each Securityholder shall be entitled to receive only one Definitive Certificate in respect of its entire holding of Securities.

(b) **Transfers**: Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Security may be transferred by delivery of the Definitive Certificate issued in respect of that Security, with the form of transfer endorsed on such Definitive Certificate duly completed and signed by the Securityholder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities represented by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

(c) **Delivery of new Definitive Certificates**: Each new Definitive Certificate to be issued upon a transfer of Securities will, within seven (7) business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the Definitive Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Securityholder entitled to the Securities (but free of charge to the Securityholder and at the Issuer's (failing whom, the Guarantor's) expense) to the address specified in the form of transfer. The form of transfer is available at the specified offices of the Transfer Agents.

Where only part of a principal amount of the Securities in respect of which a Definitive Certificate is issued is to be transferred or exchanged, a new Definitive Certificate in respect of the Securities not so transferred or exchanged will, within seven (7) business days of delivery of the original Definitive Certificate to the Registrar or Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Securityholder not so transferred or exchanged (but free of charge to the Securityholder and at the Issuer's (failing whom, the Guarantor's) expense) to the address of such Securityholder appearing on the Register.

(d) **Formalities free of charge**: Registration of a transfer of Securities and issuance of new Definitive Certificates will be effected without charge to the relevant Securityholder by or on behalf of the Issuer or any of the Agents, but upon payment by the Securityholder (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer or registration.

(e) **Closed periods**: No Securityholder may require the transfer of a Security to be registered during the period of (i) seven (7) Payment Business Days ending on (and including) the due date for any payment of principal in respect of that Security or (ii) during the period of fifteen (15) days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

(f) **Regulations**: All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by (i) the Issuer, with the prior written approval of the Registrar and the Trustee, or (ii) the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Securityholder and at the Issuer's (failing whom, the Guarantor's) expense) by the Registrar to any Securityholder following written request and proof of holding satisfactory to the Registrar and is available from the specified office of the Registrar following written request and proof of holding and identity satisfactory to the Registrar.

4 COVENANTS

(a) **Negative Pledge and other covenants**: So long as any Security remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of their respective Subsidiaries (except any Listed Subsidiaries (as defined below)) will, create or permit to subsist or have outstanding any mortgage, charge, lien, pledge or other security interest (save for Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto giving the Securities the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Securityholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

(b) **NDRC Filing**: Each of the Issuer and the Guarantor undertakes that it will file or cause to be filed the relevant information in connection with the Securities with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**"), within the prescribed timeframe after the issue date of the Securities and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the "**Post-Issuance Filing**"). The Issuer and the Guarantor shall submit or procure to be submitted to the NDRC the Post-Issuance Filing and comply with all applicable PRC laws and regulations in relation to the Post-Issuance Filing.

The Issuer shall, and the Guarantor shall procure the Issuer to, within fifteen (15) PRC Business Days after completion of the Post-Issuance Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming the completion of the Post-Issuance Filing; and (ii) a copy of the Post-Issuance Filing setting out the particulars of filing, certified as a true and complete copy of the original by an Authorised

Signatory of the Issuer (the documents in (i) and (ii) collectively the "**Filing Documents**"). In addition, the Guarantor shall procure that within fifteen (15) PRC Business Days after the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Securityholders (in accordance with Condition 14) confirming the completion of the Post-Issuance Filing.

The Trustee may rely conclusively on the Filing Documents and shall have no obligation or duty to monitor or ensure or to assist with the Post-Issuance Filing or to verify the accuracy, content, completeness, legality, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing or to procure that any Filing Document is translated into English or to verify the accuracy of any English translation of any document or to give notice to the Securityholders confirming the completion of the Post-Issuance Filing, and shall not be liable to the Securityholders or any other person for not doing so.

5 DISTRIBUTION

(a) **Distributions**: Subject to Condition 5(d), the Securities confer a right to receive distribution (each a "**Distribution**") from and including the Issue Date at the applicable Distribution Rate in accordance with this Condition 5. Subject to Condition 5(d), Distribution shall be payable on the Securities semi-annually in arrear in equal instalments on 8 June and 8 December of each year (each, a "**Distribution Payment Date**").

If any Distribution is required to be calculated in respect of a period of less than a Distribution Period (as defined below), the relevant day-count fraction shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date is called a "**Distribution Period**".

Distribution in respect of any Security shall be calculated per U.S.$1,000 in principal amount of the Securities (the "**Calculation Amount**"). The amount of Distribution payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the applicable Distribution Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(b) **Rate of Distribution**: Subject to any increase pursuant to Condition 5(e), the rate of Distribution applicable to the Securities ("**Distribution Rate**") shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 8 June 2026 (the "**First Call Date**"), the Initial Distribution Rate; and

(ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

(c) **Distribution Accrual**: Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused, in which event Distributions shall continue to accrue as provided in the Trust Deed. In such latter event, Distributions will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Securityholder and (ii) the day which is seven (7) days after the Principal Paying Agent or the Trustee has notified the Securityholders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

(d) **Distribution Deferral**:

(i) **Optional Deferral**: The Issuer may, at its sole and absolute discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Securityholders (in accordance with Condition 14) and to the Trustee and the Principal Paying Agent in writing not more than ten (10) Payment Business Days nor less than five (5) Payment Business Days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred (an "**Optional Deferral Event**"). Any partial payment of any Distribution by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

(ii) **No obligation to pay**: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5(d)(i).

(iii) **Requirements as to Notice**: Together with an Optional Deferral Notice, the Issuer shall deliver to the Trustee and the Principal Paying Agent a certificate in English in the form attached as Schedule 6 to the Trust Deed signed by any Authorised Signatory of the Issuer confirming that no Compulsory Distribution Payment Event has occurred. The Trustee shall be entitled to accept such Optional Deferral Notice and certificate as sufficient evidence of the occurrence of an Optional Deferral Event and that no Compulsory Distribution Payment Event has occurred, in which event such certificate shall be conclusive and binding on the Securityholders.

(iv) **Cumulative Deferral**: Any Distribution deferred pursuant to this Condition 5(d) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole and absolute discretion, elect (in the circumstances set out in Condition 5(d)(i)) to defer further any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 5(d) except that Condition 5(d)(v) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

Each amount of Arrears of Distribution shall accrue Distributions as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) **Restrictions in the case of Deferral**: If, on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities (including any Arrears of Distribution and any Additional Distribution Amount)) is not made in full, each of the Issuer and the Guarantor shall not:

(A) declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any Parity Securities or Junior Securities of the Issuer or the Guarantor (except (I) in relation to the Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis, or (II) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor); or

(B) at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Guarantor (except (I) in relation to Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis, or (II) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor or (III) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until (x) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution and the Additional Distribution Amount; or (y) the Issuer or the Guarantor is permitted to do so by an Extraordinary Resolution of the Securityholders.

For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 5(d)(i) will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities.

In addition, the incurrence of any Parity Securities (including any senior indebtedness) or Junior Securities itself will not constitute a Compulsory Distribution Payment Event. A non-discretionary payment on, or redemption of, Parity Securities or Junior Securities (such as a scheduled payment of principal and interest on such Parity Securities or Junior Securities, which the issuer thereof has no right to defer) does not constitute a Compulsory Distribution Payment Event.

(vi) **Satisfaction of Arrears of Distribution by payment**:

The Issuer:

(A) may satisfy any Arrears of Distribution and Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 14) and to the Trustee and the Principal Paying Agent in writing not more than ten (10) Payment Business Days nor less than five (5) Payment Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amount, on the payment date specified in such notice); and

(B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of:

(I) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6;

(II) the next Distribution Payment Date following the occurrence of a breach of Condition 5(d)(v) or the occurrence of a Compulsory Distribution Payment Event;

(III) a Winding-Up of the Issuer or the Guarantor; and

(IV) the date of any substitution or variation in accordance with Condition 12(c).

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

(vii) **No default**: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution in accordance with this Condition 5(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer under the Securities or the Guarantor under the Guarantee.

(e) **Increase or Decrease in Distribution Rate following occurrence of certain events**:

(i) **Increase in Distribution Rate**: Upon the occurrence of:

(A) a Change of Control Event;

(B) a Breach of Covenants Event; or

(C) a Relevant Indebtedness Default Event,

unless (I) an irrevocable notice to redeem the Securities has been given to Securityholders by the Issuer pursuant to Condition 6 by the 30th day following the occurrence of a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as the case may be) or (II) in the case of a Breach of Covenants Event or a Relevant Indebtedness Default Event, the Covenant Breach or the Relevant Indebtedness Default Event (as the case may be) is remedied by the 30th day following the occurrence of such Breach of Covenants Event or such Relevant Indebtedness Default Event (as the case may be), the Distribution Rate will increase by 3.00 per cent. per annum with effect from (x) the next Distribution Payment Date or (y) if the date on which a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date provided that the maximum aggregate increase in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 5(e) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5(b)(ii), provided that the Distribution Rate shall not exceed the Maximum Distribution Rate.

Any increase in the Distribution Rate pursuant to this Condition 5(e) shall be notified by the Issuer to the Securityholders (in accordance with Condition 14) and to the Trustee and the Agents in writing no later than the 30th day following (aa) the occurrence of the Change of Control Event, (bb) the occurrence of the Breach of Covenants Event or (cc) the occurrence of the Relevant Indebtedness Default Event. Prior to the giving of any such notice, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that a Change of Control Event, Breach of Covenants Event or Relevant Indebtedness Default Event has occurred and setting out the details of the Change of Control Event, Breach of Covenants Event or Relevant Indebtedness Default Event (as the case may be).

(ii) **Decrease in Distribution Rate**: If following an increase in the Distribution Rate after a Change of Control Event, a Breach of Covenants Event or a Relevant Indebtedness Default Event pursuant to Condition 5(e)(i):

(A) in the case of a Breach of Covenants Event or a Relevant Indebtedness Default Event, the relevant Covenant Breach or Relevant Indebtedness Default Event is cured; or

(B) in the case of a Change of Control Event, (I) the Guarantor directly or indirectly holds and owns 100 per cent. of the issued share capital of the Issuer and (II) China Overseas Holdings Limited directly or indirectly Controls the Guarantor,

upon written notice of such facts being given to the Securityholders (in accordance with Condition 14) and to the Trustee, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling thirty (30) days after the date of such notice (upon which the Trustee shall rely absolutely without investigation or verification and without liability to Securityholders or any other person) of the cure of such Covenant Breach, Relevant Indebtedness Default Event or Change of Control Event (as the case may be), provided that the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum.

6 REDEMPTION AND PURCHASE

(a) **No fixed redemption**: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 9) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) **Redemption at the option of the Issuer**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**").

On expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this Condition 6(b) at their principal amount together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(c) **Redemption for taxation reasons**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 1 June 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it (a "**Gross-Up Event**") provided that no such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer or the Guarantor (as the case may be) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Securities or the Guarantee (as the case may be) were then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case maybe) shall deliver or procure that there is delivered to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or in the case of the Guarantor, by any Authorised Signatory of the Guarantor) stating that a Gross-Up Event has occurred and (B) an opinion, satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the occurrence of a Gross-Up Event, in which event the same shall be conclusive and binding on the Securityholders. The Trustee shall be protected and shall have no liability to any Securityholder or any other person for so accepting and relying on any such certificate and opinion.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(c).

(d) **Redemption for accounting reasons**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at:

(i) 101 per cent. of their principal amount, together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

(ii) their principal amount, together with Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to (X) HKFRS or any other generally accepted accounting standards that may be adopted by the Guarantor for the purposes of preparing its consolidated financial statements (the "**Guarantor Accounting Standards**") or (Y) PRC GAAP or any other generally accepted accounting standards that may be adopted by China State Construction Engineering Corporation Limited ("**CSCECL**") for the purposes of preparing its consolidated financial statements (the "**CSCECL Accounting Standards**"), the Securities must not or must no longer be recorded as "equity" of the Guarantor pursuant to the Guarantor Accounting Standards or CSCECL pursuant to the CSCECL Accounting Standards (each an "**Equity Disqualification Event**").

Prior to the giving of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that an Equity Disqualification Event has occurred; and

(B) an opinion, in form and substance satisfactory to the Trustee, of the Guarantor's or, as the case may be, CSCECL's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Guarantor Accounting Standards or, as the case may be, the CSCECL Accounting Standards is due to take effect, provided, however that no notice of redemption may be given under this Condition 6(d) earlier than ninety (90) days prior to the date on which the relevant change or amendment to the Guarantor Accounting Standards or, as the case may be, the CSCECL Accounting Standards is due to take effect in relation to the Guarantor or CSCECL (as the case may be).

The Trustee shall be entitled to accept without investigation or verification and without liability to Securityholders or any other person such certificate and opinion as sufficient evidence of the occurrence of an Equity Disqualification Event, in which event the same shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(d).

(e) **Redemption for a Change of Control Event**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at 101 per cent. of their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if a Change of Control Event occurs.

Prior to the giving of any notice of redemption pursuant to this Condition 6(e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that a Change of Control Event has occurred and setting out the details of the Change of Control Event.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Change of Control Event, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(e).

(f) **Redemption on the occurrence of a Breach of Covenants Event**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if a Breach of Covenants Event occurs.

The Issuer shall (i) deliver or procure that there is delivered to the Trustee a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that a Covent Breach has occurred and setting out the details of the Covent Breach and (ii) give notice to the Securityholders of the occurrence of such Covenant Breach in accordance with Condition 14, in each case, within fourteen (14) days after the Issuer or the Guarantor, as the case may be, becomes aware of such Covenant Breach.

Prior to the giving of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that a Breach of Covenants Event has occurred and setting out the details of the Breach of Covenants Event.

The Trustee shall be entitled to accept such certificates as sufficient evidence of the occurrence of a Covenant Breach or Breach of Covenants Event, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(f).

(g) **Redemption on the occurrence of a Relevant Indebtedness Default Event**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if a Relevant Indebtedness Default Event occurs.

Prior to the giving of any notice of redemption pursuant to this Condition 6(g), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English, signed by any Authorised Signatory of the Guarantor, stating that a Relevant Indebtedness Default Event has occurred and setting out the details of the Relevant Indebtedness Default Event.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Relevant Indebtedness Default Event, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(g), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(g).

(h) **Redemption for minimum outstanding amount**: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than sixty (60) nor less than thirty (30) days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Securityholders in accordance with Condition 14 at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued (including additional securities (if any) subsequently issued pursuant to Condition 13) has already been cancelled.

Upon the expiry of any such notice as is referred to in this Condition 6(h), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(h).

(i) **No other redemption**: The Issuer shall not be entitled to redeem the Securities and the Issuer shall not have any obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 6(a) to 6(h) (both inclusive).

(j) **Purchase**: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase the Securities in the open market or otherwise at any price. The Securities so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the Securityholder to vote at any meetings of the Securityholders and shall not be deemed to be outstanding for the purposes set forth in the Trust Deed, including without limitation, the purposes of calculating quorums at meetings of the Securityholders and for the purposes of Condition 9(d) and Condition 12.

(k) **Cancellation**: All Certificates representing Securities redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Securities shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Securities shall be discharged immediately upon cancellation of the relevant Certificates.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Securities represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Distributions on each Security shall be paid to the person shown as the Securityholder on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of Distributions on each Security shall be made in U.S. dollars by transfer to the registered account of the relevant Securityholder. For the purposes of these Conditions, a Securityholder's "**registered account**" means the U.S. dollar denominated account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Securityholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of a Distribution being paid is less than the amount then due, the Registrar will annotate the Register with the amount of the Distribution so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(b) **Payment initiation**: Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(c) **Payments subject to fiscal laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) if applicable, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Securityholders in respect of such payments.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any stock exchange on which the Securities may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Securityholders.

(e) **Delay in payment**: Securityholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a Payment Business Day or if the Securityholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Payment Business Days**: If any date for payment in respect of any Security is not a Payment Business Day, the Securityholder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

8 TAXATION

All payments of principal, premium (if applicable) and Distributions (including any Arrears of Distribution or any Additional Distribution Amount) by or on behalf of the Issuer or the Guarantor in respect of the Securities or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate up to and including the rate applicable on 1 June 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Securityholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding, (a) by or within the PRC in excess of the Applicable Rate or (b) by or within a Relevant Jurisdiction (other than the PRC), the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Security:

(i) **Other connection**: to a Securityholder (or to a third party on behalf of a Securityholder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with any Relevant Jurisdiction, other than the mere holding of the Security; or

(ii) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a Securityholder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Security is presented for payment; or

(iii) **Surrender more than thirty (30) days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than thirty (30) days after the Relevant Date except to the extent that the holder of such Security would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Security for payment on the last day of such period of thirty (30) days.

In these Conditions, "**Relevant Date**" in respect of any Security means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven (7) days after that on which notice is duly given to the Securityholders that, upon further surrender of the Certificate representing such Security being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, premium, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any additional amounts in respect of such principal, premium, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than any Relevant Jurisdiction, references in these Conditions to any "**Relevant Jurisdiction**" shall be construed as including references to the new Relevant Jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, withholding or other payment in connection with the Securities or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, the Securityholders or any other person to pay such tax, duty, charge, withholding or other payment or be responsible to provide any notice or information in relation to the Securities in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

9 NON-PAYMENT

(a) **Non-payment when due**: Notwithstanding any of the provisions below in this Condition 9, the right to institute proceedings for Winding-Up of the Issuer or the Guarantor is limited to circumstances set out in Condition 9(b). In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or Appointees (as defined in the Trust Deed) to claim from or to otherwise take any action against the Issuer or the Guarantor in respect of any costs, charges, fees, expenses or liabilities incurred by or payable to such party pursuant to or in connection with the Trust Deed, the Guarantee and/or the Securities.

(b) **Proceedings for Winding-Up**: If (i) there is a Winding-Up of the Issuer or the Guarantor, or (ii) the Issuer or the Guarantor fails to make payment in respect of the Securities, the Guarantee or under the Trust Deed for a period of fourteen (14) days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee and the Securities and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.

(c) **Enforcement**: Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may at its discretion and without notice to the Issuer or the Guarantor take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Trust Deed, the Guarantee or the Securities (other than any payment obligation of the Issuer and/or the Guarantor under or arising from the Securities, the Trust Deed or the Guarantee including, without limitation, payment of any principal or Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. No Securityholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(d) **Entitlement of Trustee**: The Trustee shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) above against the Issuer or the Guarantor to enforce the terms of the Trust Deed, the Guarantee or the Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Securityholders or so requested in writing by the Securityholders of at least 25 per cent. in aggregate principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) **Right of Securityholders**: No Securityholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or to prove in such Winding-Up or to claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) **Extent of Securityholders' remedy**: No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee or under the Trust Deed or in respect of any breach by the Issuer and/or the Guarantor of any of their other respective obligations under or in respect of the Securities, the Guarantee or the Trust Deed.

10 PRESCRIPTION

Claims against the Issuer or the Guarantor for payment in respect of the Securities shall be prescribed and become void unless made within ten (10) years (in the case of principal or premium (if any)) or five (5) years (in the case of Distribution (including any Arrears of Distribution and any Additional Distribution Amount)) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and/or such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF SECURITYHOLDERS AND MODIFICATION

(a) **Meetings of Securityholders**: The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Agency Agreement or the Trust Deed. The Issuer, the Guarantor or the Trustee may at any time convene a meeting. If the Trustee receives a written request from Securityholders holding or representing not less than 10 per cent. in aggregate principal amount of the Securities for the time being outstanding and is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses, it shall convene a meeting. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the circumstances in which the Securities may be redeemed or the circumstances in which Distributions (including any Arrears of Distribution or Additional Distribution Amounts) are payable in respect of the Securities, (ii) to reduce or cancel the principal amount of, or Distributions (including any Arrears of Distribution or Additional Distribution Amounts) on or to vary the method of calculating the Distribution Rate or to reduce the Distribution Rate on, the Securities (other than as provided under these Conditions), (iii) to change the currency of payment of the Securities, (iv) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee (other than in accordance with Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Securityholders of not less than 90 per cent. in aggregate principal amount of the Securities for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders. A resolution passed in writing or by Electronic Consent will be binding on all Securityholders whether or not they participated in such resolution.

(b) **Modification and Waiver**: The Trustee may (but shall not be obliged to) agree, without the consent of the Securityholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom the Guarantor, to the Securityholders as soon as practicable.

(c) **Substitution or Variation**: If a Special Event has occurred and is continuing, then the Issuer may at its option, subject to Condition 5 (without any requirement for the consent or approval of the Securityholders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 12(c) that the provisions of this Condition 12(c) have been complied with, and having given not less than thirty (30) nor more than sixty (60) days' irrevocable notice to the Securityholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 12(c) and subject to the receipt by it of the certificate signed by any Authorised Signatory of the Issuer referred to in the definition of Qualifying Securities) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 12(c). In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 5(d)(vi).

In connection with any substitution or variation in accordance with this Condition 12(c), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions of this Condition 12(c) shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders and the Trustee shall not be entitled to require on behalf of any Securityholder, nor shall any Securityholder be entitled to claim, from the Issuer or the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date, the first Distribution on them and the timing for the Post-Issuance Filing with the NDRC) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13 consolidated and forming a single series with the Securities.

14 NOTICES

Notices required to be given to Securityholders pursuant to these Conditions will be valid if (a) made in writing in English and mailed to them by uninsured mail at the Issuer's (failing whom, the Guarantor's) expense at its addresses in the Register maintained by the Registrar and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing; or (b) published at the Issuer's (failing whom, the Guarantor's) expense in a leading English language daily newspaper having general circulation in Asia (which is expected to be The Wall Street Journal Asia). The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear and Clearstream, any notice to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been received by the Securityholders on the date of delivery of such notice to such clearing system.

15 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Securities unless first indemnified and/or secured and/or pre-funded to its satisfaction, and provisions entitling it to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Securityholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Securityholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Securityholders. The Trustee shall be entitled to rely on any direction, request or resolution of Securityholders given by Securityholders holding the requisite principal amount of Securities outstanding or passed at a meeting of Securityholders convened and held in accordance with the Trust Deed or passed as otherwise provided in the Trust Deed.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Securities of the duties and obligations on its part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to ascertain whether an Enforcement Event or any of the events and/or circumstances described in Condition 6 has occurred and shall not be liable to the Securityholders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Securityholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee is not responsible for any loss or liability incurred by the Issuer, the Guarantor, any Securityholder or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarification of any directions or in the event that no such directions or clarification are received.

The Trustee may rely without liability to Securityholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer, the Guarantor and the Securityholders.

Each Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Securityholder shall not rely on the Trustee in respect thereof.

16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Securities or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent contemplated in Condition 9 or as otherwise expressly provided for in these Conditions and/or in the Trust Deed.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Guarantee and the Securities and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law except that the subordination provisions applicable to the Issuer and the Guarantor under Conditions 2(a) to 2(d) (both inclusive) are governed by, and shall be construed in accordance with, the laws of the Cayman Islands.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Trust Deed, the Agency Agreement, the Guarantee or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement, the Guarantee or the Securities ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process**: The Issuer has irrevocably appointed the Guarantor as its agent for service of process, and the Guarantor irrevocably agrees to accept service of process, in any Proceedings in Hong Kong based on any of the Securities, the Guarantee, the Trust Deed or the Agency Agreement at the principal place of business of the Guarantor (being 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong). Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer). If for any reason the Guarantor ceases to have such a place of business in Hong Kong, each of the Issuer and the Guarantor will promptly appoint a substitute process agent and notify the Trustee of such appointment within thirty (30) days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Independence and Waiver of Immunity**: Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

18 DEFINITIONS

In these Conditions:

"**Additional Distribution Amount**" has the meaning ascribed to it in Condition 5(d)(iv);

"**Additional Tax Amounts**" has the meaning ascribed to it in Condition 8;

"**Arrears of Distribution**" has the meaning ascribed to it in Condition 5(d)(iv);

"**Breach of Covenants Event**" means the occurrence of (a) a Covenant Breach and (b) as requested in writing by the Securityholders of at least 25 per cent. in aggregate principal amount of the Securities outstanding, the Trustee giving notice in writing to the Issuer that the Distribution Rate will be adjusted in accordance with Condition 5(e) unless the Securities are redeemed in accordance with Condition 6(f);

"**business day**" means:

(a) in respect of Condition 3 a day (other than a Saturday, a Sunday or a public holiday) on which banks are open for business in the city in which the specified office of the Registrar or (as the case may be) such Transfer Agent with whom a Definitive Certificate is deposited in connection with a transfer or exchange of the relevant Securities, is located; and

(b) in respect of the definitions of "Treasury Rate" and "Reference Treasury Dealer Quotations", any day (other than a Saturday, a Sunday or a public holiday) on which banks are open for general business (including dealings in foreign currencies) in New York City;

"**Calculation Agent**" means an independent bank of international repute as selected and appointed by the Issuer (at the expense of the Issuer, failing whom, the Guarantor) and notified in writing to the Trustee;

"**Calculation Date**" means the commencement date of the relevant Reset Distribution Period;

"**Call Date**" has the meaning ascribed to it in Condition 6(b);

"**Change of Control Event**" occurs when: (a) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or (b) China Overseas Holdings Limited ceases to directly or indirectly Control the Guarantor, except for any cessation of direct or indirect Control which is regained by China Overseas Holdings Limited within fourteen (14) days or such longer period as permitted under the Listing Rules or by the Hong Kong Stock Exchange after the date of the cessation of Control as a result of any top-up and placing exercise carried out by the Guarantor of its share capital; or (c) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons, acting together, except where the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Guarantor or the successor entity;

"**Comparable Treasury Issue**" means the US Treasury security selected by the Calculation Agent as having a maturity of five (5) years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five (5) years;

"**Comparable Treasury Price**" means, with respect to a Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date;

"**Compulsory Distribution Payment Event**" means circumstances in which during the six-month period ending on the day before the relevant scheduled Distribution Payment Date either or both of the following have occurred:

(a) a discretionary dividend, distribution or other discretionary payment has been declared or paid by the Issuer or the Guarantor on or in respect of any of its Parity Securities or Junior Securities (except (i) in relation to the Parity Securities of the Issuer or the Guarantor, on a *pro-rata* basis or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor); or

(b) the Issuer or the Guarantor has at its discretion repurchased, redeemed or otherwise acquired any of its Parity Securities or Junior Securities (except (i) in relation to the Parity Securities of the Issuer or the Guarantor on a *pro-rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or the Guarantor or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities);

"**Control**" means (a) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor (or, as the case may be, the successor entity) or (b) the right to appoint and/or remove the majority of the members of the Guarantor's (or, as the case may be, the successor entity's) board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Covenant Breach**" means a non-compliance and/or non-performance by the Issuer and/or the Guarantor of any one or more of their respective obligations and covenants set out in Condition 4 or Condition 5(d)(v);

"**CSCECL Accounting Standards**" has the meaning ascribed to it in Condition 6(d);

"**Definitive Certificate**" has the meaning ascribed to it in Condition 1(a);

"**Distribution**" has the meaning ascribed to it in Condition 5(a);

"**Distribution Payment Date**" has the meaning ascribed to it in Condition 5(a);

"**Distribution Rate**" has the meaning ascribed to it in Condition 5(b);

"**Equity Disqualification Event**" has the meaning ascribed to it in Condition 6(d);

"**First Call Date**" has the meaning ascribed to it in Condition 5(b)(i);

"**Gross-Up Event**" has the meaning ascribed to it in Condition 6(c);

"**Guarantee**" has the meaning ascribed to it in Condition 2(b);

"**Guarantor Accounting Standards**" has the meaning ascribed to it in Condition 6(d);

"**HKFRS**" means the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

"**Indebtedness for Borrowed Money**" means any indebtedness for borrowed money (whether being principal, premium, interest or other amounts and includes any notes, bonds, debentures, debenture stock, loan stock or other securities);

"**Independent Investment Bank**" means an independent investment bank of international repute, which shall not be any of the Agents (acting as an expert) selected and appointed by the Issuer (at the expense of the Issuer, failing whom, the Guarantor) and notified in writing to the Trustee;

"**Initial Distribution Rate**" means 3.40 per cent. per annum;

"**Junior Securities**" means

(a) in respect of the Issuer, (i) any class of the Issuer's shares (including without limitation any preference shares) and (ii) any security or instrument issued, entered into or guaranteed by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, junior to the obligations of the Issuer under the Securities; and

(b) in respect of the Guarantor, (i) any class of the Guarantor's shares (including without limitation any preference shares) and (ii) any security or instrument issued, entered into or guaranteed by the Guarantor which ranks, or is expressed to rank, by its terms or by operation of law, junior to the obligations of the Guarantor under the Guarantee;

"**Listed Subsidiary**" means, at any time, any Subsidiary of the Guarantor the ordinary voting shares of which are at such time listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or any stock exchange, exchange or securities market located in the PRC;

"**Listing Rules**" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

"**Maximum Distribution Rate**" means:

(a) in respect of the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate plus 3.00 per cent. per annum; and

(b) in respect of the period (i) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (ii) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 3.00 per cent. per annum;

"**NDRC**" has the meaning ascribed to it in Condition 4(b);

"**Optional Deferral Event**" has the meaning ascribed to it in Condition 5(d);

“**Optional Deferral Notice**” has the meaning ascribed to it in Condition 5(d);

“**Parity Securities**” means (a) in respect of the Issuer, any instrument or security issued, entered into or guaranteed by the Issuer, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (b) in respect of the Guarantor, any instrument or security issued, entered into or guaranteed by the Guarantor, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee;

“**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in London, New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in New York City in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency;

“**Permitted Security Interest**” means any security interest on any property or asset securing Relevant Indebtedness in respect of which the person or persons to whom any such Relevant Indebtedness is or may be owed by the relevant borrower (whether or not the Issuer, the Guarantor or any of their respective Subsidiaries) has or have no recourse whatsoever to the Issuer, the Guarantor or their respective Subsidiaries for the repayment thereof other than:

(a) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; or

(b) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Relevant Indebtedness, provided that (i) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (ii) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such Relevant Indebtedness, to commence proceedings for the winding up or dissolution of the Issuer, the Guarantor or any of their respective Subsidiaries or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the Issuer, the Guarantor or any of their respective Subsidiaries or any of their respective assets (save for the assets (or the income, cash flow or other proceeds deriving therefrom) being the subject of such encumbrance);

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions, shall not include the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**PRC Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are generally open for business in Beijing;

“**PRC GAAP**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and other relevant regulations issued thereafter;

“**Proceedings**” has the meaning ascribed to it in Condition 17(b);

“**Qualifying Securities**” means securities that:

(a) have terms not materially less favourable to an investor than the terms of the Securities, and provided that certification to such effect (and confirming that the conditions set out in (i) to (iii) below of this definition have been satisfied) of (a) any Director of the Issuer who is also an Authorised Signatory of the Issuer and (b) an Independent Investment Bank, shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificates the Trustee shall rely absolutely and without investigation or verification of the contents thereof), provided that (i) they are issued by the Issuer or any wholly-owned direct or indirect Subsidiary of the Guarantor; (ii) they are unconditionally and irrevocably guaranteed by the Guarantor; and (iii) they shall rank *pari passu* on a Winding-Up with the Securities, shall preserve the Securityholders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant Securities, and shall contain terms which provide at least for the same Distribution Rate, Distribution Payment Dates and redemption events, from time to time applying to the Securities and otherwise have substantially identical (as reasonably determined by the Issuer) terms to the Securities, save where any modifications to such terms are required to be made to avoid the occurrence of a Gross-Up Event or, as the case may be, an Equity Disqualification Event; and

(b) are listed on the Hong Kong Stock Exchange or such other stock exchange of international standing;

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected and appointed by the Issuer (at the expense of the Issuer, failing whom, the Guarantor) that are primary U.S. Government securities dealers;

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of the principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such Calculation Date;

"**Register**" has the meaning ascribed to it in Condition 1(a);

"**Relevant Date**" has the meaning ascribed to it in Condition 8;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market, provided that Relevant Indebtedness shall not include any indebtedness issued in the PRC;

"**Relevant Indebtedness Default Event**" means the occurrence of one or more of the following events: (i) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual default, event of default or potential event of default (howsoever described), or (ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such Indebtedness for Borrowed Money, provided that the aggregate amount of such Indebtedness for Borrowed Money, guarantees and indemnities in respect of which one or more of the events mentioned above in this provision have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this provision operates);

"**Relevant Jurisdiction**" means the Cayman Islands, the PRC or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of any sums due in respect of the Securities or the Guarantee (as applicable);

"**Relevant Reset Distribution Rate**" means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the initial spread of 2.581 per cent., (b) the Treasury Rate and (c) a margin of 3.00 per cent. per annum;

"**Reset Date**" means the First Call Date and each day falling every five (5) calendar years after the First Call Date;

"**Reset Distribution Period**" means the period beginning on and including the First Call Date and ending on but excluding the immediately following Reset Date, and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;

"**Securityholder**" has the meaning ascribed to it in Condition 1(b);

"**Special Event**" means a Gross-Up Event, an Equity Disqualification Event or any combination of the foregoing;

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Treasury Rate**" means the rate notified by the Calculation Agent in writing to the Issuer, the Trustee and the Principal Paying Agent and to the Securityholders (in accordance with Condition 14) in per cent. per annum equal to the yield, that represents the average of the daily yields for the week immediately prior to the third business day prior to each Reset Date for calculating the Relevant Reset Distribution Rate under Condition 5(b)(ii), derived from the most recently published statistical release designated "**H.15**" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date referred to above in this definition (as applicable) or does not contain such yields, "**Treasury Rate**" means the rate in per cent. per annum equal to the yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under Condition 5(b); and

"**Winding-Up**" means a final and effective court order or effective resolution for the winding-up, liquidation or similar proceedings in respect of the Issuer, the Guarantor or any other entity (as applicable) (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer or the Guarantor, as the case may be, of a successor in business (as defined in the Trust Deed), the terms of which reorganisation, reconstruction, amalgamation or substitution have been previously approved by an Extraordinary Resolution (as defined in the Trust Deed)).

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Global Certificate will contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions of the Securities set out in this Offering Circular have the same meaning when used in the paragraphs below.

The Securities will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, subject to the subordination provisions of Clauses 6.1 and 6.4 in the Trust Deed, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions of the Securities in respect of the Securities represented by the Global Certificate and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of such Securities to the Securityholder in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Securities save that the calculation will be made in respect of the total aggregate amount of the Securities represented by the Global Certificate.

Owners of interests in the Securities in respect of which the Global Certificate is issued will be entitled to have title to the Securities registered in their names and to receive individual Definitive Certificates if the Securities represented by this Global Certificate are held on behalf of Euroclear or Clearstream or any other clearing system selected by the Issuer and the Guarantor, and approved by the Trustee, the Principal Paying Agent and the Registrar (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that, in the case of the first transfer of part of a holding, the Securityholder represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such Securityholder's intention to effect such transfer. In such circumstances, the Issuer will cause sufficient individual Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Securityholders.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payments: So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream (each, the "**relevant clearing system**"), each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Calculation of Distributions: So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Issuer has promised, inter alia, to pay Distributions in respect of such Securities from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Securities represented by the Global Certificate.

Notices: So long as the Securities are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear or Clearstream or any Alternative Clearing System, any notices to Securityholders shall be validly given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Securities in substitution for notification as required by the Terms and Conditions of the Securities and shall be deemed to have been received by the Securityholders on the date of delivery of such notices to such clearing system.

Meetings: For the purposes of any meeting of Securityholders, the holder of the Securities represented by the Global Certificate shall (unless the Global Certificate represents only one Security) be treated as two persons for the purposes of any quorum requirements of a meeting of Securityholders and as being entitled to one vote in respect of each U.S.$1,000 of principal amount of the Securities.

Issuer's Redemption: The Issuer's redemption option in Conditions 6(b), 6(c), 6(d), 6(e), 6(f), 6(g) and 6(h) of the Terms and Conditions of the Securities may be exercised by the Issuer giving notice to the Trustee, the Securityholders and the Principal Paying Agent in respect of which the option is exercised within the time limits set out in and containing the information required by the Terms and Conditions of the Securities.

Transfers: Transfers of beneficial interests in the Securities represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants.

Cancellation: Cancellation of any Security represented by the Global Certificate which is required by the Terms and Conditions of the Securities following its purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Securities in the register of Securityholders.

Trustee's Powers: In considering the interests of Securityholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Securities and (b) consider such interests on the basis that such accountholders were the Securityholders in respect of which the Global Certificate is issued.

THE ISSUER

The Issuer was incorporated as an exempted company with limited liability under the Companies Law (2018 Revision) (as amended) of the Cayman Islands on 16 January 2013. The registered office of the Issuer is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The authorised share capital of the Issuer is U.S.$50,000, divided into 50,000 shares of a par value of U.S.$1.00 each. One registered share has been issued and paid up.

The Issuer has no subsidiaries. The one issued share in the Issuer is owned by the Guarantor.

The Issuer was incorporated for the purpose of issuing bonds and other securities and on-lending the proceeds to the Guarantor or its subsidiaries. Since its incorporation, the Issuer has not engaged in any other material activities other than the following:

(i) the issue of the U.S.$500,000,000 3.125 per cent. guaranteed notes due 2018 (the "**2013 Notes**") which have been redeemed by the Issuer in 2018, the issue of the U.S.$500,000,000 6.0 per cent. senior guaranteed perpetual capital securities (the "**2018 Securities**") and the proposed issue of the Securities and the on-lending of the proceeds thereof to the Guarantor or any other subsidiaries of the Guarantor, and

(ii) the authorisation of documents and agreements entered into in connection with the issue of the 2013 Notes, the 2018 Securities and the proposed issue of the Securities referred to in this Offering Circular to which it is or will be a party.

The directors of the Issuer as at the date of this Offering Circular are Mr. Zhang Haipeng, Mr. Zhou Hancheng, and Mr. Guo Feng. Mr. Zhang Haipeng and Mr. Zhou Hancheng are also directors of the Guarantor.

The directors of the Issuer do not have any interest or short position in the shares, underlying shares or debentures of the Issuer.

Under Cayman Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

THE GROUP

INTRODUCTION

The Group is principally engaged in (i) major construction and engineering projects in Hong Kong and Macau, (ii) construction-related investments including affordable housing, roads and bridges, public facilities, other infrastructure and integrated urban development projects in over 70 cities in Mainland China, and (iii) the operation of infrastructure assets such as bridges, toll roads and other infrastructure facilities in Mainland China. The Group is also engaged in curtain wall, building works and operating management businesses through China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited, "**CSC Development**"). The Group has established a sound track record for its construction business in Hong Kong, Macau and Mainland China.

As a main contractor, the Group is involved in the day-to-day management and implementation of construction projects awarded to the Group. Normally, the Group delegates part of the construction works to subcontractors and coordinates with customers or consultants, subcontractors and suppliers when carrying out the construction. The Group maintains a vertically integrated business model by engaging in peripheral operations which complement its building construction and civil engineering operations, including through its subsidiaries in foundation works, site investigation, mechanical and electrical engineering works and pre-casting facilities, and through its associated companies in concrete production.

As an operator of infrastructure assets, the Group is involved in the management and operation of the assets. It is responsible for all related operating expenses, and is entitled to the revenue derived from the operation of the assets.

The Guarantor has received strong support from its controlling shareholders, CSCEC and CSCECL, which has fostered its long-term sustainable development. The Guarantor is an indirect subsidiary of CSCEC. See the sections headed "*China State Construction Engineering Corporation*" and "– *Ownership Structure*" for details. CSCEC is a PRC state-owned construction group. CSCECL, a subsidiary of CSCEC, is the world's largest construction and real estate conglomerate, one of the largest state-owned enterprises and a "core enterprise" under the direct administration of the PRC government.

The Guarantor is CSCECL's sole construction and engineering projects platform in Hong Kong and Macau, sole platform for the operation of infrastructure assets and flagship platform for infrastructure investments in Mainland China. The Guarantor has received direct support from its controlling shareholders in the form of co-investment in certain joint ventures as well as through share subscriptions, asset injections and introductions to assist the Guarantor to achieve its growth strategy. The Guarantor also benefits from integrated financing strategic plans and from the sharing of internal resources for engineering design and services and has employment or secondment arrangements with CSCECL. The Group's management expects to continue to benefit from having strong and reputable controlling shareholders in the future.

The Guarantor was incorporated on 25 March 2004 in the Cayman Islands and has been listed on the Hong Kong Stock Exchange since 2005 (stock code: 03311.HK). For the years ended 31 December 2018, 2019 and 2020, the Guarantor's consolidated revenue amounted to approximately HK$55.6 billion, HK$61.7 billion and HK$62.5 billion, respectively. For the same periods, the Guarantor's consolidated net profit amounted to approximately HK$4.6 billion, HK$5.7 billion and HK$6.5 billion, respectively. The Guarantor's subsidiary, CSC Development, is also listed on the Hong Kong Stock Exchange (stock code: 00830.HK).

The Group secured 126 new projects in 2020, with an aggregate attributable contract value of approximately HK$111.1 billion, of which the Hong Kong market accounted for approximately 24.4 per cent., Mainland China market accounted for approximately 59.0 per cent., the Macau market accounted for approximately 12.0 per cent. and CSC Development accounted for approximately 4.6 per cent.

As at 31 December 2020, the Guarantor had a market capitalisation of approximately HK$22.3 billion, which made it one of the largest Hong Kong/Macau/Mainland China focused building construction and infrastructure investment companies listed on the Hong Kong Stock Exchange in terms of market capitalisation as at such date. The Group's shares are a constituent stock of the Hang Seng Composite Index, the Hang Seng Corporate Sustainability Benchmark Index, Hang Seng ESG 50 Index, the MSCI China Index, the FTSE China Index and the FTSE4GOOD Emerging Markets Index. The Guarantor is rated Baa2 by Moody's Investors Service, BBB by Standard and Poor's Rating Services and BBB+ by Fitch Ratings Ltd.

CORPORATE STRUCTURE

The following chart indicates the operations of the Group in the various markets in which it conducts business activities:

Notes:

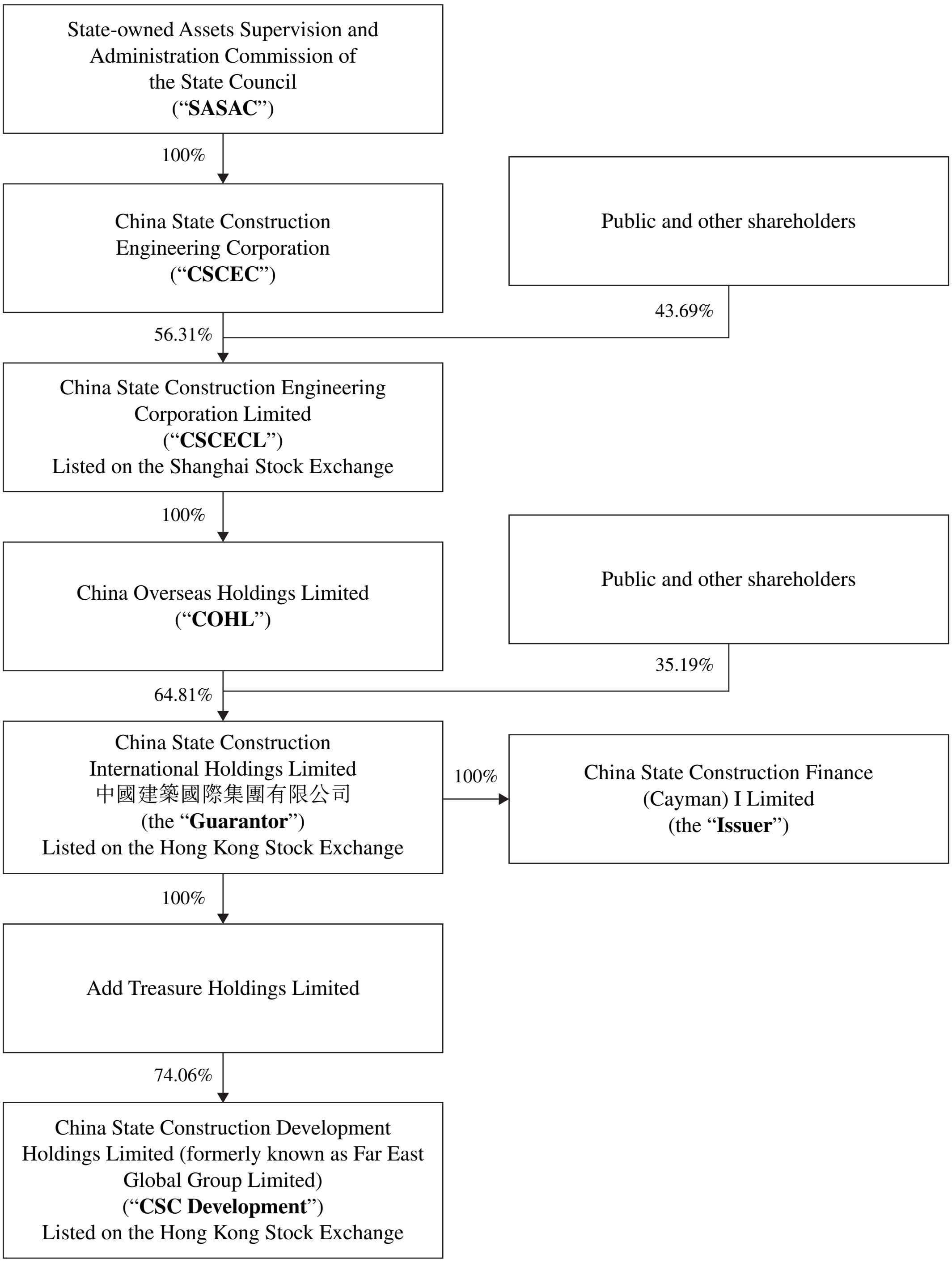
(1) Mainly includes (i) engineering construction of substructure and superstructure of building structural frames, (ii) external building envelopes constructed either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers, and (iii) the design of the theme of the buildings.

(2) Mainly includes (i) the design and/or construction of structures, infrastructure, airports, roads and railways, bridges and tunnels, (ii) utilities installations, (iii) geotechnical and underground works, (iv) marine works, (v) power stations, industrial plants, and refineries (all excluding major electrical and mechanical works), and (vi) public amenities and facilities with structural or aforementioned content.

(3) Operates through CSC Development, a 74.06 per cent.-owned subsidiary (as at the date of this Offering Circular) whose shares are listed on the Hong Kong Stock Exchange (stock code: 00830.HK).

OWNERSHIP STRUCTURE

The following chart indicates the ownership structure of the Group as at the date of this Offering Circular:



DEVELOPMENT MILESTONES

1979

China Overseas Building Development Co., Ltd., the former company of the Group, was incorporated in Hong Kong and commenced construction business in Hong Kong

1981

Obtained the five highest-grade construction licences – building construction works, port works, road and drainage works, water works and site formation

1983

Participated in the first batch of the "Private Sector Participation Scheme" and successfully won the contract to construct Tai Wai Holford Garden

1984

Entered the real estate industry

1987

Won three contracts in a row – (i) the land formation and drainage of Tin Shui Wai development, (ii) Tsui Ping Estate Phase IV, and (iii) Siu Sai Wan Estate Phase II. The annual business turnover exceeded other contractors in Hong Kong

1988 – 1992

Awarded "Best Contractor of the Year" by Hong Kong Housing Authority for four consecutive years, becoming the only overseas contractor to receive this honour

1992

China Overseas Land & Investment Limited ("**COLI**") listed on the Hong Kong Stock Exchange

1995

Won the contract for the construction of the Hong Kong International Airport Passenger Terminal Building

1996

Granted the design and construction contract for the Hong Kong Heritage Museum and the Sheung Shui slaughter house. The latter being Asia's most advanced and largest slaughterhouse that ranked top globally in terms of its advanced equipment and high technology requirement

1997 – 1998

The construction business maintained stable growth during the asian financial crisis

2003

Awarded three major projects within Hong Kong Disneyland, namely Fantasyland, Space World and the Disneyland Hotel

2005

Spun off from COLI to conduct construction and infrastructure business independently, and listed via an introduction on the Hong Kong Stock Exchange

2006

Entered the Macau market via the acquisition of China Construction Engineering (Macau) Company Limited

2007

Acquired Shenzhen China Overseas Construction Limited from the parent companies to expand into Mainland China

Acquired Shenyang Huanggu Thermal Power Company Limited, an infrastructure operation project generating stable cash flows from COLI to enter into infrastructure investment business in Mainland China

2009

Joined up with its parent companies to develop the infrastructure market in Mainland China

The Board was awarded Directors of the Year Awards 2009 in the category of Listed Company: Board of Directors

2010

Successfully extended the affordable housing market in China – developed projects such as Tianjin Junliang City and Jinzhong Street

Acquired Nanjing No. 2 Yangtze River Bridge and Yangyu Highway with stable cash flow generation

Became a constituent stock of the Hang Seng Composite Index

2011

Became a constituent stock of the MSCI China Index

2012

Acquired CSC Development (under its former name "**Far East Global Group Limited**")

Won the bids for the construction of the Hong Kong-Zhuhai-Macau Bridge, Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities

Became a constituent stock of the Hang Seng Sustainability Index

2013

Received investment grade ratings from S&P, Moody's and Fitch respectively and successfully issued guaranteed notes in the amount of U.S.$500.0 million

2014

Awarded MGM Cotai project in Macau

Expanded the operations of infrastructure investment business, such as affordable housing and other infrastructure projects in Mainland China

2015

Expanded business with PPP model in Mainland China

2016

Acquired China Overseas Building in Hong Kong

Credit rating upgraded by Fitch

Won contract of Tseung Kwan O – Lam Tin Tunnel Project

Awarded "Excellence in Responding to Climate Change Enterprise Award" by CDP

2017

Became a constituent of the FTSE4Good Index Series after fulfilling independent assessment from FTSE Russell

Successfully issued guaranteed notes in the amount of U.S.$800.0 million

2018

Honoured as one of the "Best Listed Companies in Asia" by the Institutional Investor magazine

Successfully issued senior guaranteed perpetual capital securities in the amount of U.S.$500.0 million

2019

Successfully issued first asset securitisation transaction in the amount of U.S.$500.0 million

Rated "AAA", the highest credit rating, by China Chengxin Security Rating Co., Ltd., United Credit Ratings Co., Ltd., China Lianhe Credit Rating Co., Ltd. and China Chengxin International Credit Rating Co., Ltd.

2020

Awarded 11 ISA International Safety Awards and the NEC International Contractor Award

Successfully issued panda corporate bonds in the amount of RMB2 million

COMPETITIVE STRENGTHS

The Group's competitive strengths include the following:

The Group is a leading construction and infrastructure investment platform backed by reputable state-owned shareholders.

The Group has received strong support from its controlling shareholders, CSCEC and CSCECL, which has fostered its long-term sustainable development. The Guarantor is an indirect subsidiary of CSCEC. See "*China State Construction Engineering Corporation*" and "*– Ownership Structure*". CSCEC is a PRC state-owned construction group; CSCECL, a subsidiary of CSCEC, is the world's largest construction contractor, one of the largest state-owned enterprises and a "core enterprise" under the direct administration of the PRC government. The Guarantor is CSCECL's sole construction and engineering project platform in Hong Kong and Macau, sole platform for the operation of infrastructure assets and flagship platform for infrastructure investments in Mainland China. The Group has received substantial direct support from its controlling shareholders in the form of co-investment in certain joint ventures as well as through share subscriptions, asset injections and financial support to assist the Group to achieve its growth strategy. With the support from its strong and reputable shareholders, the Group has established a fully integrated industry chain of investment, construction, operation and related services and has evolved into a leading construction and infrastructure investment platform in Hong Kong, Macau and Mainland China since its commencement of operations in Hong Kong 40 years ago. The Group expects that it will continue to benefit from the strong support from its reputable state-owned shareholders for its future development.

The Group benefits from its foreign company status and state-owned background and enjoys unparalleled advantages in both overseas and domestic markets.

As the sole construction and engineering project platform in Hong Kong and Macau of CSCEC, the Group has become one of the major construction business operators in Hong Kong and Macau, and has completed hundreds of construction projects in these regions. For the years ended 31 December 2018, 2019 and 2020, the Group was awarded new contracts with a value of HK$26.3 billion, HK$38.1 billion and HK$27.1 billion respectively in Hong Kong, and of HK$7.1 billion, HK$12.0 billion and HK$13.3 billion in Macau for the same periods respectively. With respect to the PRC market, the Group is the flagship platform for infrastructure investments of CSCECL and enjoys a wide access to government projects by leveraging on CSCEC's state-owned background and its extensive understanding of local market and policies. The investments by the Group in Mainland China are considered foreign direct investments and are welcomed by local governments through the offering of favourable policies and preferential tax treatments to such investments. Benefiting from its unique market position as a foreign company with state-owned background, the Group is presented with vigorous development opportunities in both overseas and domestic markets.

The Group is well positioned to seize the opportunities in Greater Bay Area by consolidating its leading position in the construction and infrastructure markets in Hong Kong and Macau and robust operations in Mainland China.

The Group has established leading market position in Hong Kong and Macau. The Hong Kong government has been increasing expenditure on construction and infrastructure projects over the past few years to facilitate economic growth and to strengthen connections with Mainland China. The Group has successfully completed various landmark projects in Hong Kong including Hong Kong Disneyland, Hong Kong International Airport, Hong Kong-Zhuhai-Macau Bridge Hong Kong Link Road, Hong Kong Children's Hospital, Central-Wanchai Bypass-Tunnel (West Section in Wanchai), The Chinese University of Hong Kong Medical Centre and the widening of Fanling Highway (Tai Hang to Wo Hop Shek Interchange). In Macau, the casino-and-hotel-related construction sector continues to provide numerous opportunities for the Group. The Group has completed a number of high profile projects such as the Studio Macau City Hotel, Nova City (Phase 5) and MGM Cotai in Macau.

The Group has also formed a strong presence in Mainland China. The Group is engaged in infrastructure investments including affordable housing, roads and bridges, public facilities and other infrastructure projects in over 70 cities in Mainland China, and is engaged in the operation of a high-quality portfolio of infrastructure assets. In Mainland China, rapid urbanisation has increased the need for more infrastructure, and the development of government-backed infrastructure projects, such as affordable housing and integrated underground corridors, is a priority for the PRC central and local governments.

With respect to the infrastructure projects in Mainland China, the Group has accumulated valuable experience in PPP projects, and have been strategically focusing on other quality infrastructure and construction projects operated under different business models, especially those with shorter investment cycle and faster turnover. The Group has, for example, invested in several affordable housing projects under the government targeted repurchase ("**GTR**") business model. Under the GTR business model, the Group participates in land bidding and is responsible for the design, investment and construction of a project, while the government undertakes to purchase all properties after completion. Compared to PPP business model, the GTR model typically involves shorter investment cycle ranging from four to five years and the Group is able to realise certain cash flow during the construction period, thereby accelerating its assets turnover and strengthening cash flow. Meanwhile, as local government special bonds have been released nationwide to support infrastructure development and related investment, a number of the Group's projects in Mainland China have benefited from the relatively secured and stable returns and funding of such special bonds.

In light of the Group's robust operations in Hong Kong, Macau and Mainland China, it is well positioned to fit in the macro-development schemes of the nation, in particular the development plan for the Guangdong-Hong Kong-Macau Greater Bay Area. With a population of over 72 million and a total GDP of approximately U.S.$1.68 trillion (similar to that of Russia and slightly larger than Australia) in 2019, the Greater Bay Area unveils great opportunities for infrastructure and construction development. The Group is one of the first contractors entering the Greater Bay Area and the largest contractor with extensive business coverage and long-term resource sharing networks in the area. The Group is confident that the Greater Bay Area initiative will bring forth ample development opportunities to the Group.

The Group has developed advanced construction technologies with a view to enhancing operational efficiency and achieving sustainability.

In view of the increasing awareness on climate change, environmental impact and safety requirement of construction and operation activities, the Group has been promoting construction technology throughout its development with an aim to reduce environmental impact, improve operational efficiency, minimise safety hazards and achieve sustainability. To this end, the Group has developed six core technologies, including 1) advanced technology for prefabricated construction, 2) critical technology for design, construction and operation of large sewage treatment plants, 3) whole-set technology for tunnel crossings and immersed tube tunnel, 4) construction technology for large international modern hotels, 5) construction technology in line with international standards for hospitals, and 6) construction technology for special-shaped curtain walls based on building information modelling. When forming its development strategies, the Group closely monitors the latest international trends on construction technology development and strives to follow the best industry practice and adopt avant-garde technologies. It also promotes green building and prefabricated building by strengthening carbon management capabilities in operations with a view to reduce carbon emissions of buildings. In particular, the Group applies green management principles for construction planning and has actively adopted technologically innovative measures and green practices, including the Modular Integrated Construction (MiC) and Design For Manufacture and Assembly (DfMA), to reduce its carbon footprint. The Group also records and monitors data from its business activities to assess its greenhouse gases emissions, and such data are disclosed by region and nature of business to provide a comprehensive view of the Group's carbon footprint. In 2020, the Group engaged an external consultant to conduct carbon audits in accordance with international standards, with the aim to further improve the accuracy of the relevant data. The Group will continue to develop technologies aiming at reducing ecological footprint, enhancing safety and efficiency, and achieving sustainability. The Group believes that such strategy will continue to benefit the Group in its development and enhance its market competitiveness in the long term.

The Group benefits from an experienced management team and seasoned professionals.

The Group's management team has extensive industry knowledge and project management experience in investment, building construction, civil engineering works as well as other peripheral operations. Many members of the Group's management team have working experience in multiple jurisdictions including Mainland China, Hong Kong and Macau. The Group has formed a stable and highly dedicated management team comprising seasoned professionals over years of solid operations, and believes that its experienced and dedicated management team has been instrumental to the growth of the Group's business. The Group stresses and implements an effective stock incentive programme with clearly defined project performance and reward mechanism, so as to motivate the employees to the maximum extent, highly align an individual with the Group's overall interests, and push ahead steady and sustainable business growth.

The Group has prudent capital management and diversified financing channels.

Adhering to its prudent capital management principle, the Group endeavours to accelerate its assets turnover and efficiently arrange its financial resources to reduce financing costs and strengthen capital management. Leveraging on its state-owned background and its overseas operations, the Group is able to obtain funding from a wide range of financing channels, both onshore and offshore, at a lower cost compared to its competitors. The Group has a healthy mix of bank and other borrowings in terms of maturity profiles, which eases the Group from short-term repayment pressure. In terms of exchange rate risk management, the Group has been actively mitigating the effect of the exposure from exchange rate fluctuations by strategically adjusting the proportion of its Renminbi borrowings to create a natural hedge against its increasing Renminbi revenue generated from its growing operations in Mainland China. As at 31 December 2020, the Group had bank balance of approximately HK$22.5 billion and total bank and other borrowings of approximately HK$45.2 billion. As at 31 December 2020, the Group's unutilised banking facilities amounted to approximately HK$46.0 billion, which enabled the Group to meet the needs of its business development.

Moreover, in line with its prudent capital management approach, the Group has enhanced its cash collection on construction and investment projects, particularly in Mainland China, which resulted in better-than-expected collection amount during the year ended 31 December 2020. The Group's prudent capital management and its strong financing capability enable it to gain adequate funding to support its business expansion and satisfy its funding needs.

BUSINESS STRATEGIES

The Group's key business strategies are as follows:

The Group plans to continue to achieve quality growth in scale.

The Group aims to continuously increase revenue contributions from Hong Kong and Macau markets by leveraging on its market leading position in construction and infrastructure operations, and maintain reasonable growth in Mainland China with a focus on further enhancing operational efficiency and model innovation. The Group will continue to actively look for ways to lower its cost and to enhance the quality of project management and implementation through development of new construction techniques and methodologies. On the other hand, the Group will continue to be selective in undertaking projects, especially in Mainland China, and will focus on projects with shorter investment cycle and faster turnover. The Group will continue to explore quality projects structured under business models that the Group considers to fit in its business development and financial strategies with a view to continuously accelerating its assets turnover and strengthening its cashflow.

The Group intends to seize unprecedented opportunities under the Greater Bay Area initiative.

Leveraging on the strong presence of the Group's construction and infrastructure investment businesses in Hong Kong, Macau and Mainland China, the Group intends to seize unprecedented opportunities under the Greater Bay Area initiative and further expand its business scale. The Group intends to increase its market share by leveraging on the Groups advantages in engineering technology, management, and market position in Hong Kong and Macau as well as its ongoing involvement in major construction projects in the region, and actively promote the continuous implementation of the models used In Hong Kong and Macau and the pilot projects in the Greater Bay Area. The Group will strive to pursue more business opportunities including large-scale and cross-region projects in the Greater Bay Area, especially Guangdong Province, and further reinforce regional links and synergies.

The Group will continue to drive business momentum underpinned by technological innovation.

To maintain its leading market position and competitiveness, the Group will continue to drive business momentum underpinned by technological breakthroughs. The Group will continue to invest in the research and development of construction science and technology and actively promote the commercialisation of its development results across its six core technology system. The Group will continue to focus its research and development activities on reducing adverse impact on environment, improving operational efficiency, minimising safety hazards and achieving sustainability. In particular, the Group will focus on the development of building information modelling, modular integrated construction, smart work sites and e-commerce platforms for construction materials. In addition, the government of Mainland China has been encouraging technological innovation in the recent years, through introduction of preferential tax treatment and favourable policies, as well as grant of financial subsidies, and most recently, the plan to further develop a modern infrastructure system as set forth in the 14th Five Year Plan. The Group believes that its continuing research and development will benefit from these favourable policies and will actively seek to take advantage of the favourable policies that are available to it from time to time.

The Group plans to leverage on the Belt and Road Initiative to explore overseas markets.

In addition to consolidation and expansion in existing markets, the Group will actively respond to the PRC government's Belt and Road Initiative and explore business opportunities in new markets such as North America and Portugal in a steady and prudent manner. The Group will continue to build up its resources in its target markets by leveraging on its advantages derived from the abundant experience, talents and capability accumulated through its long-term operation in its existing markets. Before commencement of any operations in a new overseas market, the Group will carry out extensive research on local policies and regulations and focus on talent nurturing and localised management. The Group will carry out overseas business prudently in accordance with the principle of "high turnover, light assets, controllable risks and moderate revenue".

THE GROUP'S BUSINESS OPERATIONS

The Group's business operations primarily include the following:

Project Appraisal and Tendering

Bidding

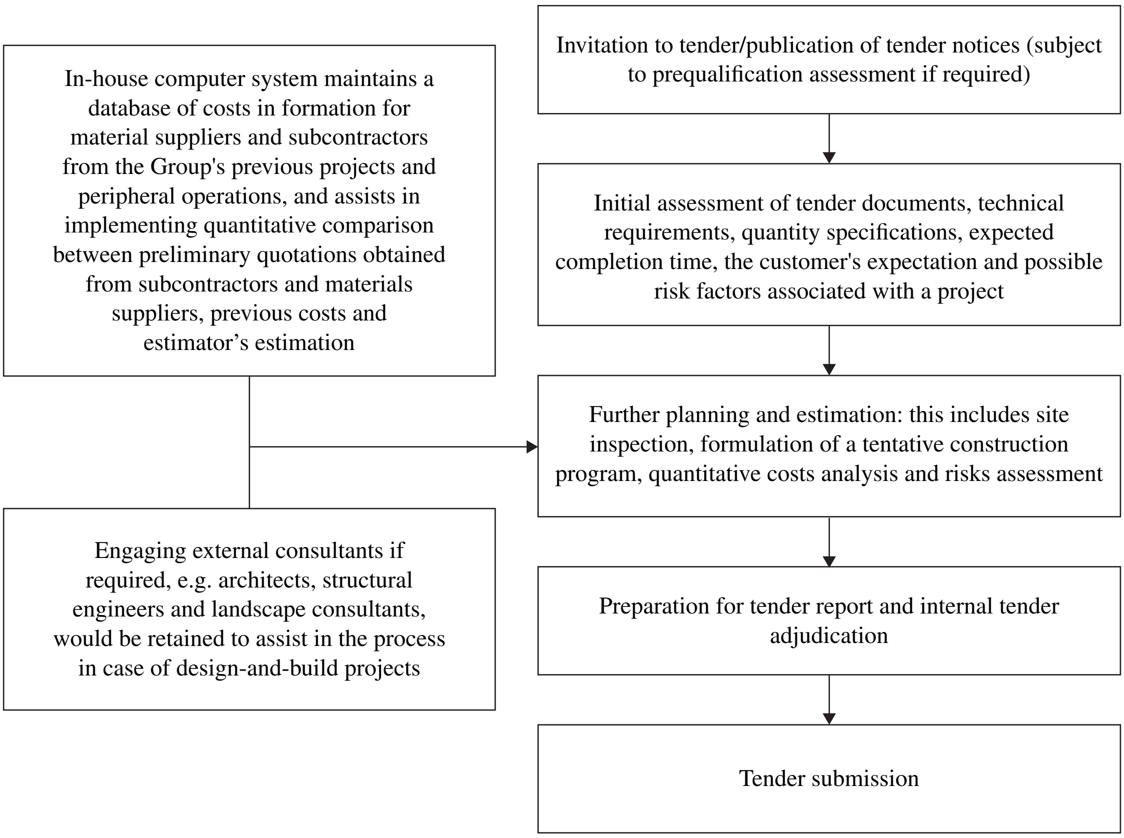
The Group maintains a systematic tender review procedure to price its tenders. The Group believes that its ability to maintain a systematic tender review procedure is important because almost all of its businesses are secured through competitive tendering. The tender review procedure allows the Group to budget for a project efficiently and accurately and so that the Group may price its tender proposal competitively.

Pre-qualification

For construction projects for customers in the private sector and institutional bodies, customers normally invite construction companies to express their interest to tender. For government construction projects, tender notices are published. For projects requiring particular expertise on the part of the main contractor or for large-scale projects, the relevant government, and occasionally customers in the private sector and institutional bodies, would typically require the Group to make a prequalification submission in order to assess its eligibility to tender. Different factors may be considered by the customers in the assessment, including the tender's company organisation and resources, past experience, proposed human resources for the project, proposals for undertaking the project, and safety and environmental protection track records and others.

Tender review process

Once the Group receives the tender documents, the Group will review them in order to assess the feasibility of a project, and decide the contents and price of the tender proposal. The procedures generally are as follows:

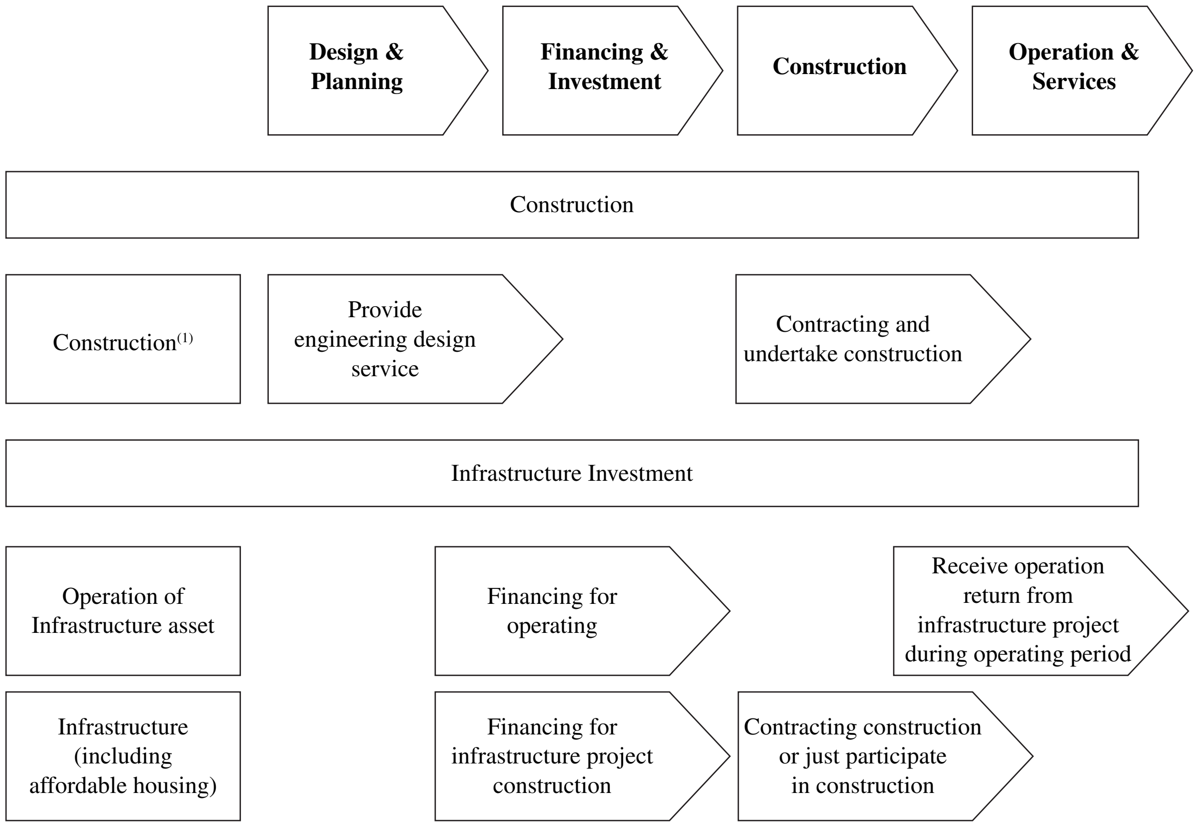


The time this tender review process takes varies from case to case, and depends on the specific tender requirements of a project. Generally, it takes about four to six weeks from the receipt of the tender documents to the submission of the tender proposal. For design-and-build projects, the process normally takes about eight weeks and may involve external consultants to assist in the process, for example, architects, structural engineers, building services engineers and landscape consultants.

Where the tender is for a fixed-price contract, the Group endeavours to include price adjustment terms to address the risks arising from inflation and raw material price increases and to enter into corresponding fixed-price contracts with its subcontractors.

Construction and Infrastructure Investment

The flowchart below illustrates the four steps in relation to the life cycle of the Group's construction and infrastructure projects:



Note:

(1) Construction business includes CSC Development's curtain wall business.

Design and planning

The Group engages professional design companies to design the project and supervise the execution of the design. Depending on size of the projects, professional design companies may be selected through a tendering process in accordance with applicable laws and regulations. When selecting professional design companies, the Group takes into consideration factors such as the reputation and track record of the design company, the timeframe and quality requirements for the project, and the price and design plan proposed by the design company. The Group periodically monitors and inspects design works during relevant construction term.

Financing

Construction projects in Hong Kong and Macau

In the construction phase, progress payment is made by owner on a regular basis with reference to the value of work done; similarly, the Group will pay its subcontractors on a regular basis with reference to the value of work done. The owner will withhold from the Group, and the Group will withhold from its subcontractors, a certain portion of each periodic payment as a retention. The Group releases part of the retention money to subcontractors after project completion. The balance of the retention will be released by the owner to the Group and by the Group to subcontractors, after the expiration of the warranty period.

Construction projects in Mainland China under PPP and other models

PPP refers to a construction project management and financing model in which the government cooperates with one or more private sector entities with respect to project management, financing and operation. The PPP model has been widely adopted by the PRC government in its infrastructure investment market.

There are primarily three types of project financing mechanism for PPP projects in Mainland China: (i) payment made by the government; (ii) payment made by end-users; and (iii) viability gap funding ("**VGF**"). These three types of financing mechanisms apply to different types of PPP projects. In recent years, central government in Mainland China has started to strengthen supervision over infrastructure investment, especially projects constructed under PPP model. MOF has commenced a nationwide audit of PPP project database since November 2017. Meanwhile, financial institutions have also tightened their lending policy towards PPP projects.

Payment made by the government refers to the inclusion of government spending on the relevant PPP projects in the annual budget. The government's amount of funding in its annual budget takes into consideration various factors including the number, scale and payment schedules of major infrastructure projects during the year. Under this mechanism, the project proposal generally includes direct payment or subsidy payment schedules. The government will consider its fiscal capacity when reviewing the project proposal before it decides to adopt the PPP model.

Payment made by end-users refers to end-user charges for public transportation facilities such as roads, bridges, subways and other public infrastructure projects for water and heat supply. Under this mechanism, the price administration bureau will review and approve the proposed end-user charge. A price adjustment clause will also be included in the contract pursuant to relevant NDRC and MOF guidelines for PPP projects. Price adjustments will be made according to the clause and upon a public hearing.

VGF refers to the economic subsidies that the government provides to a private sector entity for the difference in the private sector entity's expected return on investment and the actual end-user charges. VGF takes various forms such as investment subsidies, equity investment, concession loans, grant of other developing and/or operating rights and interests related to concession projects. In some of the PPP projects under this VGF mechanism, the government may also make partial payments to the private sector entity during the concession period. Under this mechanism, the project proposal generally includes direct payments or subsidy payment schedules. The government will consider its fiscal capacity when reviewing the project proposal before it decides to adopt the PPP model.

As part of its effort to continuously enhance turnover and financial position, the Group has been strategically focusing on construction projects operated under different business models in China in recent years. One of the non-PPP models the Group has been exploring is the GTR. Under GTR business model, the Group participates in land bidding and is responsible for the design, investment and construction of a project, while the government undertakes to purchase all properties developed in the project after completion. Compared with PPP business model which tends to have longer project cycle and slower payback schedule, the GTR model typically involves shorter investment cycle ranging from four to five years and the Group is able to realise certain cash flow earlier during the construction period, thereby enhancing its turnover and cash flow position. The Group has undertaken certain affordable housing projects in Zhejiang and Fujian Provinces under the GTR model. Meanwhile, local governments in Mainland China are allowed to issue special bonds and use the proceeds to support infrastructure development. A number of the Group's projects on hand have benefited from the funding provided by local governments through the issue of special bonds and realised better cashflow and turnover. The Group will continue to be selective in undertaking construction projects in Mainland China, focusing on quality projects developed under innovative business models with high investment turnover rate.

Procurement and subcontracting

The implementation process includes devising detailed construction plans, procuring materials, delegating construction works to subcontractors, coordinating with customers or its consultants and with its subcontractors and suppliers and taking charge of the overall management of these works.

Once a contract is awarded to the Group, the Group will assign its project team, which is led by a project manager, for on-site supervision and overall coordination of the day-to-day operation of the project. An initial project meeting will be convened to discuss the implementation of the project. A works programme detailing the sequence, method and timing to carry out the construction, and the lists of materials and subcontractors required, will then be devised to ensure the timely completion of the project.

The Group's procurement department sources materials and allocates construction resources for all its projects, undertakes procurement of construction equipment, and aligns demands for each project. This centralised procurement and resources allocation system enables the Group to make bulk purchases in order to achieve cost savings, and to coordinate the allocation of its existing resources amongst different construction sites in order to maximise the utilisation of resources.

The Group's major purchases are concrete and steel. Pre-casting structures are sourced from manufacturers in the PRC. Generally, the Group pays its suppliers 30 to 60 days after delivery. The Group maintains a good working relationship with its suppliers and does not foresee any difficulties in sourcing materials in the future.

The Group keeps an approved list of its suppliers. The Group assesses their overall performances, including quality of suppliers, safety standards, environmental standards and timeliness of delivery, on an annual basis. Generally, the Group selects its suppliers from the approved list based on their prices, past performances, and their capacity through a competitive tendering process. The Group implements regular assessments of its suppliers during the course of a project to ensure the quality of their works.

It is common industry practice for the main contractor to delegate parts of the construction works to subcontractors. Different subcontractors may undertake different types of construction works, from general construction works, for example painting works, to specialised works, for example the prestress system.

Construction and engineering projects are labour-intensive. Given the variety of works the Group undertakes, the Group may involve technical staff and labour in a wide variety of specialised skills. With the use of subcontractors, the Group can undertake labour-intensive works as well as works involving specified construction skills through a significant pool of workers and technical staff in a wide variety of specific skills without the need for keeping them under permanent employment.

The Group maintains good and long-standing working relationships with its subcontractors. Some of its subcontractors have been working with the Group for more than 10 years. Long-standing relationships with its subcontractors enable the Group to have a comprehensive assessment of its subcontractors over the years, ensuring the quality of works in the long run. The Group does not foresee any difficulties in finding substitute subcontractors if necessary.

The Group keeps an approved list of subcontractors. The Group assesses their overall performances, including quality of works, safety standards, environment standards and timeless of delivery, on an annual basis. Generally, the Group selects its subcontractors from the approved list based on their prices, past performances, and their capacity through a competitive tendering process. The Group implements regular assessments of its subcontractors during the course of a project to ensure quality of their works.

The Group is committed to prohibiting the recruitment of illegal workers on its construction sites. The Group supervises its subcontractors closely and requires workers recruited by subcontractors to register their particulars at its construction site office. The Group also uses an electronic-pass entry system to screen the identity of workers entering the construction site.

Project management

The Group implements a "5+3" project management model (i.e. coordinated management of the five key aspects of each project (safety, environmental protection, quality, progress and cost) and the three systems of assurance (flow assurance system, process assurance system, responsibility assurance system)) with respect to its management of projects.

The Group's customers normally require a warranty period, during which the Group is responsible for rectifying construction defects. The warranty period ranges from 12 months to 24 months, depending on the nature and the scale of the project. Normally, the Group would require a back-to-back warranty period from the subcontractors.

Under the usual terms of the construction contracts, the Group is responsible for rectifying all defective works during the warranty period, if there are any. Management regularly reviews the defective works identified. If necessary, additional costs for repairs and maintenance are provided for in the financial statements.

Settlement and payment collection

Progress payment and retention money in relation to construction business

The Group normally receives progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done. Generally, the authorised person, for example, the architects or quantity surveyors employed by the customers, would issue a progress certificate certifying the work progress in the preceding month. It normally takes two to four weeks for such certificates to be issued. The customers then effect payment with reference to such certificates. Payments are generally made within 30 days after the issue of the progress certificate.

It is a normal contractual term for the customers to require retention money to be held up from the progress payment. The retention money for each project ranges from one per cent. to ten per cent. of the total contract sum, and is released to the Group upon expiry of the warranty period, subject to the customer's satisfaction with the work.

Similarly, the Group normally pays its subcontractors on a monthly basis with reference to the value of the work done and, if the main contract adopts milestone payment, the Group will, to the extent practicable, seek payment terms for subcontractors on similar basis. Each of the subcontractors is required to submit a request for payment to the Group by the end of each month. Once the Group has verified the subcontractor's request against the actual work done, as certified by the customers, it will release the relevant portion of the subcontracting amounts but hold retention money. Payments are generally made within 30 days after the subcontractor's request. The retention money from subcontractors ranges from one per cent. to ten per cent. of the total subcontract sum. Subject to the customer's satisfaction with the work, half of the money retained by the Group will be released upon completion of the project to the subcontractor and the remaining balance upon expiry of the warranty period.

Performance bonds/liquidated damages in relation to construction business

In order to secure due and timely performance of the main contractor, it is normal for customers to request the main contractor to take out performance bonds issued by a bank or an insurance company in favour of the customers, and to include a liquidated damages clause in relation to the main contractor's delayed completion of works. China Overseas Insurance Limited, a subsidiary of the Guarantor, authorised to carry on insurance business, also provides performance bonds in relation to the Group's projects in the ordinary course of its business.

Generally, the amount of performance bonds required for each project would not exceed ten per cent. of the total contract sum and the performance bonds normally expire after completion of the project.

Accounts receivable management in relation to PPP projects

In relation to certain infrastructure projects under the PPP model in Mainland China, the Group retains trade and other receivables, most of which are secured by certain assets from customers as collateral and interest-bearing in accordance with the relevant contractual terms of the PPP projects.

Operation of infrastructure assets

In addition to its own management, the Group also engages professional management teams to operate its infrastructure assets during the concession period.

SALES AND MARKETING

Private sector customers usually invite potential tenderers to tender for projects. For government construction projects, tender notices are published. The Group closely monitors forecasts for government works and tender notices.

The Group maintains good relationships with its customers, and has regular contact with customers, architects and other consultants in the construction and infrastructure industry to keep abreast of market developments and potential business opportunities.

The Group also utilises the comprehensive network of relationships of its controlling shareholders and their brand recognition to source projects.

COMPETITION

The Group considers all of the approved construction companies actively operating in Hong Kong, Macau and Mainland China as competitors in building construction and as competitors for civil engineering works.

The Group has been able to withstand the intense competition in the past few years and maintain a steady growth in its business because of its competitive strengths.

EMPLOYEES

As at 31 December 2020, the Group had 13,615 employees globally, 5,878 of whom were based in Hong Kong and Macau, 7,420in the PRC and 317 working overseas. As at the date of this Offering Circular, none of the Group's employees are members of a trade union, and the Group has not experienced any material strikes or other disruptions due to labour disputes. The Group's management believes that the Group maintains good relationships with its employees.

The Group has established training and development programs for its employees and provides a wide range of such programs for them. In addition to providing internal courses, the Group also engages outside professionals and consultants to organise seminars and training courses to equip its employees with new knowledge in the industry. The Group also sponsors its employees to attend external training programs organised by local and overseas institutions to acquire advanced knowledge and skills.

INFORMATION TECHNOLOGY AND CONSTRUCTION TECHNOLOGY

The Group's in-house computer system is specially developed for its business, and is widely used in various aspects of its operations including tendering, project costing, human resources management, procurement of materials and financial management. The Group is in the course of building a uniform information management platform to facilitate information sharing between its offices and various construction sites. It also develops construction management system in-house.

The Group is committed to the continual improvement to its existing construction techniques and methodologies, including the adoption of new techniques and methodologies in prefabrication, mechanical construction and green construction. The Group attaches great importance to climate change, environmental protection operational efficiency and work safety requirements while closely monitoring the latest international trends on construction technology development. The Group integrates environmental protection and building industrialisation initiatives into its development strategy, and promotes green building and prefabricated building by strengthening carbon management capabilities in operations. The Group intends to continuously develop technologies which help reduce environmental impact and achieve sustainable operation. With continual search and development of construction techniques and methodologies, the Group continues to pursue productivity and quality of works and promote safety and environmental performance, with a view to achieving long-term cost savings and sustainability.

ENVIRONMENTAL MATTERS

The Group is subject to stringent environmental laws and regulations as well as environmental regulations promulgated by government authorities in the jurisdictions in which it operates. These include regulations on air pollution, noise emissions and water and waste discharge.

The Group believes that successful environmental management is important for the Group to meet customers' demands with respect to environmental protection and to ensure the healthy growth and development of its business. The Group is committed to reducing the level of environmental pollution, reducing construction wastes and minimising consumption of natural resources.

The Group also requires its subcontractors to comply with its environmental protection policy. In particular, the Group holds regular meetings with the subcontractors to discuss environment-related issues during the course of a project. Furthermore, the Group organises regular promotional activities to enhance awareness of environmental protection and to promote conservation of resources amongst its staff and subcontractors. The Group also encourages its staff to devise construction methods to conserve energy and resources, with a view to achieving long-term cost savings.

Each project undertaken by the Group must undergo an environmental assessment, and an environmental impact study report needs to be submitted to the relevant government authorities before approval for commencement of construction is granted. At the completion of each project, the relevant government authorities will also perform a site inspection to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record.

The Group's management believes that the Group is in compliance in all material respects with applicable environmental regulations in the jurisdictions in which the Group operates as at the date of this Offering Circular.

WORKPLACE SAFETY

The Group has in place stringent internal workplace safety policies to ensure its safe operations and compliance with relevant rules and regulations. The Group is committed to providing a safe and healthy working environment for the benefit of its staff, subcontractors and the general public. The Group believes that its corporate image as a quality construction and infrastructure company is enhanced by its commitment to safety. The Group reviews its safety and health policy every year and lays down annual safety targets in terms of accident rates.

The Group also requires its subcontractors to comply with its safety policies. In particular, the Group holds regular meetings with the subcontractors to discuss safety issues during the course of a project. The Group organises regular promotional activities in order to develop a safety culture on site.

The Group's operations are subject to inspections by government authorities with regard to various safety issues. The Group's management believes that the Group is in compliance in all material respects with applicable governmental regulations in the jurisdictions in which the Group operates as at the date of this Offering Circular.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Group is not aware of the Guarantor or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material adverse effect on the business or financial position of the Group or the Guarantor, and no material litigation or claim is known by the Group to be pending or threatened against the Guarantor or any of its subsidiaries or the Group. The Group is not aware of any governmental proceedings or investigations to which it or any member of the Group is or might become a party and which may have a material adverse effect on its projects and operations.

INSURANCE

The Group purchases and maintains insurance policies in accordance with the needs of its business and as required under the relevant laws and regulations. The Group maintains insurance coverage on substantially all of its projects as a contractor in respect of construction, third-party liabilities and employer's liabilities. Certain types of losses, however, such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters, are not covered. This practice is consistent with what the Group's management believes to be the industry practice in the jurisdictions in which it operates.

RECENT DEVELOPMENTS

Financial Performance

The Group has announced certain operating information from 1 January 2021 to 31 March 2021 as follows. The Group's unaudited group revenue, share of revenue of joint ventures and aggregated amount of unaudited operating profit and share of profits of joint ventures for the three months ended 31 March 2021 increased as compared to the same period in 2020. The Group recorded an accumulated new contract value of approximately HK$30.7 billion in the three months ended 31 March 2021. As at 31 March 2021, the Group's backlog contract value was approximately HK$264.8 billion.

Major new contracts awarded from January to March 2021 include:

– GEG's Cotai Phase Phase 4 Project in Macau. The attributable contract value of the Group is about HK$12.6 billion.

– Public Housing Development Phase 1 and 2 Project at Ching Hong Road North, Tsing Yi, Hong Kong. The attributable contract value of the Group is about HK$1.3 billion.

– Government Targeted Repurchase of Resettlement Housing Project in Cangzhou Economic Development Zone, Hebei Province. The attributable contract value of the Group is about HK$1.1 billion.

CSC Development, a subsidiary of the Guarantor, focuses on the curtain wall, building works and operating management businesses. It secured new contracts with a total value of approximately HK$2.5 billion for the three months ended 31 March 2021, representing an approximately fourfold period-on-period increase as compared with the same period last year. In recent years, the Group has been restructuring and streamlining its business by transferring certain assets operation/management companies from the Guarantor to CSC Development and its subsidiaries (the "**CSC Development Group**"). On 7 January 2019, the CSC Development Group acquired 100 per cent. equity interests in two indirect wholly-owned subsidiaries of the Guarantor, which in turn hold majority equity interests in certain joint venture companies owning the management and toll-collection rights for the Nan Chang Zhong Hai Xin Ba Yi Bridge and the Nan Chang Bridge. On 31 December 2019, CSC Development acquired 100 per cent. of the registered capital of a PRC company principally engaged in production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, Liaoning Province, from a direct wholly-owned subsidiary of the Guarantor.

The COVID-19 pandemic

The COVID-19 pandemic that began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including Mainland China, Hong Kong and Macau. The PRC government has taken various measures to prevent and control the COVID-19 situation since early 2020. Subsequently, with the pandemic gradually under control, infrastructure investment continued to rebound and China achieved an annual economic growth of 2.3 per cent. in 2020. On the other hand, the outbreak of the pandemic in Hong Kong is volatile and the economy is exposed to further recession risk. The tourism and gambling industries in Macau were also impacted by COVID-19. Meanwhile, the Group has also implemented strict pandemic prevention and controlling measures in its operations in the first half of 2020, which have effectively mitigated the negative impacts arising from the COVID-19 pandemic. The Group achieved higher accumulated new contract value during the first quarter of 2021 as compared to the corresponding period in 2020.

It is difficult to predict how long the adverse impact of COVID-19 will persist and the extent to which the Group may be affected. It cannot be assured that the Group's business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors – Risks Relating to the Business of the Group – Adverse weather conditions, natural disasters, epidemics and acts of God could adversely affect the Group's business, financial condition, results of operations and prospects".

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

As at 31 December 2020, the members of the Board of Directors of the Guarantor are as follows:

Name	Title
Chairman and Non-executive Director	
Yan Jianguo	Chairman and Non-executive Director
Executive Directors	
Zhang Haipeng	Chief Executive Officer and Executive Director
Tian Shuchen	Executive Director
Zhou Hancheng	Executive Director
Hung Cheung Shew	Executive Director
Independent Non-executive Directors	
Adrian David Li Man Kiu	Independent Non-executive Director
Raymond Leung Hai Ming	Independent Non-executive Director
Lee Shing See	Independent Non-executive Director

The biographies of the Executive and Non-executive Directors of the Guarantor are as follows:

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Yan Jianguo

Chairman and Non-executive Director, aged 54, was appointed as a Chairman and Non-executive Director of the Guarantor on 22 March 2019. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained 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 COLI twice. During the year from 1990 to 1992, Mr. Yan had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and department head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (listed in Hong Kong) in June 2014 and resigned on 5 December 2016. During the period, Mr. Yan had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed as Executive Director and Chief Executive Officer of COLI from 1 January 2017, has become Chairman of COLI and continues to serve as Chief Executive Officer of COLI from 13 June 2017 and ceased to act concurrently as Chief Executive Officer from 11 February 2020. Besides acting as the Executive Director and Chairman of COLI, Mr. Yan is currently Chairman and President of COHL and a director of certain of its subsidiaries, and also a director of certain subsidiaries of COLI. During the period from June 2017 to February 2020, Mr. Yan had served as the Chairman and Non-executive Director of China Overseas Property Holdings Limited and the Chairman and Non-executive Director of China Overseas Grand Oceans Group Limited. ("**COGO**"). Mr. Yan resigned as Chairman of COGO on 11 February 2020 and resigned as Non-executive Director of COGO on 22 April 2021. COHL is the substantial shareholder of the Guarantor within the meaning of the Securities and Future Ordinance. Mr. Yan has about 31 years' experience in construction business, real estate investment and management.

EXECUTIVE DIRECTORS

Zhang Haipeng

Executive Director, Chief Executive Officer and Sustainability Committee Member, aged 45, was appointed as an Executive Director of the Guarantor on 13 July 2017 and was appointed as the Chief Executive Officer of the Guarantor on 21 August 2018. Mr. Zhang graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined CSCEC in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Currently, Mr. Zhang is Chairman and Non-executive Director of CSC Development and a Director of COHL. Mr. Zhang has over 21 years' experience in construction engineering management.

Tian Shuchen

Executive Director and Vice President, aged 55, was appointed as an Executive Director of the Guarantor on 12 August 2010. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 33 years' experience in construction engineering and project management.

Zhou Hancheng

Executive Director, Financial Controller and Chairman of the Sustainability Committee, aged 51, was appointed as a Director of the Guarantor on 21 April 2004 and was subsequently designated as an Executive Director of the Guarantor on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics and obtained a degree of Master of Business Administration from The University of Sheffield (UK). He is a fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 29 years' experience in corporate finance, financial accounting and investment management.

Hung Cheung Shew

Executive Director and Vice President, aged 62, was appointed as an Executive Director of the Guarantor on 8 June 2011. Mr. Hung graduated from Plymouth Polytechnic (UK). He is a member of The Hong Kong Institution of Engineers and The Institution of Structural Engineers (UK). Mr. Hung joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2000. Currently, Mr. Hung is a vice president of The Hong Kong Construction Association, Limited and a director of The Hong Kong Construction Association Charity Fund Limited. Mr. Hung has over 39 years' experience in construction management and planning.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Adrian David Li Man Kiu JP

Independent Non-executive Director, Chairman of the Remuneration Committee, Audit Committee Member, Nomination Committee Member and Sustainability Committee Member, aged 47, was appointed as an Independent Non-executive Director of the Guarantor on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the U.S., and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. He is also a member of the Hong Kong Academy of Finance. Mr. Li is a Co-Chief Executive of The Bank of East Asia, Limited. He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. Mr. Li is Chairman of The Chinese Banks' Association, Vice President of The Hong Kong Institute of Bankers' Council and a member of the MPF Industry Schemes Committee of the

Mandatory Provident Fund Schemes Authority. He is a board member of The Community Chest of Hong Kong and serves on its Executive Committee, a member of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, and a Trustee of The University of Hong Kong's occupational retirement schemes. Furthermore, he serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 13th National People's Congress. He also sits on the Judging Panel of the BAI Global Innovation Awards. Mr. Li is currently an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and COSCO SHIPPING Ports Limited, and is a Non-executive Director of The Berkeley Group Holdings plc (listed in London). The aforesaid companies are all listed in Hong Kong, unless stated otherwise. Mr. Li is also a member of Mastercard's Asia Pacific Advisory Board.

Raymond Leung Hai Ming

Independent Non-executive Director, Audit Committee Member, Remuneration Committee Member, Nomination Committee Member and Sustainability Committee Member, aged 66, was appointed as an Independent Non-executive Director of the Guarantor 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 for Civil Engineers and Institution of Civil Engineers (UK) and a Senior Member of Institute of Electrical and Electronics Engineers. He has more than 44 years of experience in engineering, investment, construction and project management. Dr. Leung was previously an independent non-executive director of Elec & Eltek International Company Limited (listed in Hong Kong and Singapore). He is 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.

Lee Shing See GBS, OBE, JP

Independent Non-executive Director, Chairman of the Audit Committee, Chairman of the Nomination Committee, Remuneration Committee Member and Sustainability Committee Member, aged 79, was appointed as an Independent Non-executive Director of the Guarantor on 1 September 2005. Mr. Lee is an Engineer by profession, being a fellow of both The Hong Kong Institution of Engineers and Institution of Civil Engineers (UK). After his graduation from The University of Hong Kong with a Bachelor of Science (Engineering) degree, Mr. Lee joined the civil service. He worked through different ranks and different departments. He was appointed as Director of Territory Department in 1994, and the Secretary for Works in 1999. After his retirement, Mr. Lee remained very active with public services, including Construction Industry Council, Hong Kong Science and Technology Parks Corporation, Hong Kong Design Centre, Development Committee of the West Kowloon Cultural District Authority, Hong Kong Cyberport Management Company Limited, Hong Kong Airport Authority, Youth Education, Employment and Training Task Force of Commission on Poverty, CreateSmart Initiative Vetting Committee, Aviation Security Company Limited, etc. Mr. Lee has over 55 years' experience in engineering and construction.

CORPORATE GOVERNANCE

General

The Guarantor focuses on the interests of the shareholders and other stakeholders. The Board recognises that good corporate governance is essential to the success of the Guarantor and enhances the shareholders' value. The Board is committed to maintaining a high standard of business ethics, a healthy corporate culture and a good corporate governance practice. Good corporate governance is the key to improving corporate profit and to enhancing sustainable development. Thus the Group has always been dedicated to pushing forward and improving corporate governance.

In line with the best corporate governance practices, the Guarantor has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Sustainability Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

In the past years, the Group has sought to promote corporate transparency, enhance the independence of the Guarantor's operations, establish an effective accountability system, and improve the Group's internal control and risk management.

BOARD OF DIRECTORS

Responsibilities and division of work

The Board is responsible for the overall management of the Guarantor's business. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group.

The different duties and roles of the Chairman of the Board (the "**Chairman**") and the Chief Executive Officer have been clearly defined. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chairman also meets Independent Non-executive Directors without the Executive Directors present and ensures good corporate governance practices and procedures of the Guarantor. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Guarantor, is responsible for coordinating and managing the Group's business and operations, deciding the Group's risk level and risk appetite, developing risk management strategies and implementing appropriate action plans for managing and monitoring risks. The Group's management performs their duties in managing the actual operations of the business.

Internal Control

The Board is responsible for the Group's system of internal control and is committed to managing business risks and maintaining a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable assurance that there is no material misstatement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives. The Internal Audit Department performs regular audit reviews and reports the key controls of the Group to the Board and the Audit Committee.

In compliance with the Code on Corporate Governance Practices, the Board continuously reviews the effectiveness of the Guarantor's system of internal controls (including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function). The Guarantor has initiated actions to further improve and strengthen its internal control effectiveness by paying greater attention to the management of operational, business and policy risks, and by applying functional and organisational mechanisms to conduct and evaluate relative analysis.

COMMITTEES OF THE BOARD

As part of good corporate governance, an Audit Committee, a Remuneration Committee, a Nomination Committee and a Sustainability Committee have been established. These Committees each have three to five members, including all Independent Non-executive Directors whose independent judgments are important to the execution of the controls and corporate governance standards expected of a publicly listed company. Each Committee has its own specific delegated authorities and operates within defined terms of reference. All Committees report to the Board in relation to their decisions, findings or recommendations.

Audit Committee

The Audit Committee comprises:

- Mr. Lee Shing See (Committee Chairman)
- Mr. Adrian David Li Man Kiu
- Dr. Raymond Leung Hai Ming

The Audit Committee is mainly responsible for reviewing and overseeing the financial information of the Guarantor, reviewing the financial reporting system, reviewing the risk management and internal control systems of the Guarantor, and reviewing the relationship between the Guarantor and the external auditors, including the approval of the remuneration and terms of engagement of the external auditors and making of recommendations to the Board on the appointment, re-appointment and removal of the external auditors.

Remuneration Committee

The Remuneration Committee comprises:

- Mr. Adrian David Li Man Kiu (Committee Chairman)
- Dr. Raymond Leung Hai Ming
- Mr. Lee Shing See

The Remuneration Committee is mainly responsible for approving the overall remuneration policy of the Group, reviewing and approving the remuneration of individual Executive Directors and senior management of the Guarantor, and ensuring that no Director participates in the discussion on his own remuneration.

Nomination Committee

The Nomination Committee comprises:

- Mr. Lee Shing See (Committee Chairman)
- Mr. Adrian David Li Man Kiu
- Dr. Raymond Leung Hai Ming

The Nomination Committee is mainly responsible for reviewing the structure and the composition of the Board, and making recommendations to the Board on matters relating to the appointment or re-appointment and succession of Directors on a regular basis, as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-executive Directors.

Sustainability Committee

The Sustainability Committee comprises:

- Zhou Hancheng (Committee Chairman)
- Zhang Haipeng
- Mr. Lee Shing See
- Mr. Adrian David Li Man Kiu
- Dr. Raymond Leung Hai Ming

The Sustainability Committee is mainly responsible for monitoring and reviewing the sustainability goals, priorities and policies, reviewing the Group's risk appetite, tolerance and strategy, reviewing and assessing the Group's sustainability performance, and considering and making recommendation to the Board on sustainability reporting and assurance.

SENIOR MANAGEMENT

As at 31 December 2020, the members of the senior management of the Guarantor are as follows:

Name	Title
Zhao Xiaoqi	Vice President
Yang Weidong	Vice President
Zhou Wenbin	Vice President
Wang Xiaoguang	Vice President
Luo Haichuan	Vice President
Huang Jiang	Assistant President
Zhang Ming	Assistant President
Zhou Yuguang	Assistant President
Wong Wing Yuk	Assistant President
Lau Wing Shing	Assistant President
Zhou Zhike	Assistant President
Zhang Jie	Assistant President
Mi Xiang	Assistant President

The biographies of the key senior management of the Guarantor are as follows:

Zhao Xiaoqi

Vice President, aged 46, graduated from Tsing Hua University and obtained a degree of Master of Business Administration from Renmin University of China and was awarded the title of Senior Economist. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 24 years' experience in human resources management and personnel administration.

Yang Weidong

Vice President, aged 51, graduated from Anhui Jianzhu University, and obtained a degree of Master of Business Administration from University of South Australia and was awarded the title of Senior Engineer. Mr. Yang joined the Group in 1999. He has been a director of certain subsidiaries of the Group since 2007. Mr. Yang has over 31 years' experience in construction engineering and management.

Zhou Wenbin

Vice President, aged 54, graduated from Zhongnan University of Economics and Law and obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 32 years' experience in corporate finance, accounting and investment management.

Wang Xiaoguang

Vice President, aged 38, graduated from Tongji University, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Wang joined the Group in 2005. He has been a director of certain subsidiaries of the Group since 2015. Mr. Wang has over 16 years' experience in construction engineering and management.

Luo Haichuan

Vice President, aged 41, graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and was awarded the title of Senior Engineer. Mr. Luo joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2011. Mr. Luo acted as an executive director of CSC Development from September 2015 to August 2018. He has over 18 years' experience in investment and financing; and human resources management.

Huang Jiang

Assistant President, aged 46, graduated from Chongqing Jianzhu University and obtained a degree of Master in Project Management from The Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Engineer. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Currently, Mr. Huang is a non-executive director of CSC Development. He has over 24 years' experience in contract and project management.

Zhang Ming

Assistant President, aged 38, graduated from Harbin Institute of Technology, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Zhang joined CSCEC in 2006 and was seconded to the Group in 2010. He has been a director of certain subsidiaries of the Group since 2016. Mr. Zhang has over 15 years' experience in construction engineering, administration and human resources management.

Zhou Yuguang

Assistant President, aged 56, graduated from the Central South University, and obtained a Master degree from Zhongnan University, a degree of Master of Business Administration from the University of South Australia and a Doctorate degree from Hong Kong Polytechnic University and was awarded the title of professorate Senior Engineer. Mr. Zhou is a member of China Civil Engineering Society. Mr. Zhou joined COHL in 1995 and was seconded to the Group in 2014. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhou has over 33 years' experience in information technology management and project management.

Wong Wing Yuk

Assistant President, aged 63, graduated from the Plymouth Polytechnic (UK) and obtained a degree of Master of Business Administration from Southern Illinois University (U.S.). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering

Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 34 years' experience in construction engineering and contract management.

Lau Wing Shing

Assistant President, aged 61, graduated from the University of Warwick (UK) and City University of Hong Kong and obtained a Master degree of Science and a Master degree of Laws. Mr. Lau is a fellow of the Hong Kong Institute of Engineers, a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed as a member of the Registered Contractors' Disciplinary Board Panel by the Planning and Lands Branch of Development Bureau. Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 39 years' experience in contract and project management. He assists in managing the Group's building construction and joint venture projects in Hong Kong, and pre-contract works for mega-size infrastructure projects. Mr. Lau is also appointed as the Chief Engineer and Quality Director of China State Construction Engineering (Hong Kong) Limited, and manages the quality assurance system and technology for the Group.

Zhou Zhike

Assistant President, aged 37, graduated from Huazhong University of Science and Technology and University of Nottingham in UK, and obtained a degree of Master of Management. Mr. Zhou is a CFA (Chartered Financial Analyst) charterholder and a regular member of HKSFA (Hong Kong Society of Financial Analysts). Mr. Zhou joined COHL in 2007 and was seconded to the Group in 2014. He has been a director of a subsidiary of the Group since 2019. Mr. Zhou has over 13 years' experience in capital market, corporate finance and corporate strategy. He had been awarded as "Best Investor Relations Professionals" in All-Asia Executive Team Poll (Industrial Sector) by Institutional Investors for six consecutive years.

Zhang Jie

Assistant President, aged 37, graduated from Tianjin University, and obtained a degree of Master of Business Administration from the University of Macau and was awarded the title of Senior Engineer. Mr. Zhang joined the Group in 2007. He has been a director of certain subsidiaries of the Group since 2018. Mr. Zhang has over 14 years' experience in construction engineering, investment and human resources management.

Mi Xiang

Assistant President, aged 45, graduated from Northwest Institute of Architecture Engineering (Chang'an University), and obtained a degree of Master of Project Management in Xi'an Jiaotong University and was awarded the title of Professorate Senior Engineer. Mr. Mi joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2009. Mr. Mi has over 23 years' experience in project management.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at the date of this Offering Circular, the interests of the Directors and their associates in the shares and underlying shares of the Guarantor 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 Guarantor under Section 352 of the SFO, or as otherwise notified to the Guarantor and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long positions in shares and underlying shares of the Guarantor

Name of director	Number of ordinary shares held — Personal interest[(1)]	Percentage of shares in issue[(2)]
Zhou Hancheng	2,930,780	0.06
Hung Cheung Shew	591,584	0.01
Adrian David Li Man Kiu	1,027,765	0.02
Raymond Leung Hai Ming	813,569	0.02
Lee Shing See	1,027,765	0.02

Notes:

(1) This represents interests held by the relevant Director as a beneficial owner.

(2) The percentage has been adjusted based on the total number of ordinary shares of the Guarantor in issue as at the date of this Offering Circular (i.e. 5,037,616,668 ordinary shares).

Long positions in shares and underlying shares of associated corporations

As at the date of this Offering Circular, Mr. Yan Jianguo and Mr. Hung Cheung Shew respectively held 2,500,000 share options of and 7,095 shares in China Overseas Land & Investment Limited ("**COLI**", an associated corporation of the Guarantor). All the share options or shares held by the Directors are being personal interest, in long position and in the capacity of beneficial owner.

As at the date of this Offering Circular, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Hung Cheung Shew respectively held 3,750,000, 10,000,000 and 30,000 shares in CSC Development. All the shares held by the Directors are being personal interest, in long position and in the capacity of beneficial owner.

As at the date of this Offering Circular, Mr. Hung Cheung Shew held, 2,365 shares in China Overseas Property Holdings Limited (an associated corporation of the Guarantor). All the shares held by the Director are being personal interest, in long position and in the capacity of beneficial owner.

As at the date of this Offering Circular, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 1,298,000, 570,000 and 1,254,000 shares in CSCECL (an intermediate holding company of the Guarantor), respectively. All the shares held by the directors are being personal interests, in long positions and in the capacity of beneficial owners. The Guarantor was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

SUBSTANTIAL SHAREHOLDERS

As at the date of this Offering Circular, the register of substantial shareholders maintained by the Guarantor under Section 336 of the SFO shows that the following shareholders had notified the Guarantor of relevant interests in the issued share capital of the Guarantor:

Long/Short positions of substantial shareholders and other persons in the shares of the Guarantor

Name of shareholder	Capacity	Number of ordinary shares held	Long/Short position	Percentage of shares in issue[(1)]
Substantial Shareholders				
China Overseas Holdings Limited ("**COHL**")[(2)]	Beneficial owner/ interest of a controlled corporation	3,264,976,136	Long position	64.81
China State Construction Engineering Corporation Limited ("**CSCECL**")[(3)].	Interest of a controlled corporation	3,264,976,136	Long position	64.81
China State Construction Engineering Corporation ("**CSCEC**")[(4)]	Interest of a controlled corporation	3,264,976,136	Long position	64.81
Other persons				
GIC Private Limited	Investment manager	253,131,313	Long position	5.02

Notes:

(1) The percentage has been adjusted based on the total number of ordinary shares of the Guarantor in issue as at the date of this Offering Circular (i.e. 5,037,616,668 ordinary shares).

(2) Amongst the total number of 3,264,976,136 shares of the Guarantor held by COHL, 3,146,188,492 shares were held as beneficial owner while the balance of 118,787,644 shares were interests of a 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 of the Guarantor 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 of the Guarantor indirectly owned by CSCECL.

CHINA STATE CONSTRUCTION ENGINEERING CORPORATION

The Guarantor is ultimately controlled by CSCEC, a state-owned construction group. CSCEC was established in 1982 and is the parent company of one of the largest state-owned enterprises in the PRC and the world's largest construction contractor, operating in major provinces and cities in the PRC. It controls construction, property development and related business operations outside the PRC and Hong Kong, including in Africa, the Middle East, Southeast Asia and the United States. CSCEC is one of the 97 core state-owned enterprises under the direct supervision of SASAC of the PRC government.

CSCEC's operating subsidiary, CSCECL, which was established in 2007, was listed on the Shanghai Stock Exchange in 2009.

COHL, which held approximately 64.81 per cent. of the issued share capital of the Guarantor as at the date of this Offering Circular, began operating in Hong Kong in June 1979. As at the date of this Offering Circular, COHL has five companies listed on the Hong Kong Stock Exchange: China Overseas Land and Investment Ltd. (SEHK code: 00688.HK, a constituent stock of the Hang Seng Index), the Guarantor (SEHK code: 03311.HK), China Overseas Property Holdings Limited (SEHK code: 02669.HK), China Overseas Grand Oceans Group Ltd. (SEHK code: 00081.HK) and CSC Development (SEHK code: 00830.HK). Its principal business activities are property, construction, infrastructure investment, property management and related businesses in Mainland China, Hong Kong, Macau, the UK, the U.S., Australia, Singapore and etc.

While the Guarantor enjoys a high degree of autonomy in its daily operations, CSCEC and CSCECL (and indirectly, the PRC government) together play a strategic and important role in the Guarantor's overall corporate planning, including new acquisitions, the appointment and/or replacement of the Guarantor's Board of Directors and senior management, and the Guarantor's capital expenditures and budgeting. In addition, Yan Jianguo of the Guarantor, is the Chairman and President of COHL, and Zhang Haipeng of the Guarantor, is a director of COHL.

Although the Guarantor's relationship with CSCEC and CSCECL may provide it with significant business advantages, the relationship results in various related party, or "connected", transactions. Each of CSCEC and CSCECL is a connected person of the Guarantor for the purposes of the Listing Rules of the Hong Kong Stock Exchange (for the purposes of the Guarantor) and, accordingly, any transactions entered into between the Guarantor or its subsidiaries and CSCEC or its subsidiaries or associates (including CSCECL) are connected transactions which, unless one of the exemptions is available or relevant waivers are applied for and granted, will be subject to the relevant requirements of Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. These requirements include the disclosure of certain information, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts.

The Guarantor currently engages in financial and commercial transactions with CSCEC, CSCECL and their respective subsidiaries and associates. All such transactions are conducted on an arm's length and commercial basis.

HONG KONG

Construction continues to be one of Hong Kong's principal industries and forms one of Hong Kong's major GDP components. Hong Kong-based construction companies have a reputation for prompt and efficient construction of quality high-rise buildings and office towers. Specialised construction techniques, such as reclamation and design-and-build methods, have made Hong Kong a regional leader in this industry.

Hong Kong's construction industry is characterised by a few sizable local main contractors plus the presence of many overseas contractors, a large quantity of subcontractors and a substantial number of companies being both developers and contractors. The majority of Hong Kong-based construction companies are relatively small in size, and these smaller construction companies normally act as subcontractors to the larger construction companies, who play the role of main contractors. There are a number of large construction companies who are capable of handling projects that require sophisticated technology and strong financial background and they are expanding business across the region.

Hong Kong-based contractors are experienced and highly skilled in building works. Due to the escalating size and complexity of projects, current industry practice is to award large and complex building contracts as a single package to multi-disciplinary main contractors.

The Hong Kong government awards construction contracts to qualified main contractors through open tender, taking into account the tender costs submitted. Due to the complexity and scale of a project, the Hong Kong government, and occasionally customers in the private sector and institutional bodies, may require main contractors to make prequalification submission in order to assess their eligibility to tender. In such cases, other factors including prior job experience, company resources and safety and environmental protection track record could come into play. Private developers and institutional bodies normally invite construction companies to express their interest to tender.

Driven by infrastructure and livelihood-related projects launched by the Hong Kong government and increasing housing supply, including the Hong Kong government's various land and housing initiatives, the scale of the construction market in Hong Kong remains stable. Moreover, competition within the construction industry in Hong Kong is still intense.

Under the current contractor registration system in Hong Kong, a contractor must register with the Buildings Department either as general building contractor or as specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Electrical and mechanical contractors are required to register with the Buildings Department and/or Electrical and Mechanical Services Department.

In order to tender for government contracts, a contractor must be accepted on the appropriate list of approved contractors for public works maintained by the Hong Kong government. Although approvals granted by the Development Bureau are not required to be renewed annually, audited accounts of the approved contractors are submitted to the Development Bureau annually and may be produced to relevant Hong Kong government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the Works Branch of the Development Bureau. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for any contract in that category. In the event the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the Development Bureau against such approved contractor.

The Hong Kong government's list of approved contractors for public works is divided into five categories, namely road and drainage works, port works, waterworks, building construction works, and site formation.

There are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there is no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits. Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. According to the Rules of the Works Branch of the Development Bureau, the minimum probationary period is 24 months. After the probationary period, approved contractors may apply to the Works Branch of the Development Bureau for confirmed status provided they have met the following requirements:

(i) the technical and management criteria for confirmed status of each category of work; and

(ii) the capital requirements applicable to confirmed status for each category of work.

A contractor may apply for "confirmed" status after the satisfactory completion of works appropriate to its probationary status. "Confirmed" contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria requirements to that described above. Thus, it will normally take a number of years before a contractor can accumulate sufficient experience and financial and human resources to attain a Group C status for a particular category of construction works.

It is also a requirement of the Development Bureau that all Group C contractors in Hong Kong must obtain ISO9000 certification as one of the qualifications for tendering for governmental contracts.

The Hong Kong government may take regulatory actions against, among others, unsatisfactory performance, serious misconduct, poor site safety record and poor environmental performance. For example, if a qualified or licenced contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Hong Kong government may take regulatory actions against the responsible contractor.

Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for public works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification or licence to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

The Hong Kong government has been increasing its expenditure on construction and infrastructure projects over the past few years to achieve the objective of promoting economic growth and strengthening connections with Mainland China. For instance, the South Island Line, being the railway that connects Admiralty to the Southern District of Hong Kong Island, commenced operation in December 2016. The Hong Kong-Zhuhai-Macau Bridge, which is a 29.6-kilometre sea-crossing bridge that connects Hong Kong with Macau and Zhuhai, was completed in July 2017 and opened to vehicular traffic in 2018. The Central-Wan Chai Bypass and Island Eastern Corridor Link, which serves to improve the traffic conditions of the existing roads connecting Central and Wan Chai, has commenced operation since the beginning of 2019. The Tuen Mun-Chek Lap Kok Link Northern Connection, which provides the most direct route between the Northwest New Territories and Hong Kong-Zhuhai-Macao Bridge, the Hong Kong International Airport and North Lantau, has been commissioned in December 2020. The West Kowloon Cultural District, which is a flagship art and culture development in Hong Kong aiming to provide facilities for performing arts, education and cultural exchange and cooperation, has partly opened in January 2019, and its museum is estimated to be completed in 2022.

Below is a summary of the proposed and ongoing large-scale infrastructure projects in Hong Kong:

Project	Description	Commencement	Target completion
Kai Tak Development Plan	An area consisting of the former Hong Kong airport and its adjoining parts to be developed into an area for commerce, residential, recreational tourism and community uses together with supporting infrastructure	2009	2013/2016/2021 (in 3 phases)
Shatin to Central Link . . .	A 17-kilometre long railway project connecting the northeast New Territories and Hong Kong Island. The Tuen Ma Line (up to Kai Tak Station) has partially commenced operation in February 2020	2012	2020/2021 (in 2 phases)
Tseung Kwan O-Lam Tin Tunnel	The construction of a dual two-lane highway that is approximately 4.2 kilometres long connecting Tseung Kwan O at Po Shun Road in the East with the proposed Trunk Road T2 in Kai Tak Development in the west. Approximately 2.6 kilometres of the highway is in the form of a tunnel	2016	2021
The three-runway system in the Hong Kong International Airport . . .	The three-runway system will allow the Hong Kong International Airport to handle future traffic demand of, as estimated by IATA Consulting, 102 million passengers, 8.9 million tonnes of cargo and 607,000 aircraft movements per year by 2030	2016	2023
Tung Chung New Town Extension	The existing engineering infrastructure at Tung Chung New Town was completed in April 2003. The proposed Tung Chung New Town Extension will cover areas on the eastern and western flanks of the existing Tung Chung New Town, mainly for residential flats, office use, retail use and hotel use	2017	2023

Project	Description	Commencement	Target completion
10-Year Hospital Development Plan	Including the construction of one new acute hospital at Kai Tak Development Area, the redevelopment or expansion of the existing 11 hospitals, the construction of three new community health centres and the construction of one new supporting services centre	2017	2026
Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop	Lok Ma Chau Loop, an area near the Hong Kong-Shenzhen border, to be developed into the Hong Kong-Shenzhen Innovation and Technology Park	2018	2021
New Development Areas . .	A new town development in the Northern New Territories addressing long-term housing demand and other issues	2019	2031
Extra Public Housing Supply	Urban Renewal Authority announced in May 2020 regarding the commencement of two pilot projects in Kowloon City under the Civil Servants' Co-operative Building Society Scheme, namely the Shing Tak Street/ Ma Tau Chung Road Development Project and the Kau Pui Lung Road/Chi Kiang Street Development Scheme	2020	2029 (Shing Tak Street/Ma Tau Chung Road Development Project) 2030/2031 (Kau Pui Lung Road/ Chi Kiang Street Development Scheme)
Tuen Mun South Extension	A 2.4-kilometre extension of the West Rail Line (which will in the future become the Tuen Ma Line) from the existing Tuen Mun Station to a new terminus at Tuen Mun South, via a proposed intermediate station between Tuen Mun Station and the new Tuen Mun South Station	2023	2030
Tung Chung Line Extension	The Tung Chung Line Extension project comprises (i) a new intermediate Tung Chung East Station between Sunny Bay Station and Tung Chung Station, (ii) an extension of the existing Tung Chung Line to a new terminal station at Tung Chung West, and (iii) the Airport Railway Extended Overrun Tunnel (Remaining Section)	2023	To be announced

Project	Description	Commencement	Target completion
Lantau Tomorrow	Including the construction of artificial islands with a total area of about 1,700 hectares. The land reserve to be provided by reclamation could be planned for building 260,000 to 400,000 residential units. These units, with 70 per cent. being public housing, could accommodate a population of 700,000 to 1,100,000	2025 (first phase)	2032 (first phase)
Tuen Mun Western Bypass.	A bypass connecting Tuen Mun-Chek Lap Kok Link and Kong Sham Western Highway	To be announced	To be announced

In addition, the Hong Kong government is proceeding with other works, such as the further upgrade of the Hong Kong International Airport, the construction of a third airport runway, the development of Anderson Road Quarry Site, the development of hospitals and railways in Hong Kong and the construction of artificial islands in the eastern waters of Lantau Island.

In response to the economic downward pressure under the COVID-19 pandemic which began at the end of 2019, the Hong Kong government has launched a number of supportive policies, especially from the perspective of securing employment, to actively promote the implementation of government construction projects to further attract the employed population. According to the needs of epidemic prevention, the Hong Kong government has made urgent arrangements for a number of projects such as quarantine centres and temporary hospitals. In addition, Hong Kong's financial market remains prosperous, with new market focus on events such as the return of offshore-listed PRC stocks and the capital influx from Mainland China to Hong Kong, which helped Hong Kong to continuously attract capital and consolidate its position as an international financial centre.

MAINLAND CHINA

Investment in construction-related fixed assets in Mainland China has been growing rapidly since the 1980s.

Especially since the 1990s, the construction sector has maintained double-digit growth in most years.

More recently, the infrastructure investment market in Mainland China has remained buoyant. The tightening of PPP regulatory policies and the rectification and clean-up of PPPs in 2018 have led to slower growth of the PPP market in terms of the number of projects but the development of higher quality projects in 2019 and 2020. The economy in Mainland China is expected to continue to strive for a positive momentum in a stable manner. With the support of national policies, the infrastructure investment market will continue to develop, particularly in emerging sectors including utility tunnels, sponge cities and featured small towns. The infrastructure investment market will experience benign development as it continues to expand and becomes standardised, resulting in more opportunities for market investment.

According to China's 13th Five Year Plan, renovation of dilapidated urban housing was among the 25 main economic and social development targets for the years 2016 to 2020, and investment in construction-related assets was a priority as Mainland China had come from a low base since its reform policies.

Relative to more mature economies, the PRC government allocates a significantly higher proportion of its expenditure to construction related fixed assets as the per capita amounts of infrastructure assets per person in Mainland China still falls far below more mature economies.

Government-backed large-scale affordable housing, comprising "Relocation Housing and Public Rent Housing as the pillar and Low Rent Housing, Economic Housing and Price Limited Housing as a complement", and the rebuilding of rundown urban areas and the renovation of dilapidated urban housing are priorities for the PRC central and local governments and this sector of the economy is therefore relatively unaffected by the austerity measures applied to other sectors of Mainland China's real estate market.

The focuses of the PRC government's urbanisation projects include accelerating the rebuilding of urban villages and shanty urban areas, expanding the development of eligible large towns into emerging small and medium cities, and the development of infrastructure for modern smart cities.

The PRC government is speeding up the construction of national expressway network, increasing the national expressway network density and improving the service of expressway network in the Yangtze Economic Belt and the Beijing-Tianjin-Hebei region, as well as the regional ring roads, parallel highways, and connecting roads. The length of newly-built and upgraded expressways open to traffic was expected to reach approximately 30,000 kilometres by 2020.

The PRC government is reforming the "hukou" or household registration system and putting in place mechanisms to promote urban residency of former rural residents. These are likely to contribute to the continued urbanisation of rural areas.

The PRC government is also upgrading its urban infrastructure systems, including integrated underground corridors, urban roads, car parking, urban greenery and other facilities for public service, as well as supporting the development of "sponge cities", which offer a flexible solution for both water-scarce and water-logged cities.

In addition, affordable housing continues to be a focus of the Ministry of Housing and Urban-Rural Development, including the construction of affordable housing for low-income groups and the provision of subsidies and credit support for affordable housing.

According to China's 14th Five Year Plan, the infrastructure construction will be advanced in a coordinated way. The country will build a systematic, highly efficient and practical, intelligent and green, and safe and reliable modern infrastructure system. China will speed up new infrastructure construction in fields like 5G, industrial internet, and big data center, improve comprehensive transportation channels, hubs, and logistics systems, and build more rail transit lines in city clusters and metropolitan areas. China will advance energy revolution by strengthening domestic oil and gas exploration and development, speeding up the construction of oil and gas storage facilities, and trunk oil and gas pipelines, building a smart energy system, and boosting the consumption and storage of new energy. The country will also beef up water conservancy infrastructure construction to optimise water resources allocation and improve flood and drought defense capability.

In early 2020, the central and local governments mainly focused on the prevention and control of the COVID-19 pandemic, and the PRC infrastructure market experienced a significant slowdown. Subsequently, with the pandemic gradually under control, infrastructure investment continued to rebound and the growth rate gradually recovered. At the same time, moderately loose monetary policies relatively lowered the financial costs, which in turn brought more market opportunities to the infrastructure investment industry.

MACAU

The Macau economy has enjoyed growth amidst stable development driven by the gaming sector with an increasing number of government projects in the pipeline, while the number of gaming concession projects were seen decreasing. The Macau government will continue to expand the spending on infrastructure to diversify its economic structure. A series of government projects is expected to be launched, including New Reclamation, the Additional 19,000 Public Housing Plan and other private projects, which will boost up the construction market in Macau in the coming decade.

The COVID-19 pandemic has impacted the tourism and gambling industries in Macau and led to a general slowdown of the Macau economy in 2020. However, the construction market continued to grow steadily. In particular the construction of the Guangdong-Macao "intensive cooperation zone" in Hengqin and the continuous integration, development and construction of the Greater Bay Area are expected to boost the long-term growth of Macau.

EXCHANGE RATE INFORMATION

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, (i) there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents and (ii) there are no limitations on the rights of non-residents or foreign owners to hold the Securities. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK$7.80 per U.S. dollar (the "**Linked Exchange Rate System**"). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK$7.80 per U.S. dollar to a new range varying between HK$7.75 per U.S. dollar and HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However no assurance can be given that the Hong Kong government will maintain the trading band at HK$7.75 to HK$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Hong Kong dollars and U.S. dollars. The exchange rates reflect the noon buying rates as set forth in the H. 10 statistical release of the Federal Reserve Board.

	Hong Kong dollars per U.S. dollar Noon Buying Rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
	(Hong Kong dollars per U.S.$1.00)			
2016	7.7507	7.7618	7.7559	7.7496
2017	7.8128	7.7922	7.8267	7.7540
2018	7.8305	7.8376	7.8469	7.8266
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
November	7.7522	7.7526	7.7552	7.7505
December	7.7534	7.7519	7.7539	7.7505
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May (through May 21)	7.7640	7.7664	7.7697	7.7631

Note: Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

TAXATION

The following summary of certain Cayman Islands, Hong Kong, PRC and U.S. tax consequences of the purchase, ownership and disposition of the Securities is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Securities should consult their own tax advisors concerning the application of Cayman Islands, Hong Kong, PRC and U.S. tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Securities arising under the laws of any other taxing jurisdiction.

CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer, the Guarantor or any holder of Securities. Accordingly, payment of principal of (including any premium) and Distribution on, and any transfer of, the Securities will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Securities and gains derived from the sale of Securities will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Securities. However, an instrument of transfer in respect of the Security is stampable if executed in or brought into the Cayman Islands.

PEOPLE'S REPUBLIC OF CHINA

Income Tax

In accordance with the PRC Enterprise Income Tax Law, which came into effect on 1 January 2008 and was revised on 24 February 2017 and 29 December 2018, its implementation regulations and the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management ("**The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises**") (《國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which took effect on 1 January 2008, amended on 29 December 2017, Chinese-Controlled enterprises established outside the PRC whose "de facto management bodies" are within China are considered as "PRC resident enterprises" for PRC enterprise income tax purposes and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises provides that a Chinese-Controlled enterprise established outside the PRC will be treated as a "PRC resident enterprise" with an "actual management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC resident enterprise for the purpose of the PRC EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent., on its taxable income.

Pursuant to these provisions of the PRC tax law, if the Issuer is considered a PRC resident enterprise for the purpose of PRC tax, Distribution payable to non-resident enterprise Securityholders under the Securities may be regarded as non-resident enterprise Securityholders getting income from sources within the PRC and be subject to 10 per cent. enterprise income tax. Accordingly, the Issuer would be obliged to withhold enterprise income tax of 10 per cent. on payments of Distributions to non-resident enterprise Securityholders. In accordance with the Individual Income Tax Law of the PRC as last amended on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations as last amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered a PRC resident enterprise, Distributions payable to non-resident individual Securityholders under the Securities may be regarded as non-resident individual Securityholders getting income from sources within the PRC and be subject to 20 per cent. individual income tax. Accordingly the Issuer would be obliged to withhold individual income tax of 20 per cent. on payments of Distributions to non-resident individual Securityholders. However, it is uncertain whether the PRC tax authority will deem the Issuer as a PRC tax resident enterprise. Under the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) as last amended on 16 June 2018, if the Guarantor is regarded as a PRC tax resident enterprise, in the event that the Guarantor is required to perform its obligations under the Guarantee to repay the principal of the Securities and pay Distributions under the Securities, the Distributions paid by the Guarantor to non-resident Securityholders under the Securities may be regarded as income received by non-resident Securityholders from sources within the PRC and as a consequence the Guarantor may be obliged to withhold income tax of 10 per cent. for non-resident enterprise Securityholders and 20 per cent. for non-resident individual Securityholders on payments of such Distributions to non-resident Securityholders. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to Securityholders who qualify for such treaty benefits.

Furthermore, if the Issuer or the Guarantor is treated as a PRC tax resident enterprise under the PRC Enterprise Income Tax Law and related implementation regulations in the future, any gain realised by the non-resident enterprise Securityholders from the transfer of the Securities may be regarded as derived from sources within the PRC and accordingly would be subject to 10 per cent. enterprise income tax, and any gain realised by the non-resident individual Securityholders from the transfer of the Securities may be regarded as derived from sources within the PRC and accordingly would be subject to 20 per cent. individual income tax. Applicable tax treaties may provide for lower tax rates. As confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, each of the Issuer and the Guarantor has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the PRC Enterprise Income Tax Law.

Value-add Tax

On 23 March 2016, MOF and the State Administration of Taxation ("**SAT**") jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) ("**Circular 36**"), which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. In connection with the issue of the Securities, none of the Issuer or the Securityholders is located in the PRC. There is no assurance that the issuance of the Securities will not be treated as financial services for VAT purpose. If the issuance of Securities is treated as the Securityholders providing financing services within the PRC by the relevant tax authorities, the Securityholders shall be subject to VAT at the rate of 6 per cent. when receiving the Distribution payments under the Securities. Given that the Issuer or the Guarantor (if the Guarantor is required to discharge its obligations under the Guarantee) pays Distribution to Securityholders who are located outside of the PRC, the Issuer or the Guarantor acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Securityholders who are located outside of the PRC.

Where a holder of the Securities who is an entity or individual located outside of the PRC resells the Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply to any transfer of the Securities. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located inside the PRC.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Securityholders either upon issuance of the Securities or upon a subsequent transfer of Securities to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Securities is made outside of the PRC.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or Distributions under the Securities or in respect of any capital gains arising from the sale of the Securities.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Distributions on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) Distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) Distribution on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Securities will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Securities will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Securities.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Haitong International Securities Company Limited, Mizuho Securities Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd. (the "**Managers**") dated on or about 1 June 2021 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Securities set forth opposite its name below.

Managers	**Principal Amount of Securities to be Subscribed**
China International Capital Corporation Hong Kong Securities Limited	U.S.$125,000,000
CLSA Limited	U.S.$125,000,000
Haitong International Securities Company Limited	U.S.$ 62,500,000
Mizuho Securities Asia Limited	U.S.$ 62,500,000
The Hongkong and Shanghai Banking Corporation Limited	U.S.$ 62,500,000
DBS Bank Ltd.	U.S.$ 62,500,000
Total:	U.S.$500,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Securities, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade Securities for their own account (without a view to distributing such Securities) and such orders and/or allocations and/or trading of the Securities may be material. Such entities may hold or sell such Securities or purchase further Securities for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Securities or other securities otherwise than in connection with the offering. Accordingly, references herein to the Securities being "offered" should be read as including any offering of the Securities to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that a significant proportion of the Securities may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Securities may be constrained (see "Risk Factors — Risks relating to the Securities — Legal investment considerations may restrict certain investments"). The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Securities amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Securities and could adversely affect the trading prices and liquidity of the Securities. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Securities or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Securities or other financial instruments.

In connection with the issue of the Securities, any of the managers (other than DBS Bank Ltd.) appointed and acting in its capacity as stabilisation manager (the "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager (provided that DBS Bank Ltd. shall not participate in such stabilisation in any event) may, to the extent permitted by applicable laws and directives, over-allot the Securities or effect transactions with a view to supporting the price of the Securities at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Stabilisation Manager.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Securities, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Manager or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

United States

The Securities and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Securities and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Securities and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities and the Guarantee are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities and the Guarantee, an offer or sale of the Securities and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

PRC

Each Manager has represented and agreed that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People's Republic of China.

Hong Kong

Each Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in

Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the Securities and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Cayman Islands

Each of the Managers has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Securities.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97(as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by the Offering Circulars to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

GENERAL INFORMATION

1. **Clearing Systems**: The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code 234474081 and ISIN XS2344740811. The Legal Entity Identifier of the Issuer is 213800WAVVOPS85N2205.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Securities, the Trust Deed and the Agency Agreement. The issue of the Securities was authorised by the resolutions of the board of directors of the Issuer on 24 May 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and performance of its obligations under the Securities, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by the resolutions of the board of directors of the Guarantor dated 24 May 2021.

3. **NDRC Registration**: Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately, CSCEC as the Guarantor's controlling shareholder has filed and registered with the NDRC and obtained the Enterprise Foreign Debt Pre-issuance Registration Certificate on 21 January 2021 evidencing such registration. Under the NDRC Notice, as the Securities will be issued within the NDRC Certificate, the Guarantor is not required to complete the pre-issuance registration in respect of the Securities with the NDRC but is still required to file the NDRC the requisite information on the issuance of the Securities after the issuance of such Securities. The Guarantor will undertake to provide the requisite information on the issuance of the Securities to the NDRC within the prescribed timeframe after the Issue Date in accordance with the NDRC Notice and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time.

4. **No Material Adverse Change**: There has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2020. There has been no material adverse change in the financial or trading position or prospects of the Issuer since the date of its incorporation.

5. **Litigation**: None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor, as the case may be, believes are material in the context of the Securities nor is the Issuer or the Guarantor aware that any such material proceedings are pending or threatened as at the date of this Offering Circular.

6. **Available Documents**: Copies of the Audited Financial Statements, and the Data Privacy Notice are available from the Guarantor from the Issue Date following prior written request and satisfactory proof of holding and identity, so long as any of the Securities are outstanding. Copies of the Trust Deed and the Agency Agreement are available from the Issue Date from the principal place of business of the Trustee (being, at the date of this Offering Circular, Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) or at the specified office of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent, so long as any of the Securities are outstanding as contemplated in the Terms and Conditions of the Securities.

7. **Financial Statements**: The 2019 Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants as stated in its report dated 25 March 2020; the 2020 Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public

Accountants as stated in its report dated 24 March 2021. The Audited Financial Statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

8. **Listing**: Application has been made to SEHK for the listing of and permission to deal in the Securities by way of debt issues to Professional Investors only, and such permission is expected to become effective on or about 9 June 2021.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The consolidated financial statements for the years ended 31 December 2019 and 2020 together with the independent auditor's reports set out herein are reproduced from the Guarantor's annual reports for the years ended 31 December 2019 and 2020, respectively. Page references referred to in the auditor's reports named above refer to pages set out in such annual reports.

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 201, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction works	
For the year ended 31 December 2020, the Group recognised revenue from construction works of approximately HK$57,612 million, including revenue from construction contracts, infrastructure investment projects and façade contracting business. 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. 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. 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. 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.	Our audit procedures to assess the revenue recognition from construction works included the following: • understanding and evaluating the Group's process and control over contract revenue recognition and budget estimation; • testing the calculation of the revenue and profit recognised from construction contracts; • discussing with management and the respective project teams about the progress of major projects and the assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts; • testing, on a sample basis, the actual costs incurred on construction works during the reporting period; • testing, on a sample basis, the supporting documents of the budgets, which include sub-contracting contracts, material purchase contracts/invoices and price quotations, etc.; and • comparing last year's budget against the current year's budget or actual costs incurred for major contracts on a sampling basis.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and contract assets	
As at 31 December 2020, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK$95,213 million in aggregate, representing approximately 51% of the Group's total assets. Significant management judgement and estimates were required in assessing the recoverability of trade receivables and contract assets, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, aging analysis and forecast of future events and economic conditions. Management judgements have a significant impact on the level of loss allowance required for trade receivables and contract assets. 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.	Our audit procedures to assess the recoverability of trade receivables and contract assets included the following: • understanding and evaluating the design and operating effectiveness of management control over the collection and the impairment assessment of the trade receivables and contract assets; • testing, on a sample basis, the aging of trade receivables at year end; • testing, on a sample basis, subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • in respect of material trade receivable and contract asset balances, inspecting relevant contracts and correspondence with the customers, and assessing their creditworthiness with reference to publicly available information, where applicable; • in respect of material trade receivable balances which are past due, inspecting correspondence with the customers, evaluating their historical progress payment records, assessing whether the customers are experiencing financial difficulties, and any default or delinquency in interest or principal payments, where applicable; and • obtaining and reviewing the expected credit loss calculation prepared by management.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of concession operating rights	
The Group's concession operating rights represent the rights to operate and charge for usage of toll expressways in the Mainland China and are recognised as non-current assets with a net carrying amount of approximately HK$3,813 million as at 31 December 2020. Management performs an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist. Significant management judgement is required to determine the recoverable amounts of the concession operating rights. The Group engaged external valuer to perform valuation of the recoverable amounts of the concession operating rights as at 31 December 2020 and which considered information from a variety sources such as expectations of future traffic volumes, expected future toll fee levels, length of operating rights, maintenance costs and discount rates. 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.	Our audit procedures to assess impairment of concession operating rights included the following: • obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and consider its objectivity and independence; • involving our internal valuation specialists to assist us in the assessment of the valuation methodology and discount rates adopted in the valuation; and • assessing the key assumptions adopted by management in the calculation of value-in-use, including the expected future traffic volumes, toll fee level projections, length of operating rights, and maintenance costs.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

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

Consolidated Statement of Financial Position

As at 31 December 2020

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

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

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

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 39)	Share premium and reserves HK$'000 (Note 40)	Total HK$'000	Perpetual capital securities HK$'000 (Note 41)	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	126,229	42,021,941	42,148,170	7,781,962	977,433	50,907,565
Profit for the year	–	6,015,368	6,015,368	407,246	61,560	6,484,174
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	–	(38,168)	(38,168)	–	–	(38,168)
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	–	69,595	69,595	–	–	69,595
Exchange differences on translation of subsidiaries	–	1,919,441	1,919,441	–	54,506	1,973,947
Exchange differences on translation of joint ventures	–	606,150	606,150	–	–	606,150
Exchange differences on translation of associates	–	25,217	25,217	–	–	25,217
Total comprehensive income for the year	–	8,597,603	8,597,603	407,246	116,066	9,120,915
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	14,223	14,223	–	–	14,223
Contribution from non-controlling interests of subsidiaries	–	–	–	–	293,066	293,066
Distribution paid on perpetual capital securities	–	–	–	(390,000)	–	(390,000)
2019 final dividend paid	–	(807,865)	(807,865)	–	–	(807,865)
2020 interim dividend paid	–	(858,357)	(858,357)	–	–	(858,357)
Total transactions with owners, recognised directly in equity	–	(1,651,999)	(1,651,999)	(390,000)	293,066	(1,748,933)
At 31 December 2020	126,229	48,967,545	49,093,774	7,799,208	1,386,565	58,279,547

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

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

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 General information

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

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

The consolidated financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 24 March 2021.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

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

3 Application of New Standards, Amendments and Improvements to Existing Standards

(a) The adoption of amendments to existing standards

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

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

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

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

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[1]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contract*[4, 7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4, 6]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]

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

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

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

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

5 No mandatory effective date yet determined but available for adoption

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

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

The Group will adopt the above new standards, amendments and improvements to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

4 Principal accounting policies

4.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2020.

(a) Subsidiaries

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

Business combinations — common control combinations

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

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

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

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

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

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(a) Subsidiaries (continued)

Business combinations — acquisition method

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(a) Subsidiaries (continued)

Disposal of subsidiaries

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

Separate financial statements

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

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

(b) Associates

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

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

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

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

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(b) Associates (continued)

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

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

(c) Joint arrangements

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

Joint ventures

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

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

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

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

Joint operations

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

4 Principal accounting policies (continued)

4.2 Segment reporting

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

4.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in OCI.

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

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

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

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

4.4 Property, plant and equipment

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

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

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

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

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

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

4 Principal accounting policies (continued)

4.4 Property, plant and equipment (continued)

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

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

4.5 Leases

The Group as a lessee

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

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

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

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

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

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

4 Principal accounting policies (continued)

4.5 Leases (continued)

The Group as a lessee (continued)

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

The Group as a lessor

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

4 Principal accounting policies (continued)

4.6 Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

4.7 Interests in infrastructure project investments

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

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

4.8 Services concession arrangements

Consideration given by the grantor

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

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

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

4 Principal accounting policies (continued)

4.8 Services concession arrangements (continued)

Consideration given by the grantor (continued)

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

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

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

4.9 Intangible assets

(a) Goodwill

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

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

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

(b) Trademark, project backlogs and licences

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

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

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

4 Principal accounting policies (continued)

4.9 Intangible assets (continued)

(c) Concession operating rights

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

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

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

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

4.10 Investments and other financial assets

(i) Classification

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

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

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

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

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

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt securities

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in consolidated income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement.

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

Equity securities

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

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(iv) Impairment

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

General approach

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

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

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

4 Principal accounting policies (continued)

4.10 Investments and other financial assets (continued)

(iv) Impairment (continued)

Simplified approach

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

4.11 Offsetting financial instruments

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

4.12 Impairment of non-financial assets

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

4.13 Inventories

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

4.14 Properties held for sale

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

4.15 Properties under development

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

4 Principal accounting policies (continued)

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

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

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

4.17 Trade and other receivables

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

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

4.18 Cash and cash equivalents

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

4.19 Share capital

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

4.20 Trade payables, other payables and accruals

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

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

4.21 Borrowings

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

4.22 Borrowing costs

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

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

4 Principal accounting policies (continued)

4.22 Borrowing costs (continued)

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

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

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

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

4.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis difference

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

4 Principal accounting policies (continued)

4.23 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis difference (continued)

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

Outside basis difference

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

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

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

(c) Offsetting

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

4.24 Provisions

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

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

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

4 Principal accounting policies (continued)

4.25 Employee benefits

(a) Retirement benefits

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

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

(b) Employee leave entitlements

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

4.26 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

(b) Share-based payment transactions among group entities

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

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

4 Principal accounting policies (continued)

4.27 Revenue recognition

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

(a) Provides all of the benefits received and consumed simultaneously by the customer;

(b) Creates or enhances an asset that the customer control as the Group performs; or

(c) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

(a) Direct measurements of the value transferred by the Group to the customer; or

(b) The Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs ("input method").

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

(a) Revenue from contracts with customers

(i) Revenue from construction contracts

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

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

4 Principal accounting policies (continued)

4.27 Revenue recognition (continued)

(a) Revenue from contracts with customers (continued)

(ii) Thermoelectricity business

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

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

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

(iii) Toll revenue

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

(iv) Sales of goods

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

(v) Services income

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

(b) Revenue from other sources

(i) Income from interests in infrastructure investment projects

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

(ii) Lease of machinery

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

(iii) Insurance income

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

(iv) Interest income generated from Public-Private-Partnership ("PPP") projects

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

4 Principal accounting policies (continued)

4.27 Revenue recognition (continued)

(b) Revenue from other sources (continued)

(v) Interest income

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

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

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

(vi) Dividend income

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

(vii) Rental income

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

4.28 Government grant

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

4.29 Contingent liabilities and contingent assets

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

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

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

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

4 Principal accounting policies (continued)

4.30 Insurance contracts

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

4.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

4.32 Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

4.33 Perpetual capital securities

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

4 Principal accounting policies (continued)

4.34 Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

5 Financial risk management

5.1 Financial instruments by category

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

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

5 Financial risk management (continued)

5.2 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2020, if HK$ had weakened/strengthened 5% against RMB with all other variables held constant, the consolidated profit before tax for the year would have been approximately HK$3,978,000 lower/higher (2019: HK$62,000 higher/lower).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from its variable-rate borrowings, London Interbank Offered Rate ("LIBOR") arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings and trade and other receivables. Please see notes 25, 27 and 36 for details of debt securities, trade and other receivables and borrowings.

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

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2019: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

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

(b) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in Mainland China.

The credit risk on amounts due from investee companies, joint ventures and associates and loans to joint ventures is limited because the counterparties, which are engaged in property development and investment and provision of construction services in Mainland China and Macau, have strong financial positions.

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

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

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

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The Group					
At 31 December 2020					
Trade payables, other payables and accruals	**46,013,903**	**3,858,683**	**1,063,714**	**–**	**50,936,300**
Deposits received	**61,326**	**–**	**–**	**–**	**61,326**
Amounts due to joint ventures	**1,481,867**	**–**	**–**	**–**	**1,481,867**
Amounts due to associates	**311,097**	**–**	**–**	**–**	**311,097**
Amount due to a related company	**137,222**	**–**	**–**	**–**	**137,222**
Borrowings	**11,236,551**	**9,192,011**	**20,389,523**	**16,308,631**	**57,126,716**
Loans from fellow subsidiaries	**3,050,900**	**–**	**–**	**–**	**3,050,900**
Loan from a joint venture	**193,365**	**193,365**	**3,061,867**	**–**	**3,448,597**
Guaranteed notes payables and corporate bonds	**323,253**	**4,600,162**	**3,252,847**	**2,094,500**	**10,270,762**
Lease liabilities	**30,643**	**16,919**	**8,219**	**1,140**	**56,921**
	62,840,127	**17,861,140**	**27,776,170**	**18,404,271**	**126,881,708**
At 31 December 2019					
Trade payables, other payables and accruals	42,487,889	1,111,014	842,873	58,982	44,500,758
Deposits received	34,352	–	–	–	34,352
Amounts due to joint ventures	1,353,803	–	–	–	1,353,803
Amounts due to associates	86	–	–	–	86
Borrowings	11,601,619	6,319,374	15,809,577	11,592,819	45,323,389
Loan from a fellow subsidiary	2,340,000	–	–	–	2,340,000
Loan from a joint venture	184,406	184,407	3,104,424	–	3,473,237
Guaranteed notes payables	220,350	220,350	4,793,172	2,245,418	7,479,290
Lease liabilities	24,854	17,969	16,760	8,899	68,482
	58,247,359	7,853,114	24,566,806	13,906,118	104,573,397

5 Financial risk management (continued)

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, redeem guaranteed notes payables, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, guaranteed notes payables and corporate bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company, perpetual capital securities and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 54.8% (2019: 45.1%) as at 31 December 2020.

5.4 Fair value estimation

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

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

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

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

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

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

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

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

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

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

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

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

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

— Interests in infrastructure project investments

— Trade and other receivables and deposits

— Bank balances and cash

— Loans from/(to) joint ventures, associates and fellow subsidiaries

— Amounts due from/(to) joint ventures, associates, a related company and investee companies

— Trade payables, other payables and accruals and deposits received

— Borrowings

6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

6.1 Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works. The progress is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

6.2 Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major sub-contractors/suppliers/vendors involved and experience of management. A foreseeable losses is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

6.3 Recoverability of receivables, contract assets and amounts due from related parties

The provision for receivables, contract assets and amounts due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6.4 Impairment of property, plant and equipment, trademark, project backlogs and licences, and goodwill

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests annually for impairment for those intangible assets that have an indefinite useful life, i.e. goodwill and licences. The recoverable amounts have been determined based on the higher of the fair value less costs to disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

6 Critical accounting estimates and judgements (continued)

6.5 Impairment of concession operating rights

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

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

6.6 Estimate of fair value of investment properties

The fair values of investment properties involve certain assumptions of market rent, market price and capitalisation rate. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement.

6.7 Income and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

7 Revenue

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

An analysis of the revenue is as follows:

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

Notes:

(a) Revenue from infrastructure investment projects mainly comprises revenue generated from the provision of construction services under PPP model and government targeted repurchase of resettlement housing project, and the corresponding interest income.

(b) Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.

(c) Revenue from others mainly comprises revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

(d) The revenue recognised for the years ended 31 December 2020 and 2019 are recognised over time, except for toll road operation and sales of building materials of approximately HK$149,895,000 (2019: HK$166,099,000) and HK$601,014,000 (2019: HK$406,691,000) respectively which were recognised at a point in time.

(e) The amount mainly comprises revenue from machinery leasing, logistics services, insurance contracts and rental income from investment properties.

8 Segment information

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

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

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

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

8 Segment information (continued)

Measurement

Performance is measured based on segment result that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from infrastructure investment projects, toll-road operation, sales of building materials and logistics services.

Segment revenue of the CSC Development Group represents revenue from façade contracting business, project consultancy services, general contracting business, thermoelectricity business and operations management derived from Hong Kong, Macau, Mainland China and overseas operations.

The revenue, gross profit and results of the Group are allocated based on operations of the segments. Taxation is not allocated to reportable segments.

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

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

8 Segment information (continued)

Other geographical information

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

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

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

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

Segment assets and liabilities

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

Major customers' information

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

9 Investment income, other income and other gains, net

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

10 Finance costs

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

11 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2020

	Yan Jianguo HK$'000 (Note (b))	Zhang Haipeng HK$'000	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Hung Cheung Shew HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2020 HK$'000
Fees	–	–	–	–	–	410	300	520	1,230
Other emoluments:									
Salaries and allowances	–	2,169	2,099	2,136	3,843	–	–	–	10,247
Contributions to retirement benefit schemes	–	18	18	18	18	–	–	–	72
Performance related incentive payments (Note (d))	–	5,699	3,929	3,810	3,964	–	–	–	17,402
Total emoluments	–	7,886	6,046	5,964	7,825	410	300	520	28,951

For the year ended 31 December 2019

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

Notes:

(a) Mr. Zhou Yong resigned as the executive director and Chairman of the Company with effect from 22 March 2019.

(b) Mr. Yan Jianguo was appointed as the Chairman and non-executive director of the Company with effect from 22 March 2019.

(c) Mr. Raymond Ho Chung Tai resigned as the independent non-executive director of the Company with effect from 3 June 2019.

(d) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

11 Benefits and interests of directors (continued)

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

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the years ended 31 December 2020 and 2019.

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

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

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

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

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

12 Senior management emoluments

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

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

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

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

13 Income tax expenses, net

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

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

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

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

14 Profit for the year

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

* Wage subsidies of approximately HK$278,536,000 (2019: Nil) granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong had been received during the year ended 31 December 2020. The amount was recognised in "cost of sales" and "administrative, selling and other operating expenses" and been offset against the employee benefit expenses. There are no unfulfilled conditions or contingencies relating to these grants.

15 Dividends

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

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

16 Earnings per share

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

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

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

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

17 Property, plant and equipment

	Land and buildings HK$'000	Heat and electricity supply facilities HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2019	2,786,749	1,924,800	1,221,189	251,031	123,192	405,999	6,712,960
Exchange adjustments	(14,580)	(23,194)	(3,422)	(2,637)	(848)	(7,408)	(52,089)
Additions	39,400	22,772	31,440	41,688	10,144	357,333	502,777
Reclassification upon the completion of construction	83,012	–	22,710	319	(164)	(138,964)	(33,087)
Transfer between property, plant and equipment and investment properties	(11,305)	–	–	–	–	–	(11,305)
Disposals	(960)	(7,648)	(51,265)	(28,088)	(11,359)	–	(99,320)
At 31 December 2019 and 1 January 2020	**2,882,316**	**1,916,730**	**1,220,652**	**262,313**	**120,965**	**616,960**	**7,019,936**
Exchange adjustments	**85,691**	**99,528**	**23,897**	**5,517**	**3,088**	**33,520**	**251,241**
Additions	**23,552**	**2,120**	**6,610**	**54,324**	**6,946**	**367,152**	**460,704**
Reclassification upon the completion of construction	**142,488**	**49,609**	**55,525**	**–**	**–**	**(247,622)**	**–**
Transfer between property, plant and equipment and investment properties	**267,676**	**–**	**–**	**–**	**–**	**–**	**267,676**
Disposals	**–**	**–**	**(27,688)**	**(12,138)**	**(3,422)**	**–**	**(43,248)**
At 31 December 2020	**3,401,723**	**2,067,987**	**1,278,996**	**310,016**	**127,577**	**770,010**	**7,956,309**
Depreciation							
At 1 January 2019	483,091	857,902	982,214	182,552	90,886	–	2,596,645
Exchange adjustments	(7,785)	(10,119)	(2,196)	(422)	(478)	–	(21,000)
Charge for the year	99,587	69,585	68,003	51,206	10,048	–	298,429
Transfer between property, plant and equipment and investment properties	(775)	–	–	–	–	–	(775)
Disposals	(246)	(6,612)	(51,265)	(25,239)	(10,374)	–	(93,736)
At 31 December 2019 and 1 January 2020	**573,872**	**910,756**	**996,756**	**208,097**	**90,082**	**–**	**2,779,563**
Exchange adjustments	**23,334**	**50,694**	**6,130**	**4,110**	**2,338**	**–**	**86,606**
Charge for the year	**114,388**	**78,555**	**68,031**	**36,537**	**8,471**	**–**	**305,982**
Disposals	**–**	**–**	**(22,181)**	**(11,051)**	**(1,785)**	**–**	**(35,017)**
At 31 December 2020	**711,594**	**1,040,005**	**1,048,736**	**237,693**	**99,106**	**–**	**3,137,134**
Carrying values							
At 31 December 2020	**2,690,129**	**1,027,982**	**230,260**	**72,323**	**28,471**	**770,010**	**4,819,175**
At 31 December 2019	2,308,444	1,005,974	223,896	54,216	30,883	616,960	4,240,373

17 Property, plant and equipment (continued)

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

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

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

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

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

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

18 Investment properties

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

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

	2020 HK$'000	2019 HK$'000
Rental income from operating lease	**136,774**	119,927
Direct operating expenses from property that generated rental income	**(19,920)**	(18,171)
Loss on fair value changes of investment properties, net in investment income, other income and other gains, net	**186,302**	–

(ii) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Cushman & Wakefield Limited, 鎮江中天恒土地房地產資產評估諮詢有限公司 and 康嘉房地產評估諮詢有限公司. They are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

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

(iii) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2020 and 2019.

18 Investment properties (continued)

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

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2020 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Properties in Hong Kong	**3,802,000**	Income Capitalisation Approach	(1) capitalisation rate	2.7%–3.0%
			(2) market rent per square foot per month for retail portion	HK$62–HK$190
			(3) market price per square foot for office portion	HK$20,433–HK$30,872
Properties in Macau	**214,000**	Income Capitalisation Approach	(1) capitalisation rate	3%
			(2) market rent per square foot per month	HK$10–HK$12
Properties in Mainland China	**627,331**	Direct Comparison Approach	(1) market price per square foot	RMB1,128–RMB1,993

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

Prevailing market rents are estimated based on management and independent valuers' view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by independent valuers and management based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

18 Investment properties (continued)

(iv) Leasing arrangements

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

For minimum lease payments receivable on leases of investment properties, refer to note 47.

19 Interests in infrastructure project investments

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

Interests in infrastructure project investments represent funding denominated in RMB advanced to joint ventures for PPP infrastructure projects located in Mainland China. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

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

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

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

20 Interests in joint arrangements

Joint ventures

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

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

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

* Incorporated in 2020

Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

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

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

20 Interests in joint arrangements (continued)

Joint operations

In addition to the construction projects undertaken by certain joint ventures as listed above, the Group has also established joint arrangements with other contractors to undertake construction and engineering projects in the form of joint operations.

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

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2020 %	2019 %	Principal activities
Penta-Ocean — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Leighton — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Alchmex — Paul Y Joint Venture	Unincorporated	Hong Kong	**55**	55	Civil engineering works
AJA Joint Venture	Unincorporated	Hong Kong	**31.2**	31.2	Civil engineering works
China State Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering works
AJC Joint Venture	Unincorporated	Hong Kong	**30.5**	30.5	Civil engineering works
CSME — Southa Joint Venture*	Unincorporated	Hong Kong	**51**	–	Mechanical and electrical engineering works

* Incorporated in 2020

21 Interests in associates

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

21 Interests in associates (continued)

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2019: HK$494,000) arising from acquisitions of associates in prior years.

Amount due from an associate is unsecured, interest free and have no specific repayment terms, but is considered by the directors to be part of the long term interests in associates.

The loans to associates are unsecured, interest bearing range from 5.5% to 9.5% (2019: from 5.5% to 9.5%) per annum and are not expected to be repaid within twelve months after the end of reporting period. The balance is denominated in HK$.

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

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

* Incorporated in 2020

Holder of non-voting class B shares of Fast Shift, through Fast Shift's interest in Nova Taipa — Urbanizações, Limitada ("NTUL"), is entitled to 29% (2019: 29%) of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

21 Interests in associates (continued)

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

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

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

22 Concession operating rights

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

22 Concession operating rights (continued)

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province with net carrying amounts of approximately HK$1,900,166,000 (2019: HK$1,901,257,000) and HK$1,912,360,000 (2019: HK$1,936,589,000), respectively, both of which are located in the Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in the Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and class 1 Highway from Yangquan to Niangziquan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2020 and 2019, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, length of operating rights, maintenance costs and discount rates. An average revenue growth rate of 11% to 12% (2019: 8% to 11%) and a pre-tax discount rate of 12% (2019: 12%) have been used in the value-in-use calculation.

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

23 Deferred taxation

The analysis of the Group's deferred tax assets and deferred tax liabilities is as follows:

	Revaluation of Investment properties HK$'000	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	54,632	(774)	195,487	(7,195)	83,366	44,646	5,158	(144,320)	(2,743)	228,257
Exchange adjustments	(656)	–	(2,142)	86	–	(141)	–	1,715	–	(1,138)
Charged/(credited) to consolidated income statement (Note 13)	761	(1,629)	(7,460)	471	(15,007)	(1,691)	–	43,278	–	18,723
At 31 December 2019 and 1 January 2020	**54,737**	**(2,403)**	**185,885**	**(6,638)**	**68,359**	**42,814**	**5,158**	**(99,327)**	**(2,743)**	**245,842**
Exchange adjustments	**2,255**	**–**	**6,594**	**(342)**	**–**	**500**	**–**	**(8,812)**	**–**	**195**
Charged/(credited) to consolidated income statement (Note 13)	**11,346**	**12,141**	**(39,486)**	**(29,208)**	**(30,055)**	**(12,374)**	**–**	**34,754**	**29,052**	**(23,830)**
At 31 December 2020	**68,338**	**9,738**	**152,993**	**(36,188)**	**38,304**	**30,940**	**5,158**	**(73,385)**	**26,309**	**222,207**

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

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

At the end of the reporting period, the Group has the following deductible temporary differences and unused tax losses not recognised in the consolidated financial statements:

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

Note: No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of approximately HK$3,200,444,000 (2019: HK$4,614,692,000) that will expire within five years. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, withholding tax is levied on dividends declared to foreign investors from foreign enterprises established in Mainland China and applies to earnings after 31 December 2007. The aggregate amount of temporary differences attributable to the unremitted earnings associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$25,320,305,000 (2019: HK$20,787,184,000) as at 31 December 2020.

24 Trademark, project backlogs, licences and goodwill

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
Cost					
At 1 January 2019	216,708	45,359	178,445	577,664	1,018,176
Exchange adjustments	–	–	(2,094)	–	(2,094)
At 31 December 2019 and 1 January 2020	**216,708**	**45,359**	**176,351**	**577,664**	**1,016,082**
Exchange adjustments	**–**	**–**	**8,084**	**–**	**8,084**
At 31 December 2020	**216,708**	**45,359**	**184,435**	**577,664**	**1,024,166**
Amortisation					
At 1 January 2019	73,138	45,359	13,480	–	131,977
Charge for the year	10,835	–	6,763	–	17,598
Exchange adjustments	–	–	(274)	–	(274)
At 31 December 2019 and 1 January 2020	**83,973**	**45,359**	**19,969**	**–**	**149,301**
Charge for the year	**10,836**	**–**	**6,618**	**–**	**17,454**
Exchange adjustments	**–**	**–**	**1,331**	**–**	**1,331**
At 31 December 2020	**94,809**	**45,359**	**27,918**	**–**	**168,086**
Carrying values					
At 31 December 2020	**121,899**	**–**	**156,517**	**577,664**	**856,080**
At 31 December 2019	132,735	–	156,382	577,664	866,781

The intangible assets include trademark, project backlogs, construction licences and goodwill recognised from various acquisitions of subsidiaries by the Group.

The estimated useful lives of trademark and project backlogs of 20 and 3 years respectively are based on the terms of existing contracts and historical data.

A Mainland China construction licence was acquired as part of a business combination. It is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life of 25 years. Its carrying amount is approximately HK$146,567,000 as at 31 December 2020 (2019: HK$146,432,000).

The construction licences with carrying amount of approximately HK$9,950,000 (2019: HK$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

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

Goodwill is allocated to the Group's CGU of the CSC Development Group. For impairment assessment of goodwill, the recoverable amount of the CSC Development Group cash-generating unit as at 31 December 2020 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 20.5% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%. The recoverable amount of the CSC Development Group as at 31 December 2019 was determined based on fair value less costs to disposal by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considered that there is no impairment of the Group's construction licences and goodwill.

25 Financial assets at fair value through other comprehensive income

(i) Classification of debt and equity securities at FVOCI

Debt and equity securities at FVOCI comprise:

- Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers the classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

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

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

Note: At 31 December 2020, an amount of approximately HK$140,811,000 (2019: HK$71,216,000) included in the carrying amount of equity securities are those issued by subsidiaries of China Overseas Land & Investment Ltd. ("COLI"), a fellow subsidiary of the Group.

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

(iii) Debt securities at FVOCI

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

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

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

Note: At 31 December 2020, an amount of approximately HK$64,304,000 (2019: HK$63,337,170) included in the carrying amount of debt securities listed in Hong Kong, represents debentures issued by a subsidiary of COLI, a fellow subsidiary of the Group.

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

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

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

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months from the end of the reporting period.

26 Amounts due from investee companies

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

The fair values of these amounts on initial recognition are determined based on effective interest rate ranging from 5.94% to 7.83% (2019: 5.94% to 7.83%) per annum and the balances are denominated in RMB.

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

27 Trade and other receivables

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

Notes:

(a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK$6,140,308,000 (2019: HK$4,770,301,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK$369,184,000 (2019: HK$420,528,000), which are unsecured, interest free and repayable on demand.

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

27 Trade and other receivables (continued)

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

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

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

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

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

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

Movement in the allowance for doubtful debts

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

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.

27 Trade and other receivables (continued)

Movement in the allowance for doubtful debts (continued)

Trade and other receivables are denominated in the following currencies:

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

28 Amounts due from/(to) joint ventures and loans to joint ventures

Amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

Current portion of the loans to joint ventures is unsecured, carrying interest at 4.75% (2019: 4.75% to 7.83%) per annum and is expected to be repaid within twelve months after the end of the reporting period.

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

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

29 Inventories

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

30 Properties under development

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

Note: Included in the amount are properties under development of approximately HK$4,300,855,000 (2019: HK$1,772,218,000) not expected to be completed and ready for sale within twelve months from the end of the reporting period.

31 Contract assets and contract liabilities

The Group has recognised the following assets/(liabilities) related to contracts with customers:

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

Notes:

(i) Contract assets are related to construction services and consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from construction services.

31 Contract assets and contract liabilities (continued)

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year and the amount relating to performance obligations that were satisfied in previous years:

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

The following table shows the amount of unsatisfied performance obligations:

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

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For retention receivables, please refer to note 27 for details.

32 Amounts due from/(to) associates

Amounts due from/(to) associates are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

33 Bank balances and cash

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

Pledged bank deposits

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

Deposits with financial institutions

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

Bank balances and cash

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

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

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

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

In respect of the balance denominated in RMB of the Group's subsidiaries incorporated in Mainland China, conversion into foreign currencies is subject to the Regulations of the People's Republic of China on the Management of Foreign Exchanges and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

34 Trade payables, other payables and accruals

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

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

Other payables and accruals comprise primarily staff cost, other tax and other operating expenses payables, and included balances with related companies amounting to approximately HK$340,933,000 (2019: HK$350,385,000), which were unsecured, interest-free and repayable on demand.

Trade payables and retention payables included balances with related companies amounting to approximately HK$16,114,134,000 (2019: HK$12,092,257,000), which were unsecured, interest-free and repayable in accordance with the terms of relevant agreements.

The average credit period on trade and construction cost payables is 60 (2019: 60) days. At 31 December 2020, the amount of retention payables expected to be settled after more than one year was approximately HK$3,071,208,000 (2019: HK$2,012,869,000).

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

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

35 Amount due to a related company

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

36 Borrowings

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

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

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

Borrowings are denominated in the following currencies:

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

The effective interest rates of borrowings are as follows:

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

37 Loans from fellow subsidiaries

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

38 Leases

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

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

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

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

Additions to the right-of-use assets during the year were approximately HK$116,943,000 (2019: HK$14,609,000) of which non-cash addition were approximately HK$29,267,000 (2019: HK$14,609,000).

(ii) Amounts recognised in the consolidated income statement

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

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

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

38 Leases (continued)

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

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 9 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(v) Further information about the leasing activities of the Group as a lessor is disclosed in note 47 to the financial statements.

39 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
Balance at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**5,049,156,668**	**126,229**

40 Share premium and reserves

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2019	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139
Profit for the year	–	–	–	–	–	–	5,413,208	5,413,208
Gain on fair value changes of debt securities at FVOCI, net of tax	–	–	–	24,990	–	–	–	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	–	–	–	9,376	–	–	–	9,376
Gain on fair value changes of equity securities at FVOCI, net of tax	–	–	–	492	–	–	–	492
Exchange differences on translation of subsidiaries	–	–	–	–	(250,497)	–	–	(250,497)
Exchange differences on translation of joint ventures	–	–	–	–	(101,074)	–	–	(101,074)
Exchange differences on translation of associates	–	–	–	–	(5,827)	–	–	(5,827)
Total comprehensive income for the year	–	–	–	34,858	(357,398)	–	5,413,208	5,090,668
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	16,898	–	–	–	–	–	16,898
2018 final dividend paid	–	–	–	–	–	–	(605,899)	(605,899)
2019 interim dividend paid	–	–	–	–	–	–	(807,865)	(807,865)
Transfer to statutory reserve	–	–	–	–	–	43,284	(43,284)	–
Total transactions with owners, recognised directly in equity	–	16,898	–	–	–	43,284	(1,457,048)	(1,396,866)
At 31 December 2019	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941

40 Share premium and reserves (continued)

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2020	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941
Profit for the year	–	–	–	–	–	–	6,015,368	6,015,368
Loss on fair value changes of debt securities at FVOCI, net of tax	–	–	–	(38,168)	–	–	–	(38,168)
Gain on fair value changes of equity securities at FVOCI, net of tax	–	–	–	69,595	–	–	–	69,595
Exchange differences on translation of subsidiaries	–	–	–	–	1,919,441	–	–	1,919,441
Exchange differences on translation of joint ventures	–	–	–	–	606,150	–	–	606,150
Exchange differences on translation of associates	–	–	–	–	25,217	–	–	25,217
Total comprehensive income for the year	–	–	–	31,427	2,550,808	–	6,015,368	8,597,603
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	14,223	–	–	–	–	–	14,223
Exercise of incentive shares (Note 44)	–	(7,844)	–	–	–	–	7,844	–
2019 final dividend paid	–	–	–	–	–	–	(807,865)	(807,865)
2020 interim dividend paid	–	–	–	–	–	–	(858,357)	(858,357)
Transfer to statutory reserve	–	–	–	–	–	5,037	(5,037)	–
Total transactions with owners, recognised directly in equity	–	6,379	–	–	–	5,037	(1,663,415)	(1,651,999)
At 31 December 2020	20,540,459	(6,578,796)	337	122,254	(538,842)	593,150	34,828,983	48,967,545

40 Share premium and reserves (continued)

Notes:

(a) Special reserve arose from:

(i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 中海建築有限公司 (formerly known as 深圳中海建築有限公司) and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL"), China Overseas Port Investment Company and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe Global Limited and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.

(ii) During 2012, the Group obtained control over CSC Development which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of CSC Development at a price of HK$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK$57 million and the carrying amount of the attributable share of net assets of CSC Development of approximately HK$23 million, was credited to the special reserve.

(iii) During 2016, the CSC Development Group further acquired 36.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK$229,666,000 has been transferred from non-controlling interests to special reserve in equity.

(iv) During 2018, the Group disposed its wholly owned subsidiary, 中海監理有限公司 and its subsidiary to a subsidiary of CSC Development Group, resulted in an addition of 25.94% non-controlling interest. The net assets value of 中海監理有限公司 and its subsidiary of HK$25,975,000 has been transferred from special reserve in equity to non-controlling interests

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.

(c) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.

(d) Included in retained profits as at 31 December 2020 is the proposed 2020 final dividend of approximately HK$957,525,000 (2019: HK$807,865,000).

41 Perpetual capital securities

As at 3 December 2018, a subsidiary of the Group issued US$500 million 6.0% senior perpetual capital securities (the "Perpetual Capital Securities I"). The Perpetual Capital Securities I do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities I at the distribution rates as defined in the subscription agreements.

As at 3 December 2019, a subsidiary of the Group issued US$500 million 4.0% subordinated perpetual capital securities (the "Perpetual Capital Securities II"). The Perpetual Capital Securities II do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities II at the distribution rates as defined in the subscription agreements.

42 Guaranteed notes payables and corporate bonds

In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$550 million and US$250 million (equivalent to approximately HK$4,276 million and HK$1,938 million) (the "Notes") at the issue price of 99.982% and 99.688%. The Notes bear fixed interest at the rate of 3.375% and 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 29 November 2022 and 29 November 2027 at the principal amount. The fair value of the Notes at 31 December 2020 was estimated at approximately HK$4,415 million (2019: HK$4,337 million) and HK$2,077 million (2019: HK$2,001 million), which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

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

On 26 October 2020, a subsidiary of the Company completed its public issuance of medium-term notes (first phase) with a principal amount of RMB500 million in Mainland China. The medium-term notes have a maturity of 3 years and the coupon rate is 3.45% per annum. The medium-term notes were listed on the National Association of Financial Market Institutional Investors. The medium-term notes will mature on 28 October 2023 at the principal amount. The fair value of the medium-term notes at 31 December 2020 was estimated at approximately RMB492 million, which was determined based on the closing market price of the medium-term notes at that date and is within level 1 of the fair value hierarchy.

43 Loan from a joint venture

Loan from a joint venture is related to two sale and purchase agreements, which were entered by the Group on 11 March 2019, to dispose intra-group loans and loan to an associate with carrying amount of approximately HK$2,781,600,000 and HK$1,000,000,000 respectively to a joint venture company. The Group owns 50% issued share capital of the joint venture company and another shareholder entered into a Shareholder Facility Agreement with the joint venture company to provide a shareholder loan up to maximum limit of US$800,000,000 to the joint venture company. The Group also entered into a Standby Letter of Credit Facility Agreement with the joint venture company, to provide the joint venture company up to a maximum limit of US$800,000,000 to fund the joint venture company's purchase of financial assets, to pay any interest shortfall (but not any repayment of principal) under the Shareholder Facility Agreement, and to pay any joint venture company's operating expenses incurred by the joint venture company.

Loan from a joint venture is unsecured, carrying interest at 6.8% (2019: 6.8%) per annum and expected to be matured in 2024.

44 Share-based payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan (Phase II)") of CSCECL, an intermediate holding company of the Company, 10,485,000 incentive shares were granted to certain employees of the Company (including five directors and certain senior management) on 29 December 2016 (the "Grant Date (Phase II)") with an exercise price of RMB4.866 per share, subject to a lock-up period of two years' service from the Grant Date (Phase II) (the "Lock-Up Period (Phase II)"). During the Lock-Up Period (Phase II), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase II). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase II) determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date (Phase II), exercise price of RMB4.866 per share, share-based payments cap at 40% of the respective employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares on 3 May 2018, there was an increase in number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date (Phase II) remained RMB2.21 per share, the number of incentive shares granted on the Grant Date (Phase II) and the exercise price per share were adjusted to 14,679,000 shares and RMB3.476 per share respectively.

In 2018, except for 1,218,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were exercised or cancelled.

In 2019, 4,487,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). Exercised incentive shares have become publicly traded in stock market since 14 February 2020. In addition, except for 658,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

44 Share-based payments (continued)

During the year, 4,088,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). In addition, except for 308,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 18,870,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 26 December 2018 (the "Grant Date (Phase III)") with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the Grant Date (Phase III) (the "Lock-Up Period (Phase III)"). During the Lock-Up Period (Phase III), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

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

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

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

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

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

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

45 Cash flow information

Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities					
	Guaranteed notes payables and corporate bonds HK$'000	Lease liabilities HK$'000	Loans from fellow subsidiaries HK$'000	Loan from a joint venture HK$'000	Borrowings HK$'000	Total HK$'000
At 1 January 2019	6,210,963	91,350	–	–	34,829,782	41,132,095
Cash flows	–	(40,401)	2,340,000	2,781,600	4,971,385	10,052,584
Foreign exchange adjustments	–	(594)	–	(69,736)	(412,581)	(482,911)
Other non-cash movements	5,086	17,651	–	–	–	22,737
At 31 December 2019 and 1 January 2020	**6,216,049**	**68,006**	**2,340,000**	**2,711,864**	**39,388,586**	**50,724,505**
Cash flows	**2,802,479**	**(48,411)**	**664,452**	**–**	**3,961,441**	**7,379,961**
Foreign exchange adjustments	**–**	**39**	**46,448**	**131,738**	**1,847,917**	**2,026,142**
Other non-cash movements	**160,472**	**32,747**	**–**	**–**	**(1,692)**	**191,527**
At 31 December 2020	**9,179,000**	**52,381**	**3,050,900**	**2,843,602**	**45,196,252**	**60,322,135**

46 Contingent liabilities

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

47 Operating lease arrangements

The Group as lessee

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

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

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

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

47 Operating lease arrangements (continued)

The Group as lessor

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

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

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

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

48 Commitments

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

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

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

49 Related party transactions

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

Transactions

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

49 Related party transactions (continued)

Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

Compensation of key management personnel

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

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

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

50 Company Statement of Financial Position and Reserve Movement

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

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

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

Note:

	Share Premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	20,540,459	337	25,822	268,062	20,834,680
Profit and total comprehensive income for the year	–	–	–	1,405,252	1,405,252
Capital contribution relating to share-based payment borne by an intermediate holding company	–	–	15,968	–	15,968
2018 final dividend paid	–	–	–	(605,899)	(605,899)
2019 interim dividend paid	–	–	–	(807,865)	(807,865)
At 31 December 2019 and 1 January 2020	**20,540,459**	**337**	**41,790**	**259,550**	**20,842,136**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,967,152**	**1,967,152**
Capital contribution relating to share-based payment borne by an intermediate holding company	**–**	**–**	**13,630**	**–**	**13,630**
Exercise of incentive shares	**–**	**–**	**(7,844)**	**7,844**	**–**
2019 final dividend paid	**–**	**–**	**–**	**(807,865)**	**(807,865)**
2020 interim dividend paid	**–**	**–**	**–**	**(858,357)**	**(858,357)**
At 31 December 2020	**20,540,459**	**337**	**47,576**	**568,324**	**21,156,696**

51 Particulars of principal subsidiaries

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK$300,000,000	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$150,000	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK$655,569,190 and 844,430,810 non-voting deferred shares of HK$844,430,810	**100**	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Zetson Enterprises Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Directly held by the Company: (continued)					
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
China State Construction International Investments Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Construction Finance (Cayman) II Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
China State Construction Finance (Cayman) III Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
China State Construction Hailong Technology Group Limited (iv)	Cayman Islands/ Hong Kong	1 ordinary share of US$1 (2019: Nil)	**100**	–	Investment holding
Indirectly held by the Company:					
China Overseas Building Construction Limited	Hong Kong	49,999,900 ordinary shares of HK$499,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK$50,000,000	**100**	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$19,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK$99,500,000 and 500,000 non-voting deferred shares of HK$500,000	**100**	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK$100,000,000	**100**	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Property investment
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Mechanical and electrical engineering works and project management

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of $90,000,000	**74.06**	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$2	**74.06**	74.06	Building construction
Transcendence Company Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Sales and distribution of construction materials
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
China Overseas Public Utility Investment Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	74.06	Investment holding
China Overseas Ports Investment Company Limited	BVI/Hong Kong	US$64,100,000	**100**	100	Investment holding
China Overseas Technology Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Citycharm Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Hailong Construction Technology Company Limited	Hong Kong	1 ordinary share of US$1	**100**	100	Manufacturing and sales of precast structures
Fuller Sky Enterprises Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	74.06	Investment holding
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Oceanic Empire Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Value Idea Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	74.06	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China State Construction Development Holdings Limited (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK$0.01 each	**74.06**	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Far East Façade (UK) Limited	United Kingdom	1 ordinary share of GBP1	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	**100**	100	Building construction, civil engineering works and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	**100**	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	**100**	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	**100**	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	**100**	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US$1	**69.34**	69.34	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
On Success Development Limited	Hong Kong	10,000 shares of HK$1 each	**100**	100	Property investment
Advocate Properties Limited	Hong Kong	10,000,000 share of HK$1 each	**100**	100	Investment holding
中建投資(珠海)有限公司 (i)	Mainland China	HK$10,770,000	**100**	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	Mainland China	RMB680,660,000	**74.06**	74.06	Generation and supply of heat and electricity and investment holding
中海建築有限公司 (formerly known as 深圳中海建築有限公司) (i)	Mainland China	RMB350,000,000	**100**	100	Building construction and investment holding
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Provision of project consultant services
深圳海龍建築科技有限公司 (i)	Mainland China	RMB100,000,000	**100**	100	Manufacturing and sales of precast structures

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	Mainland China	RMB202,000,000	**100**	100	Infrastructure construction and operation
深圳市中建宏達投資有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Investment holding
深圳市中海投資有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Investment holding
中海創業投資(深圳)有限公司 (i)	Mainland China	US$29,800,000	**100**	100	Investment holding
中建國際投資集團有限公司 (ii)	Mainland China	US$2,768,000,000	**100**	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	Mainland China	US$48,000,000	**100**	100	Building investment
重慶海建投資有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Building investment
重慶海勝基礎設施開發有限公司 (ii)	Mainland China	RMB380,000,000	**100**	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	Mainland China	RMB460,000,000	**100**	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
溫州海嘉建設有限公司 (ii)	Mainland China	RMB900,000,000	**100**	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	Mainland China	RMB180,000,000	**100**	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	Mainland China	HK$50,000,000	**100**	100	Provision of logistic services
深圳市中海港口物流有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB10,000,000	**74.06**	74.06	Design, manufacture of curtain walls, aluminium windows and other related products
遠東幕牆製品(深圳)有限公司 (ii)	Mainland China	RMB20,000,000	**74.06**	74.06	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(湖州)有限公司 (ii)	Mainland China	RMB170,000,000	**100**	100	Infrastructure investment
中建國際投資(杭州)有限公司 (ii)	Mainland China	RMB240,000,000	**100**	100	Infrastructure investment
中建國際投資(山東)有限公司 (formerly known as 中建國際投資(青島)有限公司) (ii)	Mainland China	RMB140,000,000	**100**	100	Infrastructure investment
中建國際投資(淮安)有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(句容)有限公司 (ii)	Mainland China	RMB200,000,000	**90**	90	Infrastructure investment
嘉興海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
資陽海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱州海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海嘉建設有限公司 (ii)	Mainland China	RMB438,000,000	**100**	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
深圳裕龍建築有限公司	Mainland China	RMB2,000,000	**100**	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Mainland China	RMB30,000,000	**100**	100	Manufacture and sales of precast structures
中建國際投資(台州)有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(安徽)有限公司 (formerly known as 中建國際投資(合肥)有限公司) (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
杭州海榮建設有限公司 (ii)	Mainland China	RMB160,000,000	**90**	90	Infrastructure investment
淄博海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
鄭州海河建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
鄭州海欣建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
淄博海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淄博海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海悅建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
嘉興海悅建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
嘉興海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
杭州海悅建設有限公司 (ii)	Mainland China	RMB140,000,000	**100**	100	Infrastructure investment
中建國際投資(嘉興)有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
成都海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
西安海嘉建設發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
長沙海嘉建設有限公司 (ii)	Mainland China	RMB692,200,000	**90**	90	Infrastructure investment
句容海嘉建設有限公司 (ii)	Mainland China	RMB20,000,000	**90**	90	Infrastructure investment
平和海嘉建設有限公司 (ii)	Mainland China	RMB150,000,000	**80**	80	Infrastructure investment
濟寧海嘉建設有限公司 (ii)	Mainland China	RMB355,000,000	**100**	100	Infrastructure investment
安康中建建設發展有限公司 (ii)	Mainland China	RMB150,000,000	**89**	89	Infrastructure investment
淄博海榮建設有限公司 (ii)	Mainland China	RMB200,000,000	**99**	99	Infrastructure investment
溫洲海耀建設有限公司 (ii)	Mainland China	RMB350,000,000	**100**	100	Infrastructure investment
句容海悅建設有限公司 (ii)	Mainland China	RMB150,000,000	**90**	90	Infrastructure investment
南昌海博建設有限公司 (ii)	Mainland China	RMB100,000,000	**94**	94	Infrastructure investment
南昌海悅建設有限公司 (ii)	Mainland China	RMB167,000,000	**94**	94	Infrastructure investment
龍山海嘉建設有限公司 (ii)	Mainland China	RMB98,251,100	**79**	79	Infrastructure investment
成都海旭建設有限公司 (ii)	Mainland China	RMB50,000,000	**100**	100	Infrastructure investment
臨沂海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
汝陽縣海耀建設工程有限公司 (ii)	Mainland China	RMB58,000,000	**80**	80	Infrastructure investment
杭州海騰建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
徐州海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
濟寧海耀建設有限公司 (ii)	Mainland China	RMB238,600,000	**99**	99	Infrastructure investment

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
貴州海投建設有限公司 (ii)	Mainland China	RMB250,000,000	**100**	100	Infrastructure investment
淄博海新建設有限公司 (ii)	Mainland China	RMB150,000,000	**100**	100	Infrastructure investment
商丘海嘉建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
宿州海龍建築科技有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structure
商丘海河建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
武穴海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
溫州海騰建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
六安中建國際投資發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱洲中建國際建設有限公司 (ii)	Mainland China	Nil (2019: RMB100,000,000)	**–**	100	Infrastructure investment
長葛海嘉建設工程有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(徐州)有限公司 (ii)	Mainland China	RMB361,500,000	**90**	90	Infrastructure investment
濟南海嘉建設有限公司 (ii)	Mainland China	RMB70,000,000	**100**	100	Infrastructure investment
湖州海榮建設有限公司 (ii)	Mainland China	RMB220,000,000	**80**	80	Infrastructure investment
杭州海旭建設有限公司 (ii)	Mainland China	RMB60,000,000	**100**	100	Infrastructure investment
中建國際工程有限公司 (ii)	Mainland China	RMB137,000,000	**100**	100	Building construction, civil engineering works, materials and investment holding
安徽中建國際投資置業有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Property development
中建興業投資(湖南)有限公司 (ii)	Mainland China	RMB200,000,000	**74.06**	74.06	Infrastructure investment
湖南遠東力進建築工程有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Construction and related engineering services
十堰海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
鄖西海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**75**	75	Infrastructure investment
新沂海悦建設有限公司 (ii)	Mainland China	RMB140,000,000	**90**	90	Infrastructure investment
新沂海耀建設有限公司 (ii)	Mainland China	RMB287,500,000	**90**	90	Infrastructure investment
句容海耀建設有限公司 (ii)	Mainland China	Nil (2019: RMB460,000,000)	**–**	80	Infrastructure investment
湖州海旭建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
杭州海勝建設有限公司 (ii)	Mainland China	RMB116,000,000	**93**	93	Infrastructure investment
邯鄲海嘉建設有限公司 (ii)	Mainland China	RMB283,950,900	**95**	95	Infrastructure investment
保山海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
綿陽海升建設有限公司 (ii)	Mainland China	RMB360,000,000	**90**	90	Infrastructure investment
泉州海嘉建設有限公司 (ii)	Mainland China	RMB30,000,000	**80**	80	Infrastructure investment
泉州海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
淄博海恒建設有限公司 (ii)	Mainland China	Nil (2019: RMB100,000,000)	**–**	90	Infrastructure investment
樂平海嘉建設有限公司 (ii)	Mainland China	RMB50,000,000	**95**	95	Infrastructure investment
十堰海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
北京海悦置業有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Infrastructure investment
滁州海嘉同創建設管理有限公司 (ii)	Mainland China	RMB160,000,000	**69**	69	Infrastructure investment

51 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2020 %	2019 %	Principal activities
Indirectly held by the Company: (continued)					
濟南海新建設有限公司 (ii)	Mainland China	RMB56,000,000	**100**	100	Infrastructure investment
煙臺海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
安福海福建設有限公司 (ii)	Mainland China	RMB100,000,000	**95**	95	Infrastructure investment
台州海旭建設有限公司 (ii)	Mainland China	RMB157,120,000	**90**	90	Infrastructure investment
湖州海悦實業發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
武漢海榮建設有限公司 (ii) (iv)	Mainland China	RMB220,000,000 (2019: Nil)	**100**	–	Infrastructure investment
鹽城海鋭置業有限公司 (ii) (iv)	Mainland China	RMB20,000,000 (2019: Nil)	**100**	–	Property development
溫州海恒建設發展有限公司 (ii) (iv)	Mainland China	RMB40,000,000 (2019: Nil)	**100**	–	Infrastructure investment
台州海創建設有限公司 (ii) (iv)	Mainland China	RMB50,000,000 (2019: Nil)	**100**	–	Infrastructure investment
湖州海嘉建設發展有限公司 (ii) (iv)	Mainland China	RMB50,000,000 (2019: Nil)	**100**	–	Infrastructure investment
台州海恒建設有限公司 (ii) (iv)	Mainland China	RMB30,000,000 (2019: Nil)	**100**	–	Infrastructure investment
莆田海恒建設有限公司(ii) (iv)	Mainland China	RMB100,000,000 (2019: Nil)	**100**	–	Infrastructure investment
淄博海創置業有限公司 (ii) (iv)	Mainland China	RMB18,000,000 (2019: Nil)	**100**	–	Property development

Notes:

(i) Registered as foreign owned enterprise

(ii) Limited liability company registered in Mainland China

(iii) Listed company

(iv) Incorporated in 2020

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year, except for China State Construction Finance (Cayman) II Limited and 中建國際投資集團有限公司, which have issued US$800,000,000 (2019: US$800,000,000) guaranteed notes payable and RMB500,000,000 (2019: Nil) medium-term notes, respectively (Note 42).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

Independent Auditor's Report

pwc 羅兵咸永道

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

Opinion

What 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 100 to 193, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2019, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from construction works
- Recoverability of trade receivables
- Impairment of concession operating rights

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction works	
Refer to notes 4.25, 6.1 and 7 to the consolidated financial statements. For the year ended 31 December 2019, the Group recognised revenue from construction works of HK$57,346 million, including revenue from construction contracts, infrastructure investment projects and façade contracting business. Most construction works take several years to complete and the scope of work may change during that time. Management estimate the revenue and budgeted costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue, budgeted costs as well as the progress of related construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. For this reason, we identified revenue recognition from construction works as a key audit matter.	We understood, evaluated and validated on a sample basis the internal controls relating to the contract budgeting and management process. The measurement of revenue recognition requires management's estimates in respect of revenue, budgeted costs as well as the progress of related construction works. In our testing of the revenue recognition for the reporting period, we selected construction works on a sample basis and: • discussed with management and the respective project teams about the progress of the projects and relevant contract terms; • assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence among the Group, customers, subcontractors and suppliers; • tested on a sample basis the actual costs incurred on construction works during the reporting period; • recalculated the revised estimate of the progress of the construction works based on the latest budgeted final costs and the total actual costs incurred; and • recalculated the revenue recognised based on the revised estimate of the progress of the construction works. We considered management's estimates used to determine the revenue and budgeted costs and the progress of the construction works for the reporting period as well as the revenue recognised to be supportable based on the evidence available.

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to notes 4.9(iv), 4.15, 6.3 and 30 to the consolidated financial statements. As at 31 December 2019, the Group recognised trade receivables of HK$66,108 million, which was the most significant asset of the Group as of the year end, representing 41% of the total assets. In assessing the recoverability of trade receivables, management exercised significant judgements to evaluate 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, the probability that they will enter bankruptcy, aging analysis and forecast of future events and economic conditions which may impact the recoverability of trade receivables, and if applicable, the fair value of collateral provided by customers. The judgements applied by management have a significant impact on the level of provision required for trade receivables.	We performed the following procedures to assess the recoverability of trade receivables: • We understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables; • We tested on a sample basis the aging of trade receivables at year end; • We tested on a sample basis subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • In respect of material trade receivables balances, we inspected relevant contracts and correspondence with the customers, and assessed their creditworthiness with reference to publicly available information, where applicable; • In respect of material trade receivables balances which are past due, additional procedures were performed to evaluate their historical progress payment records, assess whether the customers are experiencing financial difficulties, default or delinquency in interest or principal payments, and assess the probability that the customers will enter bankruptcy with reference to publicly available information, where applicable; • We compared, if applicable, the fair value of collateral provided by customers to available market information; and • We evaluated the level of provisions made by management for trade receivables using forward-looking and historical information. We considered the judgements applied by management in assessing the recoverability of and determining the level of provision for trade receivables to be supportable based on the evidence available.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of concession operating rights	
Refer to notes 4.8(c), 4.11, 6.5 and 23 to the consolidated financial statements. The Group's concession operating rights represent the rights to operate, and charge for usage of, toll expressways in the Mainland China and were recognised as non-current assets with a net carrying amount of approximately HK$3,838 million as at 31 December 2019. Management perform an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist, for example, the actual traffic flow is less than that budgeted. The recoverable amount of concession operating rights is the higher of the value determined based on value-in-use calculations and fair value less costs of disposal. The impairment assessment based on recoverable amount involves significant judgements and assumptions, including management's expectations of future traffic volumes, expected future toll fee levels, length of operating rights, maintenance costs and discount rates. Independent external valuers were also involved in the impairment assessment. As the impairment assessment involves significant judgements and estimates, we regarded this as a key audit matter.	We performed the following procedures to assess the impairment of concession operating rights: • We evaluated the competence, capabilities and objectivity of the independent external valuers; • We involved our internal valuation experts to assess the valuation methodology and discount rates applied by management, and benchmarked the discount rates applied to other comparable companies in the same industry; and • We assessed 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, maintenance costs and discount rates by comparing them with economic and industry forecasts. We considered the judgements and assumptions applied by management to determine the recoverable amount of the concession operating rights to be supportable based on the evidence available.

Independent Auditor's Report (continued)

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion 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 HKSAs 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 HKSAs, 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Revenue	7	**61,669,678**	55,626,304
Costs of sales		**(52,433,975)**	(46,929,883)
Gross profit		**9,235,703**	8,696,421
Investment income, other income and other gains/(losses), net	9	**636,756**	(360,250)
Administrative, selling and other operating expenses		**(1,681,800)**	(1,396,594)
Share of profits of			
Joint ventures		**452,654**	705,024
Associates		**920,143**	342,621
Finance costs	10	**(2,278,985)**	(1,781,717)
Profit before tax		**7,284,471**	6,205,505
Income tax expenses, net	13	**(1,560,891)**	(1,648,872)
Profit for the year	14	**5,723,580**	4,556,633
Profit for the year attributable to:			
Owners of the Company		**5,413,208**	4,500,148
Holders of perpetual capital securities		**260,166**	17,000
Non-controlling interests		**50,206**	39,485
		5,723,580	4,556,633
Earnings per share (HK cents)	16		
Basic		**107.21**	89.13
Diluted		**107.21**	89.13

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**5,723,580**	4,556,633
Other comprehensive income/(loss)		
Items that may be reclassified to consolidated income statement		
Gain/(loss) on fair value changes of debt securities at fair value through other comprehensive income, net of tax	**24,990**	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	**9,376**	(109)
Exchange differences on translation of subsidiaries	**(256,901)**	(1,765,725)
Exchange differences on translation of joint ventures	**(101,074)**	(608,912)
Exchange differences on translation of associates	**(5,827)**	(9,527)
Items that will not be reclassified to consolidated income statement		
Gain on fair value change of equity securities at fair value through other comprehensive income, net of tax	**492**	14,429
Other comprehensive loss for the year, net of tax	**(328,944)**	(2,382,724)
Total comprehensive income for the year, net of tax	**5,394,636**	2,173,909
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,090,668**	2,143,514
Holders of perpetual capital securities	**260,166**	17,000
Non-controlling interests	**43,802**	13,395
	5,394,636	2,173,909

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	At 31 December 2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment	17(a)	**4,726,378**	4,149,806
Investment properties	18	**5,067,333**	4,680,776
Interests in infrastructure project investments	19	**4,747,131**	3,680,414
Prepaid lease payments	20	**—**	367,032
Interests in joint ventures	21	**14,012,737**	11,709,355
Interests in associates	22	**6,300,683**	5,654,865
Concession operating rights	23	**3,837,846**	4,154,800
Deferred tax assets	41	**157,833**	198,830
Trademark, project backlogs and licences	24	**289,117**	308,535
Goodwill	24	**577,664**	577,664
Financial assets at fair value through other comprehensive income	25	**658,355**	505,416
Amounts due from investee companies	26	**211,806**	211,806
Trade and other receivables	30	**44,317,072**	38,047,727
Loans to joint ventures	32	**1,020,307**	1,612,397
		85,924,262	75,859,423
Current Assets			
Interests in infrastructure project investments	19	**52,053**	45,811
Inventories	27	**259,811**	280,204
Properties under development	28	**1,810,383**	2,349,510
Properties held for sale		**1,716,919**	710,275
Contract assets	29	**12,115,947**	9,081,810
Trade and other receivables	30	**30,601,279**	25,321,390
Deposits and prepayments		**500,604**	265,530
Loans to joint ventures	32	**327,883**	338,024
Amounts due from joint ventures	32	**5,105,117**	3,781,326
Amounts due from associates	31	**373,897**	105,179
Tax recoverable		**12,127**	57,901
Bank balances and cash	34	**22,623,621**	17,925,708
		75,499,641	60,262,668

Consolidated Statement of Financial Position (continued)

As at 31 December 2019

	Note	At 31 December 2019 HK$'000	2018 HK$'000
Current Liabilities			
Contract liabilities	29	**7,830,567**	9,027,486
Trade payables, other payables and accruals	35	**44,699,248**	36,714,715
Deposits received		**34,352**	38,802
Amounts due to joint ventures	32	**1,353,803**	1,064,099
Amounts due to associates	31	**86**	102,645
Current tax payables		**4,781,892**	3,885,617
Borrowings	36	**10,040,968**	2,795,832
Loan from a fellow subsidiary	33	**2,340,000**	—
Lease liabilities	17(b)	**24,854**	—
Obligations under finance leases		**—**	793
		71,105,770	53,629,989
Net current assets		**4,393,871**	6,632,679
Total assets less current liabilities		**90,318,133**	82,492,102
Capital and Reserves			
Share capital	37	**126,229**	126,229
Share premium and reserves	38	**42,021,941**	38,328,139
Equity attributable to owners of the Company		**42,148,170**	38,454,368
Perpetual capital securities	39	**7,781,962**	3,878,468
Non-controlling interests		**977,433**	745,414
		50,907,565	43,078,250
Non-current Liabilities			
Borrowings	36	**29,347,618**	32,033,950
Guaranteed notes payables	40	**6,216,049**	6,210,963
Contract liabilities	29	**688,210**	740,010
Deferred tax liabilities	41	**403,675**	427,087
Loan from a joint venture	42	**2,711,864**	—
Lease liabilities	17(b)	**43,152**	—
Obligations under finance leases		**—**	1,842
		39,410,568	39,413,852
		90,318,133	82,492,102

On behalf of the Board

Zhang Haipeng	**Zhou Hancheng**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 37)	Share premium and reserves HK$'000 (Note 38)	Total HK$'000	Perpetual capital securities HK$'000 (Note 39)	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	126,229	37,961,400	38,087,629	–	375,282	38,462,911
Profit for the year	–	4,500,148	4,500,148	17,000	39,485	4,556,633
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	–	(12,880)	(12,880)	–	–	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	–	(109)	(109)	–	–	(109)
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	–	14,429	14,429	–	–	14,429
Exchange differences on translation of subsidiaries	–	(1,739,635)	(1,739,635)	–	(26,090)	(1,765,725)
Exchange differences on translation of joint ventures	–	(608,912)	(608,912)	–	–	(608,912)
Exchange differences on translation of associates	–	(9,527)	(9,527)	–	–	(9,527)
Total comprehensive income for the year	–	2,143,514	2,143,514	17,000	13,395	2,173,909
Issuance of perpetual capital securities	–	–	–	3,861,468	–	3,861,468
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	–	16,419	16,419	–	–	16,419
Contribution from non-controlling interests of subsidiaries	–	–	–	–	341,945	341,945
Dividend paid to non-controlling shareholders	–	–	–	–	(11,183)	(11,183)
Deemed disposal of interests in a subsidiary	–	(25,975)	(25,975)	–	25,975	–
Acquisition of additional interest of a subsidiary	–	(14)	(14)	–	–	(14)
2017 final dividend paid	–	(1,009,831)	(1,009,831)	–	–	(1,009,831)
2018 interim dividend paid	–	(757,374)	(757,374)	–	–	(757,374)
Total transactions with owners, recognised directly in equity	–	(1,776,775)	(1,776,775)	3,861,468	356,737	2,441,430
At 31 December 2018	126,229	38,328,139	38,454,368	3,878,468	745,414	43,078,250

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 37)	Share premium and reserves HK$'000 (Note 38)	Total HK$'000	Perpetual capital securities HK$'000 (Note 39)	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	**126,229**	**38,328,139**	**38,454,368**	**3,878,468**	**745,414**	**43,078,250**
Profit for the year	—	**5,413,208**	**5,413,208**	**260,166**	**50,206**	**5,723,580**
Gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	**24,990**	**24,990**	—	—	**24,990**
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	**9,376**	**9,376**	—	—	**9,376**
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	—	**492**	**492**	—	—	**492**
Exchange differences on translation of subsidiaries	—	**(250,497)**	**(250,497)**	—	**(6,404)**	**(256,901)**
Exchange differences on translation of joint ventures	—	**(101,074)**	**(101,074)**	—	—	**(101,074)**
Exchange differences on translation of associates	—	**(5,827)**	**(5,827)**	—	—	**(5,827)**
Total comprehensive income for the year	—	**5,090,668**	**5,090,668**	**260,166**	**43,802**	**5,394,636**
Issuance of perpetual capital securities	—	—	—	**3,877,328**	—	**3,877,328**
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	**16,898**	**16,898**	—	—	**16,898**
Contribution from non-controlling interests of subsidiaries	—	—	—	—	**202,482**	**202,482**
Distribution paid on perpetual capital securities	—	—	—	**(234,000)**	—	**(234,000)**
Dividend paid to non-controlling shareholders	—	—	—	—	**(14,265)**	**(14,265)**
2018 final dividend paid	—	**(605,899)**	**(605,899)**	—	—	**(605,899)**
2019 interim dividend paid	—	**(807,865)**	**(807,865)**	—	—	**(807,865)**
Total transactions with owners, recognised directly in equity	—	**(1,396,866)**	**(1,396,866)**	**3,643,328**	**188,217**	**2,434,679**
At 31 December 2019	**126,229**	**42,021,941**	**42,148,170**	**7,781,962**	**977,433**	**50,907,565**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before tax	**7,284,471**	6,205,505
Adjustments for:		
Finance costs	**2,278,985**	1,781,717
Interest income	**(444,036)**	(260,745)
Dividend income	**(31,154)**	(27,138)
Gain on disposal of debt securities at fair value through other comprehensive income, net of tax	**(7,376)**	(113)
Loss on fair value changes of investment properties	**—**	6,828
Gain on disposal of property, plant and equipment	**(9,138)**	(669)
Gain on disposal of investment properties	**(4,028)**	—
Impairment loss on concession operation rights	**—**	817,000
Share of profits of joint ventures	**(452,654)**	(705,024)
Share of profits of associates	**(920,143)**	(342,621)
Exchange loss/(gain)	**45,256**	(30,408)
Depreciation of property, plant and equipment	**193,262**	144,910
Amortisation of concession operating rights	**270,065**	211,879
Amortisation of trademark and licences	**17,598**	17,848
Amortisation of prepaid lease payments	**—**	7,399
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	**914**	(7,083)
Operating cash flows before working capital changes	**8,222,022**	7,819,285
Decrease in income receivables from infrastructure project investments	**31,230**	430,569
Decrease/(increase) in inventories	**17,572**	(66,165)
Decrease/(increase) in properties under development	**532,028**	(1,549,510)
Increase in properties held for sale	**(1,026,590)**	(296,020)
Changes in net balances in net contract assets/liabilities	**(4,253,464)**	5,171,038
Increase in trade and other receivables	**(13,565,721)**	(16,220,149)
(Increase)/decrease in deposits and prepayments	**(236,706)**	26,846
Increase in trade payables, other payables and accruals	**8,101,855**	4,791,972
Decrease/(increase) in deposits received	**4,521**	(1,221,609)
Net cash used in operations	**(2,173,253)**	(1,113,743)
Income taxes paid	**(560,570)**	(834,746)
Income taxes refunded	**29,474**	23,894
Net cash used in operating activities (Note)	**(2,704,349)**	(1,924,595)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Investing activities			
Interest received		**249,323**	150,958
Purchases of property, plant and equipment		**(502,777)**	(805,876)
Payments for prepaid leases payments		**—**	(2,601)
Proceeds from disposal of property, plant and equipment		**14,722**	93,734
Proceeds from disposal of investment properties		**7,101**	—
Net movement of current accounts with joint ventures		**(1,090,448)**	(1,254,436)
Net movement of loans to joint ventures		**685,127**	(1,886,317)
Investments in joint ventures		**(2,221,952)**	(1,950,197)
Dividends received from joint ventures		**269,688**	293,065
Net movement of current accounts with associates		**(377,302)**	31,436
Investments in associates		**(1,475,294)**	(1,152,179)
Dividends received from associates		**1,841,937**	335,263
Dividends received from equity securities at fair value through other comprehensive income		**31,154**	27,138
Acquisition of debt securities at fair value through other comprehensive income		**(402,407)**	(93,331)
Proceeds from disposal of equity securities at fair value through other comprehensive income		**291,658**	39,389
Acquisition of investment properties		**(388,824)**	(840)
Acquisition of subsidiaries	46	**—**	(800,000)
(Increase)/decrease in pledged bank deposits and deposits with financial institutions		**(21,747)**	20,824
Net cash used in investing activities		**(3,090,041)**	(6,953,970)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Financing activities			
Finance costs paid		**(1,966,621)**	(1,757,784)
Dividends paid to owners of the Company		**(1,413,764)**	(1,767,205)
Dividends paid to non-controlling shareholders		**(14,265)**	(11,183)
Contribution from non-controlling interests		**202,482**	341,945
Issue of perpetual capital securities, net		**3,877,328**	3,861,468
Distribution paid on perpetual capital securities		**(234,000)**	—
New bank loans raised	44	**27,137,450**	21,775,393
Repayment of bank loans	44	**(22,166,065)**	(8,960,494)
Loan from a joint venture	44	**2,781,600**	—
Loan from a fellow subsidiary	44	**2,340,000**	—
Principal elements of lease payments	44	**(37,518)**	—
Repayment of finance leases	44	**—**	(1,026)
Repayment of guaranteed notes payables		**—**	(3,900,000)
Net cash from financing activities		**10,506,627**	9,581,114
Increase in cash and cash equivalents		**4,712,237**	702,549
Cash and cash equivalents at the beginning of the year		**17,924,196**	17,570,868
Effect of foreign exchange rate changes		**(36,071)**	(349,221)
Cash and cash equivalents at the end of the year		**22,600,362**	17,924,196
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**22,623,621**	17,925,708
Less: Pledged bank deposits and deposits with financial institutions		**(23,259)**	(1,512)
		22,600,362	17,924,196

Note:

During the year, the Group has undertaken a number of infrastructure investment projects. The net expenditure for infrastructure investment projects (ie. the difference between the cash generated from and used in the construction of infrastructure investment projects) has decreased from HK$4.5 billion in 2018 to HK$3.0 billion in 2019.

1 General information

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

The principal activities of the Company and its subsidiaries (together, the "Group") are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and façade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 52, 21 and 22, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$'000"), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2020.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

2 Basis of preparation (continued)

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

In the current year, the Group has applied the following new standards, amendments and improvements to existing Hong Kong Accounting Standards ("HKAS(s)"), and interpretation ("Int") (hereinafter collectively referenced to as the "new HKFRSs") issued by the HKICPA.

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the above new HKFRSs in the current year has had no material impact on the Group's results and financial position, except HKFRS 16 "Leases". As a result of adopting the standard, the Group had to change its accounting policies. The impact of adoption is disclosed in note 3.

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The mandatory effective date will be determined

3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different from those applied in prior years.

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. HKFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset for the lease term) and a lease liability (representing the obligation to pay rentals) are recognised for all leases. The lessor accounting largely remains unchanged.

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Applied the recognition exemption for leases of low value assets
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether* an *Arrangement contains a Lease*.

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases (mainly land and buildings and motor vehicles) from property, plant and equipment and prepaid lease payments under operating leases to right-of-use assets and the liabilities under obligations under finance leases to lease liabilities for presentation purpose.

3 Changes in accounting policies (continued)

HKFRS 16 "Leases" (continued)

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**145,629**
Discounted using the lessee's incremental borrowing rate of at the date of initial application*	**140,595**
Add: finance lease liabilities recognised as at 31 December 2018	**2,635**
Less: adjustments as a result of a different treatment of extension and termination options	**(51,880)**
Lease liabilities recognised as at 1 January 2019	**91,350**
Of which are:	
Current lease liabilities	**7,176**
Non-current lease liabilities	**84,174**
	91,350

* The weighted average incremental borrowing rate was 4.81% for Mainland China and 3.68% for the rest of the regions.

The table below summarises the impact on the adoption of HKFRS 16:

Consolidated statement of financial position (extract)	At 31 December 2018 (as reported) HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	**At 1 January 2019 (as adjusted) HK$'000**
Non-current assets			
Property, plant and equipment			
— Right-of-use assets	—	489,238	**489,238**
Property, plant and equipment			
— land and buildings and motor vehicles	33,491	(33,491)	**—**
Prepaid lease payments	367,032	(367,032)	**—**
Total assets	400,523	88,715	**489,238**
Non-current liabilities			
Obligations under finance leases	1,842	(1,842)	**—**
Lease liabilities	—	84,174	**84,174**
Current liabilities			
Obligations under finance leases	793	(793)	**—**
Lease liabilities	—	7,176	**7,176**
Total liabilities	2,635	88,715	**91,350**
Net assets	397,888	—	**397,888**

3 Changes in accounting policies (continued)

HKFRS 16 "Leases" (continued)

Consolidated income statement for the year ended 31 December 2019 (extract)	As originally presented HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	Restated HK$'000
Administrative, selling and other operating expenses	(1,682,347)	547	(1,681,800)
Finance costs	(2,276,261)	(2,724)	(2,278,985)
Profit before income tax	7,286,648	(2,177)	7,284,471
Income tax expenses, net	(1,560,891)	—	(1,560,891)
Profit for the year	5,725,757	(2,177)	5,723,580
Profit attributable to:			
Owners of the Company	5,415,372	(2,164)	5,413,208
Holders of perpetual capital securities	260,166	—	260,166
Non-controlling interests	50,219	(13)	50,206
Profit for the year	5,725,757	(2,177)	5,723,580
Earnings per share (HK cents)			
Basic	107.25	(0.04)	107.21
Diluted	107.25	(0.04)	107.21

Consolidated statement of cash flows for the year ended 31 December 2019 (extract)	As originally presented HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	Restated HK$'000
Net cash (used in)/from operating activities	(2,741,956)	37,607	(2,704,349)
Finance costs paid	(1,963,897)	(2,724)	(1,966,621)
Principal elements of lease payments	(2,635)	(34,883)	(37,518)
Net cash from/(used in) in financing activities	10,544,234	(37,607)	10,506,627
Increase in cash and cash equivalents	4,712,237	—	4,712,237

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 2019.

(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 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 Combination". 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.

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.

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(a) Subsidiaries (continued)

Business combinations — acquisition method (continued)

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.

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 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.

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(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, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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.

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(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

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

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

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

Joint operations

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

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 Hong Kong dollar ("HK$'000"), which is the Company's functional and the Group's presentation currency.

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

(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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "Investment income, other income and other gains/(losses), net".

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 determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVOCI are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are recognised in OCI.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement 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.

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

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

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

4.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

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

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

4 Principal accounting policies (continued)

4.5 Leases

As explained in note 3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 3.

Accounting policies applied until 31 December 2018

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "Prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

(b) The Group as lessee

(i) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4 Principal accounting policies (continued)

4.5 Leases (continued)

Accounting policies applied from 1 January 2019

Leases

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.

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.

4 Principal accounting policies (continued)

4.5 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Leases (continued)

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. While the Group revaluates its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

4 Principal accounting policies (continued)

4.6 Investment properties

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

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

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 loans and receivables and amortised cost in accordance with HKAS 39 and HKFRS 9 respectively and are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

4 Principal accounting policies (continued)

4.8 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 acquire 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 value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademark, project backlogs and licences

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

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

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

(c) Concession operating rights

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

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

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

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

4 Principal accounting policies (continued)

4.9 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

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 finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses) together with foreign exchange gains and losses or finance income/(cost).

4 Principal accounting policies (continued)

4.9 Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt securities (continued)

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

Equity securities

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

Impairment losses (and reversal of impairment losses) on equity securities measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt securities carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 30 for further details.

As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

4.10 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 Principal accounting policies (continued)

4.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). 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.

4.12 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.

4.13 Properties held for sale

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

4.14 Property under development

Properties under development comprise leasehold land and land use rights, 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 Principal accounting policies (continued)

4.15 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.

4.16 Cash and cash equivalents

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

4.17 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.

4.18 Trade payables, other payables and accruals

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

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

4.19 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.

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

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

4 Principal accounting policies (continued)

4.20 Borrowing costs

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

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

4.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis difference

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

4 Principal accounting policies (continued)

4.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis difference (continued)

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

Outside basis difference

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

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

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

(c) Offsetting

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

4.22 Provisions

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

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

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

4 Principal accounting policies (continued)

4.23 Employee benefits

(a) Retirement benefits

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

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

(b) Employee leave entitlements

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

4.24 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 on a straight-line basis 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 Principal accounting policies (continued)

4.25 Revenue recognition

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

(a) Provides all of the benefits received and consumed simultaneously by the customer;

(b) Creates or enhances an asset that the customer control as the Group performs; or

(c) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

(a) Direct measurements of the value transferred by the Group to the customer; or

(b) The Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs ("input method").

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

4 Principal accounting policies (continued)

4.25 Revenue recognition (continued)

(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) Project consultancy contracts

Income from project consultancy contract is recognised on an accrual basis over time for the period of providing project consultancy services.

(iii) Thermoelectricity business

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

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

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

(iv) Toll revenue

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

(v) Sales of goods

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

(vi) Services income

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

4 Principal accounting policies (continued)

4.25 Revenue recognition (continued)

(b) Revenue from other sources

(i) Income from interests in infrastructure investment projects

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

(ii) Lease of machinery

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

(iii) Insurance income

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

(iv) Interest income generated from Public-Private-Partnership ("PPP") projects (previously known as "Build — Transfer" and "Build — Operation — Transfer" projects)

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

(v) Interest income

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

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

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

(vi) Dividend income

Dividends are received from equity securities at FVOCI (equity). Dividends are recognised as investment income, other income and other gains/(losses), 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 Principal accounting policies (continued)

4.26 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.

4.27 Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain 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.

4.28 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.

4.29 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 Principal accounting policies (continued)

4.30 Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

4.31 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.

5 Financial risk management

5.1 Financial instruments by category

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	**4,799,184**	3,726,225
Amounts due from investee companies	**211,806**	211,806
Loans to joint ventures	**1,348,190**	1,950,421
Amounts due from joint ventures	**5,105,117**	3,781,326
Amounts due from associates	**373,897**	105,179
Trade and other receivables	**74,918,351**	63,369,117
Deposits	**36,919**	58,547
Bank balances and cash	**22,623,621**	17,925,708
Financial assets at FVOCI	**658,355**	505,416
	110,075,440	91,633,745
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	**44,500,757**	35,212,621
Amounts due to joint ventures	**1,353,803**	1,064,099
Amounts due to associates	**86**	102,645
Borrowings	**39,388,586**	34,829,782
Deposits received	**34,352**	38,802
Loan from a fellow subsidiary	**2,340,000**	—
Loan from a joint venture	**2,711,864**	—
Lease liabilities	**68,006**	—
Obligations under finance leases	**—**	2,635
Guaranteed notes payables	**6,216,049**	6,210,963
	96,613,503	77,461,547

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 Financial risk management (continued)

5.2 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2019, if HK$ had weakened/strengthened 5% against RMB with all other variables held constant, the consolidated profit before tax for the year would have been HK$62,000 lower/higher (2018: HK$406,000 higher/lower).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from its variable-rate borrowings, London Interbank Offered Rate ("LIBOR") arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings and trade and other receivables. Please see notes 25, 30 and 36 for details of debt securities, trade and other receivables and borrowings.

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

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2018: 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 (2018: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2019 would decrease/increase by HK$59,844,000 (2018: decrease/increase by HK$62,032,000).

(b) Credit risk

As at 31 December 2019, 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 liquid funds 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 is limited because the counterparties, which are engaged in property development and investment in Mainland China and Macau, have strong financial positions.

The credit risk on interests in infrastructure project investments, contract assets and trade 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 contract assets and trade receivables and the lifetime expected credit loss rate is below 1%.

Other than concentration of credit risk on liquid funds, 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 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 2019

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The Group						
At 31 December 2019						
Trade payables, other payables and accruals	**41,457,458**	**1,030,431**	**1,111,014**	**842,873**	**58,982**	**44,500,758**
Deposits received	**34,352**	**—**	**—**	**—**	**—**	**34,352**
Amounts due to joint ventures	**1,353,803**	**—**	**—**	**—**	**—**	**1,353,803**
Amounts due to associates	**86**	**—**	**—**	**—**	**—**	**86**
Borrowings	**5,587,655**	**6,013,964**	**6,319,374**	**15,809,577**	**11,592,819**	**45,323,389**
Loan from a fellow subsidiary	**2,340,000**	**—**	**—**	**—**	**—**	**2,340,000**
Loan from a joint venture	**92,203**	**92,203**	**184,407**	**3,104,424**	**—**	**3,473,237**
Guaranteed notes payables	**110,175**	**110,175**	**220,350**	**4,793,172**	**2,245,418**	**7,479,290**
Lease liabilities	**12,427**	**12,427**	**17,969**	**16,760**	**8,899**	**68,482**
	50,988,159	**7,259,200**	**7,853,114**	**24,566,806**	**13,906,118**	**104,573,397**
At 31 December 2018						
Trade payables, other payables and accruals	30,685,456	436,891	3,028,638	1,037,638	23,998	35,212,621
Deposits received	38,802	—	—	—	—	38,802
Amounts due to joint ventures	1,064,099	—	—	—	—	1,064,099
Amount due to an associate	102,645	—	—	—	—	102,645
Borrowings	1,825,848	2,327,377	13,084,144	14,807,110	7,420,406	39,464,885
Guaranteed notes payables	110,175	110,175	220,350	4,777,485	2,163,338	7,381,523
Obligations under finance leases	409	409	819	1,294	—	2,931
	33,827,434	2,874,852	16,333,951	20,623,527	9,607,742	83,267,506

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 guarantee notes payable, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings 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 45.1% as at 31 December 2019 (2018: 53.7%). The decrease was mainly caused by profit for the year and the increase in total equity from perpetual securities issued.

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 2019 and 2018.

	31 December 2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Debt and equity securities at FVOCI				
Listed debt securities	**528,944**	**—**	**—**	**528,994**
Unlisted equity securities	**—**	**—**	**129,361**	**129,361**
	528,944	**—**	**129,361**	**658,355**

	31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Debt and equity securities at FVOCI				
Listed debt securities	375,628	—	—	375,628
Unlisted equity securities	—	—	129,788	129,788
	375,628	—	129,788	505,416

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

There were no transfers between the levels during the year.

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	Equity securities at FVOCI HK$'000
At 1 January 2018	116,056
Exchange adjustments	(697)
Change in fair value	14,429
At 31 December 2018	129,788
Exchange adjustments	**(919)**
Change in fair value	**492**
At 31 December 2019	**129,361**

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.

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

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

— 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 and investee companies

— Trade payables, other payables and accruals and deposits received

— Borrowings

— Guaranteed notes payables

— Lease liabilities

6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

6.1 Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works. The progress is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

6.2 Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major sub-contractors/suppliers/vendors involved and experience of management. A foreseeable losses is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

6 Critical accounting estimates and judgements (continued)

6.3 Recoverability of receivables and amounts due from related parties

The provision for receivables 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. The recoverable amounts have been determined based on the higher of the fair value less costs to sell and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

6.5 Impairment of concession operating rights

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

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

6.6 Estimate of fair value of equity securities and investment properties

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various equity securities at FVOCI that are not traded in active markets.

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 and suitable 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.

7 Revenue

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

An analysis of the Group's revenue for the year is as follows:

	2019 **HK$'000**	2018 HK$'000
Revenue from construction contracts	**26,286,314**	22,000,707
Revenue from infrastructure investment projects (note (a))	**31,031,737**	29,311,340
Revenue from façade contracting business	**2,678,001**	2,909,636
Revenue from infrastructure operation (note (b))	**834,113**	849,358
Others (note (c))	**839,513**	555,263
	61,669,678	55,626,304

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers (note (d))		
Timing of revenue recognition		
— Over time	**58,245,355**	53,015,800
— At a point in time	**572,790**	404,142
	58,818,145	53,419,942
Revenue from other sources		
— Interest income generated from PPP projects	**2,372,168**	1,844,441
— Others (note (c))	**479,365**	361,921
	2,851,533	2,206,362
	61,669,678	55,626,304

Note:

(a) Revenue from infrastructure investment projects mainly comprise of revenue generated from the provision of construction services under PPP model, previously known as "Build — Transfer" model and the corresponding interest income.

(b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.

(c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties, of which revenue from machinery leasing, insurance contracts and rental income from investment properties are included in revenue from other sources.

(d) The revenue recognised for the years ended 31 December 2019 and 2018 are recognised over time, except for toll road operation and sales of building materials of approximately HK$166,099,000 (2018: HK$204,873,000) and HK$406,691,000 (2018: HK$199,269,000) respectively which were recognised at a point in time.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

8 Segment information

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

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

Segment revenue and results for the years ended 31 December 2019 and 2018 are as follows:

	Segment revenue		Gross profit		Segment result	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Reportable segment						
Mainland China	**31,935,556**	30,620,785	**6,832,238**	6,384,059	**6,307,058**	5,998,575
Hong Kong and Macau	**26,114,820**	21,899,770	**1,794,256**	1,958,819	**1,825,626**	1,907,084
Hong Kong	**21,421,172**	14,875,260	**1,307,090**	1,206,249	**1,352,802**	1,170,897
Macau	**4,693,648**	7,024,510	**487,166**	752,570	**472,824**	736,187
Overseas	**—**	—	**—**	—	**(14,209)**	(8,374)
CSC Development Group	**3,619,302**	3,105,749	**609,209**	353,543	**384,308**	167,664
	61,669,678	55,626,304	**9,235,703**	8,696,421	**8,502,783**	8,064,949
Share of revenue/results of joint ventures	**1,721,811**	4,519,203			**452,654**	705,024
Total	**63,391,489**	60,145,507			**8,955,437**	8,769,973
Unallocated corporate expenses					**(312,124)**	(1,125,372)
Share of profits of associates					**920,143**	342,621
Finance costs					**(2,278,985)**	(1,781,717)
Profit before tax					**7,284,471**	6,205,505

Due to restructuring of infrastructure operation business and thermoelectricity business in April 2019 and December 2019 respectively, the segment revenue and results attributable to these business for the year have been re-allocated from Mainland China segment to CSC Development Group accordingly. The comparative information has not been restated.

8 Segment information (continued)

Measurement

Performance is measured based on segment result that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from infrastructure investment projects, toll-road operation, sales of building materials and logistics services.

Segment revenue of the CSC Development Group represents revenue from façade contracting business, project consultancy services, general contracting business, thermoelectricity business and operations management derived from Hong Kong, Macau, Mainland China and overseas operations.

The revenue, gross profit and results of the Group are allocated based on operations of the segments. Taxation is not allocated to reportable segments.

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of joint ventures and 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		Overseas		CSC Development Group		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Allowance for doubtful debts on trade and other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**914**	–	**914**	–
Reversal of allowance for doubtful debt on trade and other receivables	**–**	(7,083)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(7,083)
Impairment loss on concession operating rights	**–**	817,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	817,000
Depreciation and amortisation	**298,871**	332,098	**43,244**	30,734	**813**	1,503	**–**	–	**137,997**	17,701	**480,925**	382,036
Net gain/(loss) on disposal of property, plant and equipment	**348**	101	**9,213**	607	**–**	–	**–**	–	**(423)**	(39)	**9,138**	669

8 Segment information (continued)

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**7,848,009**	7,668,040	**344,629**	582,551
Hong Kong	**5,918,877**	5,881,938	**112,115**	90,107
Macau	**372,141**	372,675	**7,940**	16,639
Overseas	**359,311**	315,960	**38,093**	116,579
	14,498,338	14,238,613	**502,777**	805,876

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

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

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

Segment assets and liabilities

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

Major customers' information

In 2018 and 2019, none of the customers individually represents more than 10 percent of the Group's total revenue.

9 Investment income, other income and other gains/(losses), net

	2019 HK$'000	2018 HK$'000
Interest income on:		
Bank deposits	225,704	136,629
Debt securities at FVOCI	22,820	14,329
Imputed interest on amounts due from investee companies	—	7,745
Loans to joint ventures	83,179	66,699
Loans to associates	112,333	35,343
Dividend income from:		
Equity securities at FVOCI	31,154	27,138
Gain on disposal of:		
Debt securities at FVOCI, net of tax	7,376	113
Property, plant and equipment, net	9,138	669
Investment properties	4,028	—
Loss on fair value changes of investment properties	—	(6,828)
Impairment loss on concession operating rights	—	(817,000)
Service income	65,241	52,586
Exchange gain	—	30,408
Others	75,783	91,919
	636,756	(360,250)

10 Finance costs

	2019 HK$'000	2018 HK$'000
Interest on bank loans	1,810,332	1,482,198
Interest on guaranteed notes payables	225,329	252,974
Interest on loan from a joint venture	179,823	—
Interest on loan from an immediate holding company	4,080	—
Interest on loan from a fellow subsidiary	1,502	—
Interest on lease liabilities	3,020	—
Finance lease charges	—	182
Others	54,899	46,363
	2,278,985	1,781,717

11 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the ten (2018: eleven) directors were as follows:

For the year ended 31 December 2019

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

For the year ended 31 December 2018

	Zhou Yong HK$'000 (Note (a))	Zhang Haipeng HK$'000 (Note (c))	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Hung Cheung Shew HK$'000	Pan Shujie HK$'000 (Note (d))	Wu Mingqing HK$'000 (Note (d))	Raymond Ho Chung Tai HK$'000 (Note (e))	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2018 HK$'000
Fees	–	–	–	–	–	–	–	360	360	250	360	1,330
Other emoluments:												
Salaries and allowances	2,760	2,209	1,742	2,112	3,345	787	1,187	–	–	–	–	14,142
Contributions to retirement benefit schemes	18	9	18	18	18	12	12	–	–	–	–	105
Performance related incentive payments (Note (f))	–	3,409	2,879	2,159	2,600	1,797	1,400	–	–	–	–	14,244
Total emoluments	2,778	5,627	4,639	4,289	5,963	2,596	2,599	360	360	250	360	29,821

Notes:

(a) Mr. Zhou Yong resigned as the executive director and Chairman of the Company with effect from 22 March 2019.

(b) Mr. Yan Jianguo was appointed as the Chairman and non-executive director of the Company with effect from 22 March 2019.

(c) Mr. Zhang Haipeng was appointed as the Chief Executive Officer of the Company with effect from 21 August 2018.

(d) Mr. Pan Shujie and Mr. Wu Mingqing resigned as the executive directors of the Company with effect from 21 August 2018.

(e) Mr. Raymond Ho Chung Tai resigned as the independent non-executive director of the Company with effect from 3 June 2019.

(f) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

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 year ended 31 December 2019 and 2018.

Of the five individuals with the highest emoluments, four (2018: four) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining one highest paid employee who is neither a director nor chief executive of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**2,395**	2,530
Contributions to retirement benefit schemes	**18**	18
Performance related incentive payments	**3,282**	1,800
	5,695	4,348

(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 (2018: Nil).

12 Senior management emoluments

The emoluments of the senior management for the years ended 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**53,322**	37,736
Contributions to retirement benefit schemes	**234**	216
	53,556	37,952

The emoluments of the senior management for 2019 and 2018 were within the following bands:

	2019 No. of employees	2018 No. of employees
HK$2,000,001 to HK$2,500,000	**—**	2
HK$2,500,001 to HK$3,000,000	**1**	3
HK$3,000,001 to HK$3,500,000	**3**	4
HK$3,500,001 to HK$4,000,000	**2**	1
HK$4,000,001 to HK$4,500,000	**2**	2
HK$4,500,001 to HK$5,000,000	**3**	—
HK$5,000,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**1**	—
	13	12

13 Income tax expenses, net

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**195,459**	262,366
Other jurisdictions	**1,489,586**	1,394,639
	1,685,045	1,657,005
Overprovision in prior years:		
Hong Kong	**(91,855)**	(25,540)
Other jurisdictions	**(51,022)**	(356)
	(142,877)	(25,896)
	1,542,168	1,631,109
Deferred tax, net (Note 41)	**18,723**	17,763
Income tax expenses for the year	**1,560,891**	1,648,872

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

Income taxes arising in other jurisdictions, mainly Mainland China, 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:

	2019 HK$'000	2018 HK$'000
Profit before tax	**7,284,471**	6,205,505
Share of profits of		
Joint ventures	**(452,654)**	(705,024)
Associates	**(920,143)**	(342,621)
	5,911,674	5,157,860
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	**975,426**	851,047
Effect of different tax rates of profit arising from other jurisdictions	**293,876**	246,864
Tax effect of expenses not deductible for tax purpose	**227,706**	203,792
Tax effect of income not taxable for tax purpose	**(35,500)**	(59,396)
Tax effect of tax losses not recognised	**287,859**	451,523
Tax effect of utilisation of previously unrecognised tax losses	**(28,655)**	(23,864)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 41)	**(15,007)**	2,969
Overprovision in prior years	**(142,877)**	(25,896)
Others	**(1,937)**	1,833
Tax charge for the year	**1,560,891**	1,648,872

14 Profit for the year

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging/(crediting)		
Contracts assets costs recognised as expense	**51,577,565**	46,037,852
Cost of inventories sold	**393,101**	298,723
Cost of supply of heat, steam and electricity	**254,931**	276,288
Employee benefits expense including directors' emoluments:		
Staff costs	**4,354,331**	4,238,719
Contributions to retirement benefit plans	**209,623**	170,232
	4,563,954	4,408,951
Less: Amounts capitalised in contract assets	**(3,468,909)**	(3,361,129)
	1,095,045	1,047,822
Depreciation of property, plant and equipment	**344,395**	296,931
Less: Amounts capitalised in contract assets	**(151,133)**	(152,021)
	193,262	144,910
Amortisation of concession operating rights (included in costs of sales)	**270,065**	211,879
Amortisation of trademark and licenses (included in Administrative, selling and other operating expenses)	**17,598**	17,848
Amortisation of prepaid lease payments (included in Administrative, selling and other operating expenses)	**—**	7,399
Auditor's remuneration:		
Audit services	**9,167**	8,129
Non-audit services	**3,103**	2,496
	12,270	10,625
Short-term lease expense/operating lease rentals in respect of:		
Plant and machinery	**359,119**	349,838
Land and buildings	**12,714**	42,209
	371,833	392,047
Less: Amounts capitalised in contract assets	**(370,373)**	(355,499)
	1,460	36,548
Rental income from investment properties, net of direct outgoings	**(101,756)**	(100,554)
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivable	**914**	(7,083)
Exchange loss	**45,256**	—

15 Dividends

	2019 HK$'000	2018 HK$'000
Dividends recognised as distributions during the year:		
2018 Final, paid — HK 12.00 cents (2018: 2017 Final, paid — HK 20.00 cents) per share	**605,899**	1,009,831
2019 Interim, paid — HK 16.00 cents (2018: 2018 Interim, paid — HK 15.00 cents) per share	**807,865**	757,374
	1,413,764	1,767,205

The final dividend of HK 16.00 cents (2018: HK 12.00 cents) per share amounting to approximately HK$807,865,000 (2018: HK$605,899,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16 Earnings per share

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

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,413,208**	4,500,148

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,049,157**	5,049,157

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

17 (a) 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 2018	2,334,812	2,005,251	1,132,978	243,149	124,686	387,041	6,227,917
Exchange adjustments	(75,806)	(101,781)	(11,308)	(6,055)	(3,640)	(17,753)	(216,343)
Additions	411,085	24,449	98,706	92,495	15,002	164,139	805,876
Reclassification upon the completion of construction	96,592	18,473	12,363	—	—	(127,428)	—
Transfer between property, plant and equipment and investment properties	56,649	—	—	—	—	—	56,649
Disposals	(52)	(21,592)	(10,449)	(78,558)	(12,856)	—	(123,507)
At 31 December 2018	2,823,280	1,924,800	1,222,290	251,031	123,192	405,999	6,750,592
Effect of change in accounting policy (note 3)	**(36,531)**	**—**	**(1,101)**	**—**	**—**	**—**	**(37,632)**
At 1 January 2019, as restated	**2,786,749**	**1,924,800**	**1,221,189**	**251,031**	**123,192**	**405,999**	**6,712,960**
Exchange adjustments	**(14,580)**	**(23,194)**	**(3,422)**	**(2,637)**	**(848)**	**(7,408)**	**(52,089)**
Additions	**39,400**	**22,772**	**31,440**	**41,688**	**10,144**	**357,333**	**502,777**
Reclassification upon the completion of construction	**83,012**	**—**	**22,710**	**319**	**(164)**	**(138,964)**	**(33,087)**
Transfer between property, plant and equipment and investment properties	**(11,305)**	**—**	**—**	**—**	**—**	**—**	**(11,305)**
Disposals	**(960)**	**(7,648)**	**(51,265)**	**(28,088)**	**(11,359)**	**—**	**(99,320)**
At 31 December 2019	**2,882,316**	**1,916,730**	**1,220,652**	**262,313**	**120,965**	**616,960**	**7,019,936**
Depreciation							
At 1 January 2018	419,897	828,634	913,543	157,975	89,062	—	2,409,111
Exchange adjustments	(17,871)	(44,589)	(6,009)	(3,539)	(2,688)	—	(74,696)
Charge for the year	85,085	76,730	84,379	37,935	12,802	—	296,931
Transfer between property, plant and equipment and investment properties	(118)	—	—	—	—	—	(118)
Disposals	(49)	(2,873)	(9,411)	(9,819)	(8,290)	—	(30,442)
At 31 December 2018	486,944	857,902	982,502	182,552	90,886	—	2,600,786
Effect of change in accounting policy (note 3)	**(3,853)**	**—**	**(288)**	**—**	**—**	**—**	**(4,141)**
At 1 January 2019, as restated	**483,091**	**857,902**	**982,214**	**182,552**	**90,886**	**—**	**2,596,645**
Exchange adjustments	**(7,785)**	**(10,119)**	**(2,196)**	**(422)**	**(478)**	**—**	**(21,000)**
Charge for the year	**99,587**	**69,585**	**68,003**	**51,206**	**10,048**	**—**	**298,429**
Transfer between property, plant and equipment and investment properties	**(775)**	**—**	**—**	**—**	**—**	**—**	**(775)**
Disposals	**(246)**	**(6,612)**	**(51,265)**	**(25,239)**	**(10,374)**	**—**	**(93,736)**
At 31 December 2019	**573,872**	**910,756**	**996,756**	**208,097**	**90,082**	**—**	**2,779,563**
Carrying values							
At 31 December 2019	**2,308,444**	**1,005,974**	**223,896**	**54,216**	**30,883**	**616,960**	**4,240,373**
At 31 December 2018	2,336,336	1,066,898	239,788	68,479	32,306	405,999	4,149,806

17 (a) Property, plant and equipment (continued)

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

	2019 HK$'000	2018 HK$'000
Located in:		
Property, plant and equipment	**4,240,373**	4,149,806
Right-of-use assets	**486,005**	—
	4,726,378	4,149,806

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

	2019 HK$'000	2018 HK$'000
Land and buildings in Hong Kong under medium-term leases	**857,170**	882,219
Heat and electricity plants in Mainland China under medium-term leases	**253,956**	272,114
Other premises in Mainland China under medium-term leases	**959,537**	940,938
Freehold land in Macau	**68,903**	70,622
Freehold land in Canada	**136,809**	133,912
Freehold land in the United States of America	**32,069**	36,531
	2,308,444	2,336,336

At 31 December 2019, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounting to approximately HK$17,016,000 (2018: HK$16,980,000).

At 31 December 2019, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK$32,662,000 (2018: HK$33,491,000).

From 1 January 2019, leased assets are presented as Right-of-use assets under property, plant and equipment in the consolidated statement of financial position, please refer to note 17(b). Details about the change in accounting policy are presented in note 3.

17 (b) Leases

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

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

	2019 HK$'000	1 January 2019* HK$'000
Right-of-use assets		
Prepaid land lease payment**	**387,080**	367,032
Land and buildings and motor vehicles	**32,662**	33,491
Others	**66,263**	88,715
	486,005	489,238
Lease liabilities		
Current	**24,854**	7,176
Non-current	**43,152**	84,174
	68,006	91,350

* In the previous years, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as obligation under finance lease. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 3.

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

Additions to the right-of-use assets during the 2019 financial year were HK$14,609,000.

17 (b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

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

	2019 HK$'000
Depreciation charge of right-of-use assets	
Prepaid land lease payment	**8,076**
Land and buildings and motor vehicles	**829**
Others	**37,061**
	45,966
Interest expense (included in finance costs)	**3,020**
Expense relating to short-term leases (included in cost of sales and administrative, selling and other operating expenses)	**371,833**
	374,853

The total cash outflow for leases in 2019 was HK$412,234,000.

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

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 9 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

18 Investment properties

	2019 HK$'000	2018 HK$'000
At 1 January	**4,680,776**	4,750,265
Additions	**388,824**	840
Transfer between property, plant and equipment and investment properties	**10,530**	(56,767)
Disposal	**(3,073)**	—
Exchange adjustments	**(9,724)**	(6,734)
Change in fair value	**—**	(6,828)
At 31 December	**5,067,333**	4,680,776

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

	2019 HK$'000	2018 HK$'000
Rental income from operating lease	**119,927**	110,520
Direct operating expenses from property that generated rental income	**(18,171)**	(9,966)
Fair value loss recognised in investment income, other income and other gains/(losses), net	**—**	(6,828)

(ii) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Cushman & Wakefield Limited. It is an independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

(iii) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2019 and 2018.

18 Investment properties (continued)

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

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

Description	Fair value at 31 December 2018 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Property in Hong Kong	4,264,810	Income Capitalisation Approach	(1) capitalisation rate	2%–4%
			(2) market rent per square foot per month for retail portion	HK$59–HK$180
			(3) market price per square foot for office portion	HK$20,700–HK$25,600
Properties in Macau	209,000	Income Capitalisation Approach	(1) capitalisation rate	2.75%–3.5%
			(2) market rent per square foot per month	HK$10–HK$12
Properties in Mainland China	206,966	Direct Comparison Approach	(1) market price per square foot	RMB947–RMB2,862

Prevailing market rents are estimated based on management and independent valuers' view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by independent valuers and management based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

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

For minimum lease payments receivable on leases of investment properties, refer to note 47.

19 Interests in infrastructure project investments

	2019 HK$'000	2018 HK$'000
Interests in infrastructure project investments	**4,799,184**	3,726,225
Less: Portion due within one year included in current assets	**(52,053)**	(45,811)
Portion due after one year	**4,747,131**	3,680,414

Interests in infrastructure project investments represent funding denominated in RMB advanced to joint ventures for PPP infrastructure projects located in Mainland China. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 6.6% to 18.93% (2018: 6.6% to 19.93%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2019 and 2018.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2019 and 2018 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

20 Prepaid lease payments

The Group's prepaid lease payments comprise of leasehold land located in Mainland China under medium-term leases.

From 1 January 2019, the Group classifies all its prepaid lease payments to right-of-use assets. Please refer to note 3 and 17(b) for details.

21 Interests in joint arrangements

Joint ventures

	2019 HK$'000	2018 HK$'000
Cost of investments, unlisted	**12,377,652**	10,080,165
Share of post-acquisition profits and other comprehensive income, net of dividends	**1,635,085**	1,629,190
	14,012,737	11,709,355

21 Interests in joint arrangements (continued)

Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

	2019 HK$'000	2018 HK$'000
Aggregate carrying value	**14,012,737**	11,709,355
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**452,654**	705,024
Other comprehensive loss	**(101,074)**	(608,912)
Total comprehensive income	**351,580**	96,112

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2019 and 2018. As at 31 December 2019, there are HK$5,160,890,000 (2018: HK$3,344,776,000) unpaid committed investments relating to the Group's interests in joint venture.

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 2019 and 2018 are as follows:

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2019 %	2018 %	Principal activities
Atal – Degremont – China State Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering works
China Overseas Building – Bordon Joint Venture	Unincorporated	Hong Kong	**—**	50	Building construction
China State – Atal Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering works
China State – Atal Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering works
China State – Build King Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering works
China State – Shui On Joint Venture	Unincorporated	Hong Kong	**60**	60	Building construction
Consorcio De Krueger – CSME	Unincorporated	Macau	**55**	55	Mechanical and electrical engineering works
Krueger – China State M & E Joint Venture	Unincorporated	Hong Kong	**50**	50	Mechanical and electrical engineering works
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering works
Leighton – China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Maeda – China State Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering works
Penta Ocean – China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
中建鋼構 – CSHK 合作經營	Unincorporated	Macau	**30**	30	Structural steel works
China State – Dong Ah Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering works
Leighton – China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Penta-Ocean – China State – Dong Ah Joint Venture	Unincorporated	Hong Kong	**25**	25	Civil engineering works
Alchmex-Paul Y Joint Venture*	Unincorporated	Hong Kong	**55**	–	Civil engineering works
AJA Joint Venture*	Unincorporated	Hong Kong	**31.2**	–	Civil engineering works
China State Joint Venture*	Unincorporated	Hong Kong	**60**	–	Civil engineering works
AJC Joint Venture*	Unincorporated	Hong Kong	**30.5**	–	Civil engineering works

* Incorporated in 2019

22 Interests in associates

	2019 HK$'000	2018 HK$'000
Unlisted companies		
Cost of investments in associates	**3,334,126**	3,698,026
Share of post-acquisition profits and other comprehensive income, net of dividends	**627,318**	78,390
	3,961,444	3,776,416
Amount due from an associate	**95,552**	1,089,273
Loans to associates	**2,243,687**	789,176
	6,300,683	5,654,865

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2018: HK$494,000) arising from acquisitions of associates in prior years.

Amount due from an associate is unsecured, interest free and have no specific repayment terms, but is considered by the directors to be part of the long term interests in associates.

The loans to associates are unsecured, interest bearing range from 5.5% to 9.5% per annum (2018: from 5.5% to 6.0% per annum) and are not expected to be repaid within twelve months after the end of reporting period. The balance is denominated in HK$.

Set out below are the associates of the Group as at 31 December 2019 and 2018.

Name of entity	Form of business structure	Place of incorporation and operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group 2019 %	2018 %	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	**31.5**	31.5	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	**40.0**	40.0	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	**27.5**	27.5	Operation of slaughterhouse
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI	Non-voting class B#	**29.0**	29.0	Investment holding
Omar Property Development Company Limited##	Incorporated	Macau	Ordinary	**15.0**	15.0	Property development
安徽興泰融資租賃有限責任公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	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
深圳市毅駿房地產開發有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Property development
Trillion Vantage Investments limited	Incorporated	BVI	Ordinary	**20.0**	20.0	Investment holding
安徽福佑健康產業有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Infrastructure investment
六盤水董大公路投資開有限責任公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	Infrastructure investment
包頭市中海宏洋地產有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Property development
安徽省岳黃高速公路有限責任公司##	Incorporated	Mainland China	Ordinary	**17.2**	17.2	Infrastructure investment
顯意國際有限公司	Incorporated	Hong Kong	Ordinary	**30.0**	30.0	Property development
合肥濱湖金融小鎮管理有限公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	Property development
中建(泉州)城市發展有限公司	Incorporated	Mainland China	Ordinary	**35.0**	35.0	Property development
福州海建地產有限公司*	Incorporated	Mainland China	Ordinary	**50.0**	–	Property development
煙臺芝罘灣文旅投資發展有限公司*	Incorporated	Mainland China	Ordinary	**29.0**	–	Property development
Macfull Limited*	Incorporated	Hong Kong	Ordinary	**20.0**	–	Property development

22 Interests in associates (continued)

* Incorporated in 2019

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% of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

Significant influence is obtained by the Group through participation in the board of directors of the associate.

During the year, share of profits of associates amounted to HK$865,648,000 (2018: HK$233,017,000) was derived from Fast Shift, which has significant increase in post-tax profit from properties sold in the current year. Except for Fast Shift, no other associates that are individually material to the Group's result for the year or constitute significant part of net asset of the Group. Set out below is the aggregate financial information of the Group's associates:

	2019 HK$'000	2018 HK$'000
Aggregate carrying value	**3,961,444**	3,776,416
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**920,143**	342,621
Other comprehensive loss	**(5,827)**	(9,527)
Total comprehensive income	**914,316**	333,094

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2019 and 2018.

23 Concession operating rights

	HK$'000
Cost	
At 1 January 2018	6,756,084
Exchange adjustments	(305,785)
At 31 December 2018	6,450,299
Exchange adjustments	**(67,758)**
At 31 December 2019	**6,382,541**
Amortisation and impairment	
At 1 January 2018	1,341,802
Exchange adjustments	(75,182)
Charge for the year	211,879
Impairment (included in investment income, other income and other gains/(losses), net)	817,000
At 31 December 2018	2,295,499
Exchange adjustments	**(20,869)**
Charge for the year	**270,065**
At 31 December 2019	**2,544,695**
Carrying values	
At 31 December 2019	**3,837,846**
At 31 December 2018	4,154,800

23 Concession operating rights (continued)

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province with net carrying amounts of approximately HK$1,901,257,000 (2018: HK$2,014,851,000) and HK$1,936,589,000 (2018: HK$2,139,949,000), respectively, both of which are located in the Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in the Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and class 1 Highway from Yangquan to Niangziquan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2019 and 2018, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, maintenance costs and discount rates. An average revenue growth rate of 8% to 11% and a pre-tax discount rate of 12% (equivalent to a post-tax discount rate of 10%) have been used in the value-in-use calculation.

At 31 December 2019 and 2018, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK$1,901,257,000 (2018: HK$2,014,851,000) had been pledged to secure the bank loan with a carrying amount of approximately HK$1,694,915,000 (2018: HK$1,842,105,000) (Note 36).

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 2018	216,708	45,359	187,378	577,664	1,027,109
Exchange adjustments	—	—	(8,933)	—	(8,933)
At 31 December 2018	216,708	45,359	178,445	577,664	1,018,176
Exchange adjustments	**—**	**—**	**(2,094)**	**—**	**(2,094)**
At 31 December 2019	**216,708**	**45,359**	**176,351**	**577,664**	**1,016,082**
Amortisation					
At 1 January 2018	62,303	45,359	7,097	—	114,759
Charge for the year	10,835	—	7,013	—	17,848
Exchange adjustments	—	—	(630)	—	(630)
At 31 December 2018	73,138	45,359	13,480	—	131,977
Charge for the year	**10,835**	**—**	**6,763**	**—**	**17,598**
Exchange adjustments	**—**	**—**	**(274)**	**—**	**(274)**
At 31 December 2019	**83,973**	**45,359**	**19,969**	**—**	**149,301**
Carrying values					
At 31 December 2019	**132,735**	**—**	**156,382**	**577,664**	**866,781**
At 31 December 2018	143,570	—	164,965	577,664	886,199

The intangible assets include trademark, project backlogs, construction licences and goodwill recognised from various acquisitions of subsidiaries by the Group.

The estimated useful lives of trademark and project backlogs of 20 and 3 years respectively are based on the terms of existing contracts and historical data.

A Mainland China construction licence was acquired as part of a business combination. It is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life of 25 years. Its carrying amount is approximately HK$146,432,000 as at 31 December 2019 (2018: HK$155,015,000).

The construction licences with carrying amount of approximately HK$9,950,000 (2018: HK$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

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

Goodwill is allocated to the Group's CGU of the CSC Development Group. For impairment assessment of goodwill, the recoverable amount of the CSC Development Group is determined based on fair value less costs to sell by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considered that there is no impairment of the Group's construction licences and goodwill.

25 Financial assets at fair value through other comprehensive income

(i) Classification of debt and equity securities at FVOCI

Debt and equity securities at FVOCI comprise:

- Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers the classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Unlisted securities		
Equity securities (Note)	**129,361**	129,788

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

Note:

At 31 December 2019, an amount of HK$71,216,000 (2018: HK$70,724,000) 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.

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

(iii) Debt securities at FVOCI

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Listed securities		
— Debt securities listed in Hong Kong with fixed interest of 3.88%–6.45% and maturity date in 2022–2042 (Note)	**63,337**	178,708
— Debt securities listed in Hong Kong with fixed interest of 4.75%–5.50% and maturity date in 2022–2027	**199,221**	—
— Debt securities listed in Hong Kong with fixed interest of 5.13%–7.25% and maturity date in 2021–2026	**214,034**	—
— Debt securities listed in overseas with fixed interest of 3.50%–5.13% and maturity date in 2022–2028	**52,402**	196,920
	528,994	375,628

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

Note:

At 31 December 2019, an amount of HK$63,337,170 (2018: HK$54,203,000) 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.

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

	2019 HK$'000	2018 HK$'000
HK$	**74,246**	74,627
RMB	**3,635**	3,681
US$	**528,994**	375,628
Macao Pataca ("MOP")	**51,480**	51,480
	658,355	505,416

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

26 Amounts due from investee companies

Amounts due from investee companies are unsecured, interest-free and have no fixed repayment terms. No repayment is expected within next twelve months from the end of the reporting period.

The fair values of these amounts on initial recognition are determined based on effective interest rate ranging from 5.94% to 7.83% per annum (2018: 5.94% to 7.83% per annum) and the balances are denominated in RMB (2018: RMB).

At 31 December 2019, amounts due from investee companies including HK$192,178,000 (2018: HK$192,178,000) to subsidiaries of COLI, a fellow subsidiary of the Group.

27 Inventories

	2019 HK$'000	2018 HK$'000
Raw materials and consumables	**178,842**	194,071
Work in progress	**699**	516
Finished goods	**80,270**	85,617
	259,811	280,204

28 Properties under development

	2019 HK$'000	2018 HK$'000
Properties under development	**1,810,383**	2,349,510

Note:

Included in the amount are properties under development of HK$1,772,218,000 (2018: HK$1,409,252,000) not expected to be completed and ready for sale within twelve months from the end of the reporting period.

29 Contract assets and contract liabilities

The Group has recognised the following assets/(liabilities) related to contracts with customers:

	2019 HK$'000	2018 HK$'000
Contract assets related to construction services (note (i))	**12,115,947**	9,081,810
Contract liabilities related to (note (ii))		
— Construction services	**(7,476,139)**	(8,248,920)
— Thermoelectricity business	**(1,042,638)**	(1,518,576)
	(8,518,777)	(9,767,496)
Less: Portion classified as current liabilities	**(7,830,567)**	(9,027,486)
Non-current portion	**(688,210)**	(740,010)

Notes:

(i) Contract assets are related to construction services and consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from construction services.

29 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:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Construction services	**6,911,652**	6,021,654
— Thermoelectricity business	**535,474**	578,732
	7,447,126	6,600,386
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods		
— Construction services	**158,242**	(303,839)

The following table shows the amount of unsatisfied performance obligations:

	2019 HK$'000	2019 HK$'000
Expected to be recognised within one year	**64,098,167**	48,472,935
Expected to be recognised after one year	**64,593,520**	20,359,556
	128,691,687	68,832,491

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.

30 Trade and other receivables

	2019 HK$'000	2018 HK$'000
Trade receivables and retention receivables	**70,304,793**	61,035,426
Less: allowance for doubtful debts	**(21,520)**	(19,817)
	70,283,273	61,015,609
Other receivables	**4,636,131**	2,355,121
Less: allowance for doubtful debts	**(1,053)**	(1,613)
	4,635,078	2,353,508
Trade and other receivables (Note (a))	**74,918,351**	63,369,117
Current portion	**(30,601,279)**	(25,321,390)
Non-current portion (Note (b))	**44,317,072**	38,047,727

30 Trade and other receivables (continued)

Notes:

(a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK$4,770,301,000 (2018: HK$2,903,460,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK$420,528,000 (2018: HK$374,400,000), which are unsecured, interest free and repayable on demand.

(b) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2021 to 2029, with approximately HK$25,209,728,000 in 2021, HK$8,450,453,000 in 2022, HK$4,633,963,000 in 2023 and HK$6,022,928,000 in 2024 to 2029. As a result, they are classified as non-current.

The analysis of trade and other receivables, including the aging 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:

	2019 **HK$'000**	2018 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	**8,772,473**	7,160,723
31-90 days	**4,432,206**	4,287,398
Over 90 days	**52,903,487**	45,180,936
	66,108,166	56,629,057
Retention receivables	**4,175,107**	4,386,552
Other receivables	**4,635,078**	2,353,508
Trade and other receivables	**74,918,351**	63,369,117
Portion classified as current assets	**(30,601,279)**	(25,321,390)
Non-current portion	**44,317,072**	38,047,727

Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to HK$46,833,730,000 (2018: HK$42,066,594,000).

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 2019, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,863,217,000 (2018: HK$2,970,715,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2018: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

30 Trade and other receivables (continued)

At 31 December 2019, trade receivables of approximately HK$33,404,459,000 (2018: HK$11,519,083,000) had been pledged to secure the bank loans with carrying amount of approximately HK$10,226,790,000 (2018: HK$5,247,140,000) (Note 36).

Movement in the allowance for doubtful debts

	2019 HK$'000	2018 HK$'000
1 January	**21,430**	30,025
Exchange adjustments	**229**	(1,512)
Reversed impairment losses recognised on receivables	**—**	(7,083)
Impairment losses recognised on receivables	**914**	—
31 December	**22,573**	21,430

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.

Trade and other receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**9,613,804**	6,468,815
RMB	**63,196,751**	54,299,210
MOP	**1,579,875**	2,411,533
US$	**219,477**	176,203
Others	**308,444**	13,356
	74,918,351	63,369,117

31 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.

32 Amounts due from/(to) joint ventures and loans to joint ventures

Amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

Current portion of the loans to joint ventures is unsecured, carrying interest at 4.75% to 7.83% per annum and is expected to be repaid within twelve months after the end of the reporting period.

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

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

33 Loan from a fellow subsidiary

Loan from a fellow subsidiary is unsecured, carrying interest at 3.41% per annum and repayable on demand. The balance is mainly denominated in USD.

34 Bank balances and cash

	2019 **HK$'000**	2018 HK$'000
Pledged bank deposits	**23,150**	1,490
Deposits with financial institutions	**109**	22
Bank balances and cash	**22,600,362**	17,924,196
	22,623,621	17,925,708

Pledged bank deposits

At 31 December 2019, bank deposits amounting to approximately HK$23,150,000 (2018: HK$1,490,000) are pledged and earn interest at fixed rates ranging from 0.3% to 0.6% per annum (2018: 0.6% per annum).

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates of 1 month (2018: 1 month) earning interest at fixed rates of 0.01% per annum (2018: 0.01% to 0.172% per annum).

Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.1% to 3.7% per annum (2018: 0.125% to 3.7% per annum). Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

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

	2019 **HK$'000**	2018 HK$'000
HK$	**5,125,398**	5,145,574
RMB	**9,913,589**	8,984,103
MOP	**2,669,266**	2,090,352
US$	**4,808,652**	1,498,148
Others	**106,716**	207,531
	22,623,621	17,925,708

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.

35 Trade payables, other payables and accruals

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

	2019 HK$'000	2018 HK$'000
Trade payables, aged:		
0-30 days	**16,145,643**	12,472,392
31-90 days	**5,076,280**	2,912,983
Over 90 days	**14,047,633**	5,209,148
	35,269,556	20,594,523
Retention payables	**6,013,667**	12,551,670
Other payables and accruals	**3,416,025**	3,568,522
	44,699,248	36,714,715

Other payables and accruals comprise primarily staff cost, other tax and other operating expenses payables, and included balances with related companies amounting to approximately HK$350,385,000 (2018: HK$308,703,000), which were unsecured, interest free and repayable on demand.

Trade payables and retention payables included balances with related companies amounting to approximately HK$12,092,257,000 (2018: HK$6,259,531,000), which were unsecured, interest free and repayable in accordance with the terms of relevant agreements.

The average credit period on trade and construction cost payables is 60 days (2018: 60 days). At 31 December 2019, the amount of retention payables expected to be settled after more than one year was approximately HK$2,012,869,000 (2018: HK$4,090,277,000).

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

	2019 HK$'000	2018 HK$'000
HK$	**9,524,911**	8,597,073
RMB	**32,283,911**	24,969,195
MOP	**2,611,530**	2,853,730
US$	**46,259**	48,269
Others	**232,637**	246,448
	44,699,248	36,714,715

36 Borrowings

	2019 HK$'000	2018 HK$'000
Bank loans, secured	**10,239,022**	7,101,428
Bank loans, unsecured	**29,149,564**	27,728,354
	39,388,586	34,829,782
Less: Amount due within one year shown under current liabilities	**(10,040,968)**	(2,795,832)
Amount due after one year	**29,347,618**	32,033,950
Carrying amount repayable:		
Within one year	**10,040,968**	2,795,832
More than one year but not exceeding two years	**5,071,472**	12,073,222
More than two years but not more than five years	**13,553,622**	13,335,877
More than five years	**10,722,524**	6,624,851
	39,388,586	34,829,782

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

The secured bank loans are secured by property, plant and equipment, concession operating rights and trade receivables. The unsecured bank loans including the bank loans with financial undertaking is required to fulfill by the Group to the banks.

Borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**8,025,257**	10,270,915
RMB	**30,875,793**	24,119,792
Canadian Dollar ("CAD")	**175,536**	15,221
US$	**312,000**	423,854
	39,388,586	34,829,782

The effective interest rates of borrowings are as follows:

	2019				2018			
	HK$ %	RMB %	CAD %	US$ %	HK$ %	RMB %	CAD %	US$ %
Bank loans, secured	**—**	**5.07**	**4.24**	**—**	—	4.99	4.24	—
Bank loans, unsecured	**3.47**	**4.88**	**4.28**	**5.03**	3.06	4.91	4.45	5.02

37 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	**5,049,156,668**	**126,229**

38 Share premium and reserves

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2018	20,540,459	(6,592,503)	337	54,529	(374,178)	296,518	24,036,238	37,961,400
Profit for the year	–	–	–	–	–	–	4,500,148	4,500,148
Loss on fair value changes of debt securities at FVOCI through other comprehensive income, net of tax	–	–	–	(12,880)	–	–	–	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	–	–	–	(109)	–	–	–	(109)
Gain on fair value changes of equity securities at FVOCI, net of tax	–	–	–	14,429	–	–	–	14,429
Exchange differences on translation of subsidiaries	–	–	–	–	(1,739,635)	–	–	(1,739,635)
Exchange differences on translation of joint ventures	–	–	–	–	(608,912)	–	–	(608,912)
Exchange differences on translation of associates	–	–	–	–	(9,527)	–	–	(9,527)
Total comprehensive income for the year	–	–	–	1,440	(2,358,074)	–	4,500,148	2,143,514
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	–	16,419	–	–	–	–	–	16,419
Deemed disposal of interest in a subsidiary	–	(25,975)	–	–	–	–	–	(25,975)
Acquisition of additional interests of subsidiaries	–	(14)	–	–	–	–	–	(14)
2017 final dividend paid	–	–	–	–	–	–	(1,009,831)	(1,009,831)
2018 interim dividend paid	–	–	–	–	–	–	(757,374)	(757,374)
Transfer to statutory reserve	–	–	–	–	–	248,311	(248,311)	–
Total transactions with owners, recognised directly in equity	–	(9,570)	–	–	–	248,311	(2,015,516)	(1,776,775)
At 31 December 2018	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

38 Share premium and reserves (continued)

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2019	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139
Profit for the year	—	—	—	—	—	—	5,413,208	5,413,208
Gain on fair value changes of debt securities at FVOCI, net of tax	—	—	—	24,990	—	—	—	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	—	—	—	9,376	—	—	—	9,376
Gain on fair value changes of equity securities at FVOCI, net of tax	—	—	—	492	—	—	—	492
Exchange differences on translation of subsidiaries	—	—	—	—	(250,497)	—	—	(250,497)
Exchange differences on translation of joint ventures	—	—	—	—	(101,074)	—	—	(101,074)
Exchange differences on translation of associates	—	—	—	—	(5,827)	—	—	(5,827)
Total comprehensive income for the year	—	—	—	34,858	(357,398)	—	5,413,208	5,090,668
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	16,898	—	—	—	—	—	16,898
2018 final dividend paid	—	—	—	—	—	—	(605,899)	(605,899)
2019 interim dividend paid	—	—	—	—	—	—	(807,865)	(807,865)
Transfer to statutory reserve	—	—	—	—	—	43,284	(43,284)	—
Total transactions with owners, recognised directly in equity	—	16,898	—	—	—	43,284	(1,457,048)	(1,396,866)
At 31 December 2019	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941

38 Share premium and reserves (continued)

Notes:

(a) Special reserve arose from:

(i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL"), China Overseas Port Investment Company and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe Global Limited and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.

(ii) During 2012, the Group obtained control over CSC Development which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of CSC Development at a price of HK$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK$57 million and the carrying amount of the attributable share of net assets of CSC Development of approximately HK$23 million, was credited to the special reserve.

(iii) During 2016, the CSC Development Group further acquired 36.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK$229,666,000 has been transferred from non-controlling interests to special reserve in equity.

(iv) During 2018, the Group disposed its wholly owned subsidiary, 中海監理有限公司 and its subsidiary to a subsidiary of CSC Development Group, resulted in an addition of 25.94% non-controlling interest. The net assets value of 中海監理有限公司 and its subsidiary of HK$25,975,000 has been transferred from special reserve in equity to non-controlling interests

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.

(c) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.

(d) Included in retained profits as at 31 December 2019 is the proposed 2019 final dividend of approximately HK$807,865,000 (2018: HK$605,899,000).

39 Perpetual capital securities

As at 3 December 2018, a subsidiary of the Group issued US$500 million 6.0% senior perpetual capital securities (the "Perpetual Capital Securities I"). The perpetual capital securities I do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities I at the distribution rates as defined in the subscription agreements.

As at 3 December 2019, a subsidiary of the Group issued US$500 million 4.0% subordinated perpetual capital securities (the "Perpetual Capital Securities II"). The perpetual capital securities II do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities II at the distribution rates as defined in the subscription agreements.

40 Guaranteed notes payables

In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$550 million and US$250 million (equivalent to approximately HK$4,276 million and HK$1,938 million) (the "Notes") at the issue price of 99.982% and 99.688%. The Notes bear fixed interest at the rate of 3.375% and 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 29 November 2022 and 29 November 2027 at the principal amount. The fair value of the Notes at 31 December 2019 was estimated at approximately HK$4,337 million (2018: HK$4,158 million) and HK$2,001 million (2018: HK$1,842 million), which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

41 Deferred taxation

The analysis of the Group's deferred tax assets and deferred tax liabilities is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax assets:		
To be recovered after more than twelve months	**109,277**	181,582
To be recovered within twelve months	**48,556**	17,248
	157,833	198,830
Deferred tax liabilities:		
To be recovered after more than twelve months	**394,897**	419,352
To be recovered within twelve months	**8,778**	7,735
	403,675	427,087

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	56,700	8,809	213,334	(10,063)	80,397	53,219	5,158	(180,736)	(2,743)	224,075
Exchange adjustments	(2,831)	–	(10,600)	605	–	(1,701)	–	946	–	(13,581)
Charged/(credited) to consolidated income statement (Note 13)	763	(9,583)	(7,247)	2,263	2,969	(6,872)	–	35,470	–	17,763
At 31 December 2018	54,632	(774)	195,487	(7,195)	83,366	44,646	5,158	(144,320)	(2,743)	228,257
At 1 January 2019	**54,632**	**(774)**	**195,487**	**(7,195)**	**83,366**	**44,646**	**5,158**	**(144,320)**	**(2,743)**	**228,257**
Exchange adjustments	**(656)**	**–**	**(2,142)**	**86**	**–**	**(141)**	**–**	**1,715**	**–**	**(1,138)**
Charged/(credited) to consolidated income statement (Note 13)	**761**	**(1,629)**	**(7,460)**	**471**	**(15,007)**	**(1,691)**	**–**	**43,278**	**–**	**18,723**
At 31 December 2019	**54,737**	**(2,403)**	**185,885**	**(6,638)**	**68,359**	**42,814**	**5,158**	**(99,327)**	**(2,743)**	**245,842**

41 Deferred taxation (continued)

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**157,833**	198,830
Deferred tax liabilities	**(403,675)**	(427,087)
	(245,842)	(228,257)

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:

	2019 HK$'000	2018 HK$'000
Unused tax losses (Note)	**7,013,866**	5,442,930

Notes:

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$4,614,692,000 (2018: HK$3,830,329,000) that will expire within five years. Other losses may be carried forward indefinitely.

42 Loan from a joint venture

Loan from a joint venture is related to two sale and purchase agreements, which were entered by the Group on 11 March 2019, to dispose intra-group loans and loan to an associate with carrying amount of approximately HK$2,781,600,000 and HK$1,000,000,000 respectively to a joint venture company, with no material gain or loss from disposal is expected. The Group owns 50% issued share capital of the joint venture company and another shareholder entered into a Shareholder Facility Agreement with the joint venture company to provide a shareholder loan up to maximum limit of US$800,000,000 to the joint venture company. The Group also entered into a Standby Letter of Credit Facility Agreement with the joint venture company, to provide the joint venture company up to a maximum limit of US$800,000,000 to fund the joint venture company's purchase of financial assets, to pay any interest shortfall (but not any repayment of principal) under the Shareholder Facility Agreement, and to pay any joint venture company's operating expenses incurred by the joint venture company.

43 Share-based payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan (Phase II)") of CSCECL, an intermediate holding company of the Company, 10,485,000 incentive shares were granted to certain employees of the Company (including five directors and certain senior management) on 29 December 2016 (the "Grant Date (Phase II)") with an exercise price of RMB4.866 per share, subject to a lock-up period of two years' service from the Grant Date (Phase II) (the "Lock-Up Period (Phase II)"). During the Lock-Up Period (Phase II), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase II). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase II) determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date (Phase II), exercise price of RMB4.866 per share, share-based payments cap at 40% of the respective employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares on 3 May 2018, there was an increase in number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date (Phase II) remained RMB2.21 per share, the number of incentive shares granted on the Grant Date (Phase II) and the exercise price per share were adjusted to 14,679,000 shares and RMB3.476 per share respectively.

In 2018, except for 1,218,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were exercised or cancelled.

During the year, 4,487,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). Exercised incentive shares have become publicly traded in stock market since 14 February 2020. In addition, except for 658,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 18,870,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 26 December 2018 (the "Grant Date (Phase III)") with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the Grant Date (Phase III) (the "Lock-Up Period (Phase III)"). During the Lock-Up Period (Phase III), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

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

During the year, except for 630,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were exercised or cancelled.

44 Cash flow information

Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities										
	Guaranteed notes payable due within 1 year HK$'000	Guaranteed notes payable due after 1 year HK$'000	Finance leases due within 1 year HK$'000	Finance leases due after 1 year HK$'000	Lease Liabilities due within 1 year HK$'000	Lease Liabilities due after 1 year HK$'000	Loan from a fellow subsidiary due within 1 year HK$'000	Loan from a joint venture due after 1 year HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Total HK$'000
At 1 January 2018	3,898,357	6,206,053	865	2,499	–	–	–	–	2,580,590	20,592,443	33,280,807
Cash flows	(3,900,000)	–	(1,026)	–	–	–	–	–	442,842	12,372,057	8,913,873
Foreign exchange adjustments	–	–	–	–	–	–	–	–	(227,600)	(930,550)	(1,158,150)
Other non-cash movements	1,643	4,910	954	(657)	–	–	–	–	–	–	6,850
At 31 December 2018	–	6,210,963	793	1,842	–	–	–	–	2,795,832	32,033,950	41,043,380
Chang of accounting policies (Note 3)	—	—	(793)	(1,842)	7,176	84,174	—	—	—	—	88,715
At 1 January 2019	—	6,210,963	—	—	7,176	84,174	—	—	2,795,832	32,033,950	41,132,095
Cash flows	—	—	—	—	(40,401)	—	2,340,000	2,781,600	7,341,409	(2,370,024)	10,052,584
Foreign exchange adjustments	—	—	—	—	(594)	—	—	(69,736)	(96,273)	(316,308)	(482,911)
Other non-cash movements	—	5,086	—	—	58,673	(41,022)	—	—	—	—	22,737
At 31 December 2019	—	6,216,049	—	—	24,854	43,152	2,340,000	2,711,864	10,040,968	29,347,618	50,724,505

45 Contingent liabilities

As at 31 December 2019, the Group provided guarantees amounted to approximately HK$73,293,000 (2018: HK$50,852,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

46 Business Combination

In March 2018, the Group acquired 100% equity interest in Macau (Site 1) Limited ("SITE 1") at a consideration of MOP824,000,000 (equivalent to HK$800,000,000) from an independent third party. The principal activities of SITE 1 are property development and investment. It has prepared a blueprint of the redevelopment plan with the relevant Government authorities' approval being underway.

	HK$'000
Purchase consideration:	
Cash paid	800,000

Asset acquired at the date of acquisition is as follows:

	HK$'000
Asset acquired:	
Properties under development	800,000

Net cash outflow arising on acquisition of SITE 1:

	HK$'000
Cash consideration paid	800,000
Cash and cash equivalent balances acquired	—
	800,000

Since the acquisition, contribution to the Group's revenue and consolidated profit for the year ended 31 December 2019 by SITE 1's contribution is insignificant.

47 Operating lease arrangements

The Group as lessee

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,570**	56,060
In the second to fifth year inclusive	**—**	89,569
	1,570	145,629

Leases in respect of land and buildings are negotiated and fixed for an average term of two years.

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

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term or low-value leases, see note 3 and note 17(b) for further information.

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$4,931,168,000 (2018: HK$4,304,333,000) were let out under operating leases.

Property rental income earned, net of direct outgoings, during the year was approximately HK$101,756,000 (2018: HK$100,554,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to seven years without termination options granted to tenants.

At 31 December 2019 and 2018, the Group had contracted with tenants for the following future minimum lease payments:

	2019 **HK$'000**	2018 HK$'000
Within one year	**113,895**	103,565
In the second to fifth year inclusive	**122,077**	119,479
Over five years	**1,920**	4,848
	237,892	227,892

48 Commitments

At 31 December 2019 and 2018, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for		
— construction in progress for property, plant and equipment	**43,685**	30,475

49 Related party transactions

Apart from the balances due from or to related parties set out in notes 22, 25, 26, 30, 31, 32, 33, 35 and 42, the Group had the following transactions with related parties during the year:

The Group had the following transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the year:

Transactions

	2019 HK$'000	2018 HK$'000
Fellow subsidiaries		
Rental income	**4,233**	3,948
Rental expenses	**1,477**	1,498
Security service payment	**11,752**	7,807
Revenue from construction contracts	**487,879**	10,530,406
Project consultancy services income	**33,996**	37,209
Construction costs	**11,087,370**	14,835,285
Insurance premium income	**1,327**	894
Revenue from connection service	**23,187**	39,194
Interest expenses	**1,502**	—
Associates		
Purchase of construction materials	**132,755**	287,705
Revenue from construction contracts	**3,931,722**	2,116,215
Interest income	**112,333**	35,343
Management fee income	**43,379**	36,006
Joint ventures		
Revenue from construction contracts	**4,693,133**	7,587,335
Rental income from lease of machinery	**1,083**	835
Purchase of materials	**52,179**	108,649
Sales of building materials	**—**	1,837
Insurance premium income	**8,686**	11,490
Construction costs	**—**	332,956
Management fee income	**401**	—
Interest income	**83,179**	66,699
Interest expenses	**179,823**	—
Immediate holding company		
Revenue from construction contracts	**—**	12,314
Insurance premium income	**1,286**	1,103
Interest expenses	**4,080**	—
Intermediate holding company		
Revenue from construction contracts	**2,519,027**	105,594

49 Related party transactions (continued)

Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	**80,568**	67,452
Post-employment benefits	**306**	321
	80,874	67,773

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

50 Subsequent event

As the coronavirus disease (COVID-19) has spread across China and other countries during the first quarter in 2020, the business and economic activities have been affected. The Group will keep monitoring the situation, assess and react promptly to its impacts on the Group's business operations. Up to the date of approval of the consolidated financial statements, the related financial impact on the Group could not be reasonably estimated.

51 Company Statement of Financial Position and Reserve Movement

	2019 HK$'000	2018 HK$'000
Non-current Asset		
Interests in subsidiaries	**19,626,734**	20,252,731
Current Assets		
Deposits, prepayments and other receivables	**3,639**	383
Amounts due from subsidiaries	**4,605,129**	5,985,454
Tax recoverable	**621**	—
Bank balances and cash	**4,485,003**	1,463,924
	9,094,392	7,449,761
Current Liabilities		
Other payables	**19,957**	13,110
Borrowings	**3,698,593**	—
Loan from a fellow subsidiary	**2,340,000**	—
Tax payable	**—**	273
	6,058,550	13,383
Net Current Assets	**3,035,842**	7,436,378
Total Assets less Current Liabilities	**22,662,576**	27,689,109
Capital and Reserves		
Share capital	**126,229**	126,229
Share premium and reserves (Note)	**20,842,136**	20,834,680
	20,968,365	20,960,909
Non-current Liability		
Borrowings	**1,694,211**	6,728,200
	22,662,576	27,689,109

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

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

Note:

	Share Premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	20,540,459	337	9,730	1,022,257	21,572,783
Profit and total comprehensive income for the year	—	—	—	1,013,010	1,013,010
Capital contribution relating to share-based payment borne by an intermediate holding company	—	—	16,092	—	16,092
2017 final dividend paid	—	—	—	(1,009,831)	(1,009,831)
2018 interim dividend paid	—	—	—	(757,374)	(757,374)
At 31 December 2018	20,540,459	337	25,822	268,062	20,834,680
Profit and total comprehensive income for the year	**—**	**—**	**—**	**1,405,252**	**1,405,252**
Capital contribution relating to share-based payment borne by an intermediate holding company	**—**	**—**	**15,968**	**—**	**15,968**
2018 final dividend paid	**—**	**—**	**—**	**(605,899)**	**(605,899)**
2019 interim dividend paid	**—**	**—**	**—**	**(807,865)**	**(807,865)**
At 31 December 2019	**20,540,459**	**337**	**41,790**	**259,550**	**20,842,136**

52 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK$300,000,000	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$150,000	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK$655,569,190 and 844,430,810 non-voting deferred shares of HK$844,430,810	**100**	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Zetson Enterprises Ltd	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 (Formerly known as: China State Grand Wealth 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

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Indirectly held by the Company:					
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 (iv)	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	–	Issuance of guaranteed notes
China Overseas Building Construction Limited	Hong Kong	49,999,900 ordinary shares of HK$499,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK$50,000,000	**100**	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$19,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK$99,500,000 and 500,000 non-voting deferred shares of HK$500,000	**100**	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK$100,000,000	**100**	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary shares of HK$1	**100**	100	Holding of investment properties
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	1 ordinary shares of HK$1	**100**	100	Mechanical and electrical engineering works and project management
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of $90,000,000	**74.06**	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$2	**74.06**	74.06	Building construction
Transendence Company Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Sales and distribution of construction materials
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
China Overseas Public Utility Investment Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding
China Overseas Ports Investment Company Limited	BVI	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 (Formerly known as: China State Building Construction Limited)	Hong Kong	1 ordinary share of US$1	**100**	100	Manufacturing and sales of precast structures
Fuller Sky Enterprises Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Indirectly held by the Company: (continued)					
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Oceanic Empire Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Value Idea Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Gamma Windows and Walls International, Inc.	Canada	100 common shares of CAD53,362.36 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China Construction Development Holdings Limited (Formerly known as: Far East Global Group Limited) (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK$0.01 each	**74.06**	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Far East Façade (UK) Limited	United Kingdom	1 ordinary share of GBP1	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	**100**	100	Building construction and civil engineering works, properties holding and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	**100**	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	**100**	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	**100**	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	**100**	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US$1	**69.34**	69.34	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI	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(珠海)有限公司 (i)	Mainland China	HK$10,770,000	**100**	100	Property investment and management

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Indirectly held by the Company: (continued)					
瀋陽皇姑熱電有限公司 (i)	Mainland China	RMB680,660,000	**74.06**	100	Generation and supply of heat and electricity and investment holding
深圳中海建築有限公司 (i)	Mainland China	RMB350,000,000	**100**	100	Building construction and investment holding
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Provision of project consultant services
深圳海龍建築科技有限公司 (i)	Mainland China	RMB100,000,000	**100**	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	Mainland China	RMB202,000,000	**100**	100	Infrastructure construction and operation
深圳市中建宏達投資有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Investment holding
深圳市中海投資有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Investment holding
中海創業投資(深圳)有限公司 (i)	Mainland China	US$29,800,000	**100**	100	Investment holding
中建國際投資(中國)有限公司 (ii)	Mainland China	US$2,768,000,000 (2018: US$1,768,000,000)	**100**	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	Mainland China	US$48,000,000	**100**	100	Building investment
重慶海建投資有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Building investment
重慶海勝基礎設施開發有限公司 (ii)	Mainland China	RMB380,000,000	**100**	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	Mainland China	RMB460,000,000	**100**	100	Infrastructure investment
無錫海嘉建設有限公司 (ii)	Mainland China	Nil (2018: RMB150,000,000)	**–**	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
溫洲海嘉建設有限公司 (ii)	Mainland China	RMB900,000,000 (2018: RMB500,000,000)	**100**	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	Mainland China	RMB180,000,000	**100**	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	Mainland China	HK$50,000,000	**100**	100	Provision of logistic services and properties holding
深圳市中海港口物流有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB10,000,000	**74.06**	74.06	Design, manufacture of curtain walls, aluminium windows and other related products
遠東幕牆製品(深圳)有限公司 (ii)	Mainland China	RMB20,000,000	**74.06**	74.06	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
中建國際投資(湖州) 有限公司 (ii)	Mainland China	RMB170,000,000	**100**	100	Infrastructure investment
中建國際投資(杭州) 有限公司 (ii)	Mainland China	RMB240,000,000	**100**	100	Infrastructure investment
中建國際投資(青島) 有限公司 (ii)	Mainland China	RMB140,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
中建國際投資(淮安) 有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(句容) 有限公司 (ii)	Mainland China	RMB200,000,000	**90**	90	Infrastructure investment
嘉興海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
資陽海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱州海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海嘉建設有限公司 (ii)	Mainland China	RMB438,000,000	**100**	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
深圳裕龍建築有限公司	Mainland China	RMB2,000,000	**100**	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Mainland China	RMB30,000,000	**100**	100	Manufacture and sales of precast structures
中建國際投資 (台州) 有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資 (合肥) 有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
杭州海榮建設有限公司 (ii)	Mainland China	RMB160,000,000	**90**	90	Infrastructure investment
淄博海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
鄭州海河建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
鄭州海欣建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
淄博海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淄博海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海悦建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
嘉興海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
嘉興海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
杭州海悦建設有限公司 (ii)	Mainland China	RMB140,000,000	**100**	100	Infrastructure investment
中建國際投資 (嘉興) 有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
成都海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
西安海嘉建設發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
長沙海嘉建設有限公司 (ii)	Mainland China	RMB692,200,000	**90**	90	Infrastructure investment
句容海嘉建設有限公司 (ii)	Mainland China	RMB20,000,000	**90**	90	Infrastructure investment
平和海嘉建設有限公司 (ii)	Mainland China	RMB150,000,000	**80**	80	Infrastructure investment
濟寧海嘉建設有限公司 (ii)	Mainland China	RMB355,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
安康中建建設發展有限公司 (ii)	Mainland China	RMB150,000,000	**89**	89	Infrastructure investment
淄博海榮建設有限公司 (ii)	Mainland China	RMB200,000,000	**99**	99	Infrastructure investment
溫州海耀建設有限公司 (ii)	Mainland China	RMB350,000,000 (2018: RMB292,000,000)	**100**	100	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
句容海悦建設有限公司 (ii)	Mainland China	RMB150,000,000	**90**	90	Infrastructure investment
南昌海博建設有限公司 (ii)	Mainland China	RMB100,000,000	**94**	94	Infrastructure investment
南昌海悦建設有限公司 (ii)	Mainland China	RMB167,000,000	**94**	94	Infrastructure investment
龍山海嘉建設有限公司 (ii)	Mainland China	RMB98,251,100	**79**	79	Infrastructure investment
成都海旭建設有限公司 (ii)	Mainland China	RMB50,000,000	**100**	100	Infrastructure investment
臨沂海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
汝陽縣海耀建設工程有限公司 (ii)	Mainland China	RMB58,000,000	**80**	80	Infrastructure investment
杭州海騰建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
徐州海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
濟寧海耀建設有限公司 (ii)	Mainland China	RMB238,600,000 (2018: RMB100,000,000)	**99**	99	Infrastructure investment
貴州海投建設有限公司 (ii)	Mainland China	RMB250,000,000	**100**	100	Infrastructure investment
淄博海新建設有限公司 (ii)	Mainland China	RMB150,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
商丘海嘉建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
宿州海龍建築科技有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structure
商丘海河建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
武穴海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
溫州海騰建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
六安中建國際投資發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱洲中建國際建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
長葛海嘉建設工程有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(徐州)有限公司 (ii)	Mainland China	RMB361,500,000	**90**	90	Infrastructure investment
濟南海嘉建設有限公司 (ii)	Mainland China	RMB70,000,000	**100**	100	Infrastructure investment
湖州海榮建設有限公司 (ii)	Mainland China	RMB220,000,000 (2018: RMB170,000,000)	**80**	80	Infrastructure investment
杭州海旭建設有限公司 (ii)	Mainland China	RMB60,000,000	**100**	100	Infrastructure investment
中建國際工程有限公司 (ii)	Mainland China	RMB137,000,000	**100**	100	Building construction, civil engineering works, materials and investment holding
安徽中建國際投資置業有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Property development
中建興業投資(湖南)有限公司 (ii)	Mainland China	RMB200,000,000	**74.06**	74.06	Infrastructure investment
湖南遠東力進建築工程有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Construction and related engineering services
十堰海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
鄖西海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**75**	75	Infrastructure investment
永州海嘉建設有限公司 (ii)	Mainland China	Nil (2018: RMB80,000,000)	**–**	90	Infrastructure investment
龍山海耀建設有限公司 (ii)	Mainland China	Nil (2018: RMB16,204,000)	**–**	70	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
新沂海悦建設有限公司 (ii)	Mainland China	RMB140,000,000	**90**	90	Infrastructure investment
新沂海耀建設有限公司 (ii)	Mainland China	RMB287,500,000	**90**	90	Infrastructure investment
句容海耀建設有限公司 (ii)	Mainland China	RMB460,000,000	**80**	80	Infrastructure investment
湖州海旭建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
杭州海勝建設有限公司 (ii)	Mainland China	RMB116,000,000	**93**	93	Infrastructure investment
邯鄲海嘉建設有限公司 (ii)	Mainland China	RMB283,950,900	**95**	95	Infrastructure investment
保山海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
綿陽海升建設有限公司 (ii)	Mainland China	RMB360,000,000	**90**	90	Infrastructure investment
泉州海嘉建設有限公司 (ii)	Mainland China	RMB30,000,000	**80**	80	Infrastructure investment
泉州海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
淄博海恒建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
樂平海嘉工程建設有限公司 (ii)	Mainland China	RMB50,000,000	**95**	95	Infrastructure investment
十堰海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
北京海悦置業有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Infrastructure investment
滁州海嘉同創建設管理有限公司 (ii)	Mainland China	RMB160,000,000 (2018: RMB100,000,000)	**69**	69	Infrastructure investment
濟南海新建設有限公司 (ii)	Mainland China	RMB56,000,000	**100**	100	Infrastructure investment
煙臺海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
安福海福建設有限公司 (ii)	Mainland China	RMB100,000,000	**95**	95	Infrastructure investment
台州海旭建設有限公司 (ii)	Mainland China	RMB157,120,000	**90**	90	Infrastructure investment
湖州海悦實業發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment

Notes:

(i) Registered as foreign owned enterprise

(ii) Limited liability company registered in Mainland China

(iii) Listed company

(iv) Incorporated/registered in 2019, if applicable

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, which has issued US$800,000,000 guaranteed notes payable (Note 40).

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 directors, result in particulars of excessive length.

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China State Construction Finance (Cayman) I Limited
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

GUARANTOR

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28/F., China Overseas Buildings
139 Hennessy Road
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