中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 00830

EXPANDING
NEW FUTURE

2021 ANNUAL REPORT

MISSION AND VISION

China State Construction Development Holdings Limited pursues the core values of “integrity, innovation, pragmatism and excellence”, adheres to the business philosophy of “quality assurance and value creation”, strictly manages corporate governance, actively fulfills its social responsibility. The Group also continues to pursue continuous adding value on shareholders, employees, working partners and society under the all-win harmonious situations. It is committed to developing sustainably and building a century-long foundation. In the new era, it is progressing towards the world’s most competitive facade technology conglomerate.

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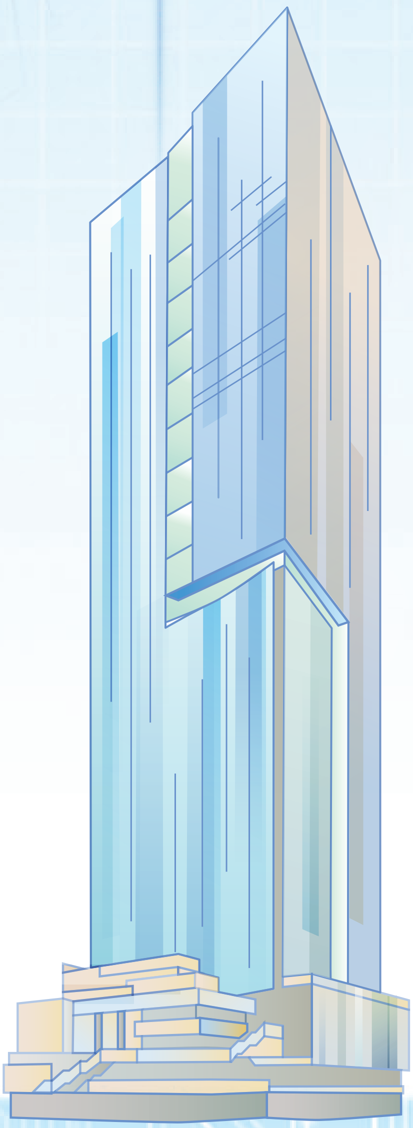
140	FIVE-YEAR FINANCIAL SUMMARY



CORPORATE STRUCTURE

China State Construction Development Holdings Limited

- **Construction Engineering Business**
- **Operating Management Business**

FINANCIAL HIGHLIGHTS

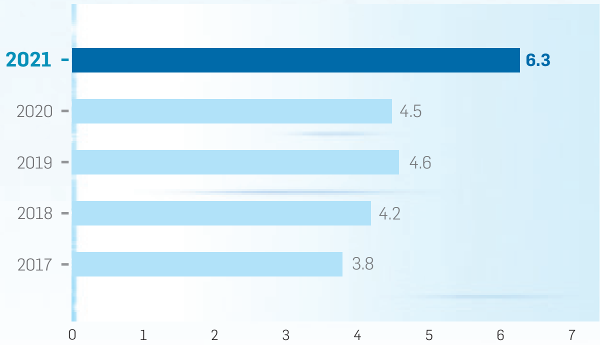
The key financial and business performance indicators comprise revenue growth; profitability growth; return on equity and dividend payout. Details of the key performance indicators are stated as below.

Year ended 31 December	2017 HK$'000 (restated)	2018 HK$'000 (restated)	2019 HK$'000	2020 HK$'000	2021 HK$'000
Revenue	3,755,581	4,243,167	4,619,412	4,535,657	**6,294,827**
Profit attributable to owners of the Company	161,714	182,780	175,560	194,344	**291,976**
Total assets	6,437,557	6,739,198	7,053,994	7,388,898	**8,809,629**
Equity attributable to owners of the Company	1,659,658	1,027,564	1,125,325	1,403,019	**1,607,735**
Return on equity attributable to owners of the Company (%)	9.7	17.8	15.6	13.9	**18.2**
Basic earnings per share (HK cents)	7.50	8.48	8.14	9.02	**13.55**
Dividend (HK cents)	2.0	2.2	1.2	3.0	**4.7**

REVENUE

HK$ billion

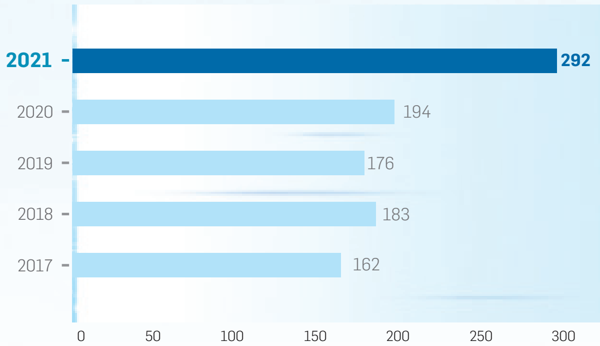
(restated)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$ million

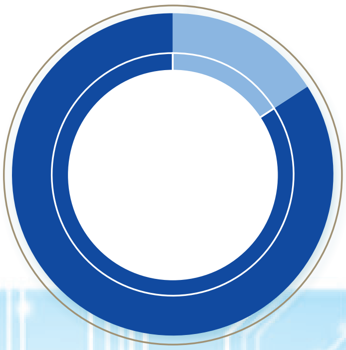
(restated)



2021 REVENUE BY SEGMENTS

84%

Construction Engineering Business



16%

Operating Management Business

* *Construction Engineering Business including facade contracting and general contracting business*

MAJOR EVENTS OF THE YEAR

JANUARY

- China State Construction Development Holdings Ltd. ("CSC Development") — Far East Facade (Hong Kong) Ltd. ("Far East Facade Hong Kong") successfully won the bid for the Kai Tak Sports Park project in Hong Kong, which will become the largest sports facility in Hong Kong after completion. It is also a landmark project with the most types of aluminum plates, glass and profiles among the projects undertaken by CSC Development.

- Far East Facade Hong Kong successfully won the bid for the residential project of No. 6568 — Kai Tak, Hong Kong of Sun Hung Kai. As the king of new land in Kai Tak, this project will be the landmark of residential building and shopping mall in this area.

FEBRUARY

CSC Development was awarded the "Caring Company" label by The Hong Kong Council of Social Service for eight years.

MARCH

China Overseas Supervision Co., Ltd. actively promotes business upgrade and transformation by adding new departments such as the whole-process consulting management center, integrating resources, forming a joint force, overcoming difficulties, then it won the bid for Affiliated Hospital of Southern University of Science and Technology in Shenzhen, the successful transformation has brought business breakthroughs.

MAY

Under China Government policy of vigorously promoting green development, Shenyang Huanggu Thermoelectricity Co., Ltd. responded positively and implemented the desulfurization wastewater project on May 25. After the project put into operation, it will effectively reduce the discharge of sulfur-containing wastewater and help the high-quality development of the enterprise.

JUNE

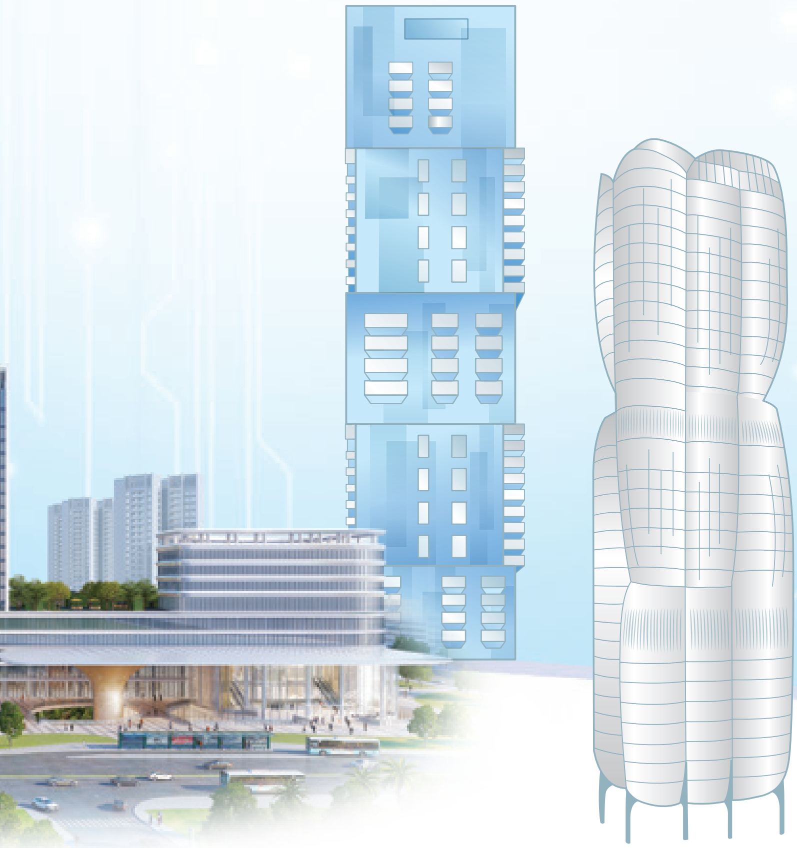
The curtain wall project of Murray Road which is a new landmark in Central was undertaken by Far East Facade Hong Kong. It has comprehensively overcome the problem of "stuck neck" in 3D modeling and design, and overcome the difficulties in the production and processing of twisted curtain walls, which successfully completed the installation of the most representative VMU1 model and PMU test. And the installation of the model floor below 8F of the project has been fully recognized by the owner.

JULY

- On July 12, Haitong Securities estimated that CSC Development's EPS in 2021–2022 would be HK$0.13 and HK$0.18, respectively, with a price-earnings ratio of 16–20 times in 2021, and a reasonable value range of HK$2.08–HK$2.60. CSC Development was covered for the first time and has been given an "outperform" rating.

- On July 15, CSC Development announced a positive profit alert. The Board expects that the unaudited profit attributable to shareholders for the six months ended June 30, 2021 will increase by not less than 40% compared with the profit attributable to shareholders of HK$155 million for the same period last year. The increase in profit was mainly attributable to the accelerated progress of facade project works and the increase in gross profit margin compared to the same period last year, the resulting in a significant increase in revenue and gross profit generated by the facade contracting business during the period.

- The English version of China Daily, reported an article titled "CSCD now a world leader in the glass curtain wall market" on July 19. The article said: "CSC Development has completed more than 310 overseas projects around the world, It has strong competitiveness in the global market and has formed a complete global industrial chain."



AUGUST

- On August 16, CSC Development announced the Group's 2021 interim results, achieving a revenue of HK$2,703 million, a year-on-year increase of 37.8%; gross profit of HK$381 million, a year-on-year increase of 42.8%; net profit attributable to owners of the Company was HK$226 million, a year-on-year increase of 45.8%; earnings per share of HK10.48 cents, and declared interim dividend of HK3 cents per share.

- Far East Facade Hong Kong successfully won the bid for the residential project in Section C of Wong Chuk Hang, with a contract value of HK$580 million, which is the highest contract value of residential project undertaken by the company in Hong Kong.

- The investment project of Hygate Senior Housing in Canada was successfully completed and put into operation under the epidemic.

OCTOBER

- The Haborside project in Jersey City, USA and the Paramount project in Vancouver, Canada were successfully completed.

- To practice China Oversea's corporate culture spirit of "Constructing Happiness and Creating Trends" and fulfilling corporate social responsibilities, therefore, the headquarters of CSC Development actively carried out the activity of "Visiting the Grassroots and Sending Care".

- CSC Development has co-organized with "Treats" organization for sending the anti-epidemic package to Po Leung Kuk Yu Lee Mo Fan Memorial School on October 19.

- Far East Aluminium Works Co., Ltd. has officially changed its name to Far East Facade (Hong Kong) Ltd. on October 7.

- CSC Development comprehensively promotes the cohesion of the facade business in Hong Kong, Macau and the Mainland, and has built up the "Far East Facade" brand.

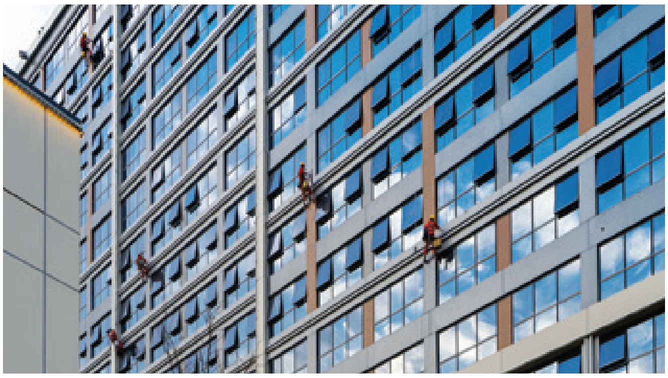
- CSC Development signed a strategic cooperation agreement with Longyan Energy Technology (Hangzhou) Co., Ltd. to focusing on the development trend of building photovoltaic integration industry, actively exploring the industrialization of BIPV investment and operation, and contributing to the low-carbon development of China's construction industry and energy industry.

DECEMBER

- World Green Organization has issued the "Green Office 5+" and "Eco Healthy Workplace" label to CSC Development.

- Netfortune (Shanghai) Aluminium Works Co., Ltd. ("Far East Facade Shanghai") successfully won the bid for the OPPO Changan R&D Center Project No. 2, No. 5 and the Central Ring Road Curtain Wall Subcontracting project. Building height of Building 2: 111 meters; Building height of Building 5: 46 meters; Central Ring Road, building height of 22.5 meters. The curtain wall types are unit glass curtain wall, aluminum plate curtain wall, etc. After it is fully completed and put into use, it will assume a strategic role in the development of OPPO technology.

- Far East Facade Shanghai participated in The Shenzhen International Hotel project which was completed. It took 100 days to complete the installation of 140,000 square meters of curtain walls and created an industry miracle.



- On late December, the annual output of Far East Facade (Zhuhai) Ltd. cooperate with Hailong that realized the organic combination of curtain wall and window wall system and MIC in rapid construction, it has broken the traditional on-site installation mode, greatly improving the degree of building assembly, shortening the construction period, and improving the performance of curtain wall products.

BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

Chairman and Non-executive Director
ZHANG Haipeng

Executive Directors
WU Mingqing
(Vice Chairman and Chief Executive Officer)
WANG Hai

Non-executive Director
HUANG Jiang

Independent Non-executive Directors
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

COMMITTEES

Audit Committee
ZHOU Jinsong, *CPA (Chairman)*
HONG Winn
KWONG Sum Yee Anna

Remuneration Committee
ZHOU Jinsong *(Chairman)*
ZHANG Haipeng
WU Mingqing
HONG Winn
KWONG Sum Yee Anna

Nomination Committee
ZHANG Haipeng *(Chairman)*
WU Mingqing
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES
ZHANG Haipeng
WU Mingqing

COMPANY SECRETARY
LAU Shuk Yin Connie

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

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

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE
00830

CORPORATE WEBSITE
www.cscd.com.hk

FINANCIAL CALENDAR

Annual Results Announcement
23 March 2022

Closure of register of members for Annual General Meeting
2–8 June 2022 (both days inclusive)

Annual General Meeting
8 June 2022

Closure of register of members for Final Dividend
16–17 June 2022 (both days inclusive)

Payment of Proposed Final Dividend
6 July 2022

MAJOR PROJECTS IN PROGRESS OVERVIEW

Project Name	Project Type	Year of Estimated Project Completion
Facade Contracting Works		
Mainland China		
長城國際物流中心, Shenzhen	Commercial	2023
前海周大福金融大廈, Shenzhen	Commercial	2023
珠澳灣世紀中心項目一期一標段A棟塔樓及裙樓, Zhuhai	Commercial	2023
白雲文化酒店, Guangzhou	Hotel	2023
廣州設計之都, Guangzhou	Commercial	2022
OPPO第二運營基地, Chengdu	Commercial	2022
Hong Kong, Macau & Others		
Cheung Kong Center Phase 2, Hong Kong	Commercial	2023
Hong Kong Baptist University Academic Building Complex and Hostel, Hong Kong	Public Building	2024
Immigration Headquarters, Tseung Kwan O, Hong Kong	Public Building	2023
Kai Tak Sport Center, Hong Kong	Public Building	2023
New Kowloon Inland Lot No. 6552, Kai Tak Area 4C, Hong Kong	Residential	2024
New Kowloon Inland Lot No. 6553, Kai Tak Area 4C, Hong Kong	Residential	2024
New Kowloon Inland Lot No. 6568, Kai Tak Area, Hong Kong	Residential	2023
New Kowloon Inland Lot No. 6575, Kai Tak Area, Hong Kong	Residential	2022
New Kowloon Inland Lot No. 6576, Kai Tak Area 4B, Hong Kong	Residential	2023
Office Development at 2 Murray Road, Central, Hong Kong	Commercial	2023
Office Development at 54 Queen's Road East, Hong Kong	Commercial	2023
Redevelopment of Merry Terrace at Seymour Road, Hong Kong	Residential	2023
Residential Development of Lot No. 467 at site A of Wong Chuk Hang Station, Hong Kong	Residential	2022
Residential Development at NKIL 6549 Hing Wah Street, Cheung Sha Wan, Hong Kong	Residential	2023
Residential and Commercial Development at No. 53, 53A, 55 and 55A Kwun Tong Road, Hong Kong	Multipurpose Complex	2023
North America		
1568 Broadway, New York, USA	Commercial	2023
HEC Montreal, Canada	Public Building	2022
St Jacques Victoria Sur Le Parc, Montreal, Canada	Residential	2023
The One, Toronto, Canada	Residential	2023
YUL Condos, Montreal, Canada	Residential	2023
1 Square Phillips, Montreal, Canada	Residential	2024
General Contracting Works		
Residential Development at RBL No. 1201, Wong Ma Kok Road, Stanley, Hong Kong	Residential	2023

EXPANDING NEW FUTURE

CHAIRMAN'S STATEMENT

The Group accurately capitalised on the changes in the macroeconomic environment, timely adjusted its operational strategies, consolidated its superior internal resources, effectively implemented the strategy of "driven by both traditional and new businesses".

The transformation of new business in Mainland China also made significant progress.

Mr. ZHANG Haipeng

Chairman and
Non-executive Director

I am pleased to present to shareholders the business review and prospects of the Group for the year ended 31 December 2021.

2021 was the first year of the "14th Five-Year Plan". The Group focused on the principle business of facade contracting and anchored the business strategy of "Expanding Hong Kong and Macau, Developing Mainland China and Shrinking Overseas", precisely seized market opportunities and enhanced its brand influence of "Far East Facade". Technology empowers innovation and development. The Group has overcome the pandemic to resume work and production, achieved remarkable results in production and operation and brought rapid growth to core performance indicators. In 2021, the principal business revenue amounted to HK$6,295 million, an increase of 38.8% as compared with last year; profit attributable to shareholders amounted to HK$292 million, an increase of 50.2% as compared with last year; earnings per share amounted to HK13.55 cents, a year-on year increase of 50.2% as compared with the end of last year. In consideration of the Company's profitability, cash flow level and capital requirements for future development, the Board recommends a final dividend of HK1.7 cents per share.

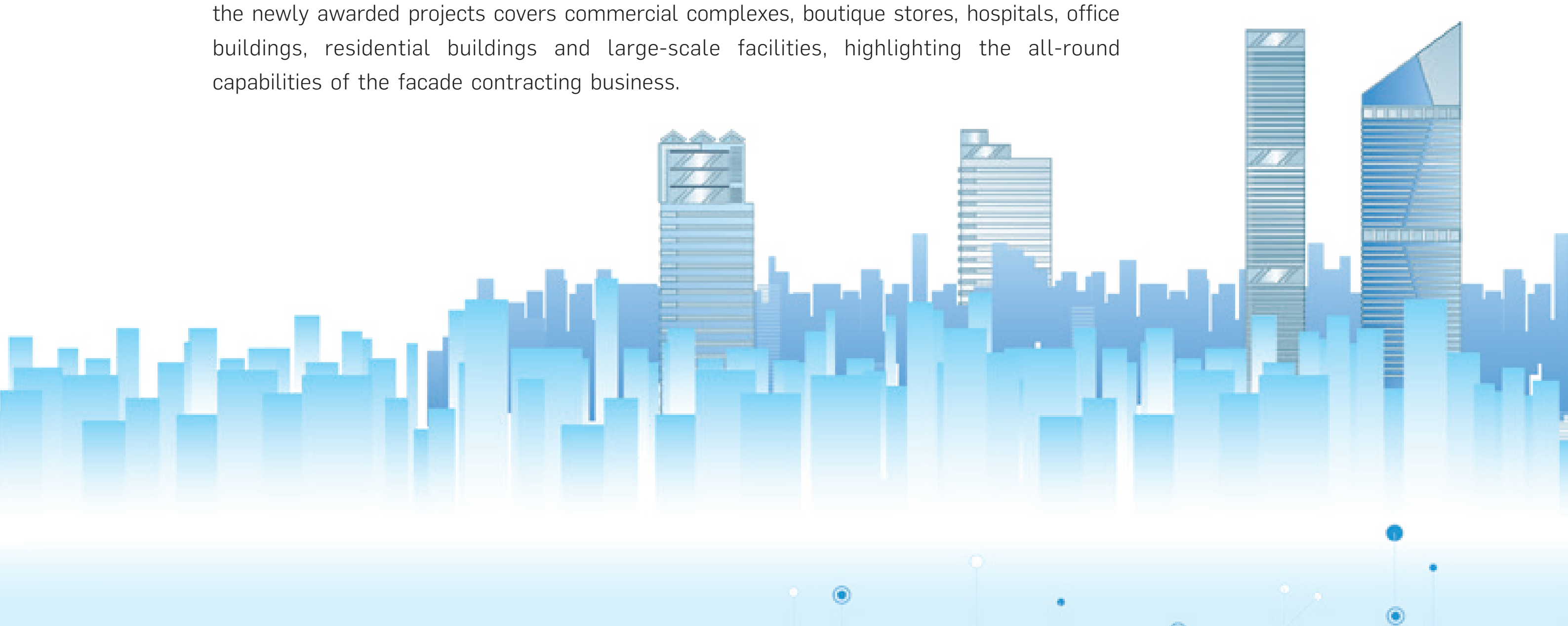
BUSINESS REVIEW

Despite the continuous recovery of the global economy in 2021, the unstable situation of the pandemic posed increasing challenges and led to divergent economic performance in different countries. The widening gap between supply and demand brought about by the unbalanced recovery, coupled with the loose monetary policies of developed countries such as the US, has led to sharp fluctuations in global commodity prices. China has effectively pushed forward epidemic prevention and control and economic development, leading the world in economic growth. After experiencing a severe recession, the Hong Kong economy showed a significant recovery in 2021, and the Hong Kong construction market continued to recover. Rooted in Hong Kong and Macau, facing the Mainland China, the Group adheres to the operational strategy of "big markets, big landlords, big projects" and persisted with its prudent bidding strategy, drew on internal synergy, and proactively developed high-end facade projects that could magnify the brand effect. During the year, the Group's leading advantage in the Hong Kong facade contracting business was further enlarged, the newly awarded contract value of the facade contracting business in Hong Kong and Mainland China hit record high, the general contracting business progressed steadily, and the Mainland China operating business was pushed forward with high quality.

1. Facade Contracting Business

Hong Kong and Macau are the long-established key markets of the Group. Seizing the opportunities from the recovery of Hong Kong's construction industry, the Group continued to strengthen its brand influence and competitive edge, and further enhanced its leading position in the facade market of the city. As a recognised premium provider of complete high-end facade solutions in Hong Kong and Macau, the Group focused on deepening the strategic cooperation with its major clients and actively expanded its strategic client base while striving for better intra-group synergy. The Group achieved outstanding performance in the Hong Kong and Macau markets, successively securing large-scale residential and commercial projects. In 2021, the Group's newly awarded facade projects in the regions included two residential projects at Kai Tak (New Kowloon Inland Lot No. 6568 and 6576), Wong Sun Hing Group's residential project at 53–55A Kwun Tong Road, Kai Tak Sports Park project, and a project of Hong Kong Baptist University, etc. The Group carefully organizes the internal design, procurement, production and installation resources, vigorously implement incentive schemes for projects and enhance safety control to ensure construction period, quality, safety and efficiency of the projects.

There is huge potential in the facade market in Mainland China, but disordered price competition in the industry is yet to be improved. In 2021, the Group adhered to the competitive strategy of differentiation, leveraged its brand effect and performance capabilities to focus on high-end facade projects, and the newly awarded contract value reached a record high again. The Group was awarded a number of premium iconic projects in Mainland China during the year, including the facade subcontracting project of OPPO's second headquarters, the facade project of Guangzhou City of Design, and the facade subcontracting project of Huawei's Zone G Flagship Store, etc. The diverse combination of the newly awarded projects covers commercial complexes, boutique stores, hospitals, office buildings, residential buildings and large-scale facilities, highlighting the all-round capabilities of the facade contracting business.



The Group attached great importance to technological innovation to empower its facade contracting business and continued to enhance its core competitiveness of its facade contracting business. Boasting the world's leading technologies in the curtain wall of super-tall skyscrapers and the complex hyperbolic special-shaped facade, the Group introduced industry-leading automated production lines and equipment, as well as the intelligent manufacturing information system of the entire industry chain. This significantly enhanced the Group's capabilities in refined management, resulting in a notable improvement in both project efficiency and performance quality. During the year, the Group signed a strategic cooperation agreement with Longyan Energy Technology (Hangzhou) Co., Ltd. to jointly promote the integrated development of the construction and photovoltaic industries, supporting China to achieve the targets of carbon peak and carbon neutrality.

2. General Contracting Business

The development of the general contracting business of construction work was stable. The Group actively participated in the bidding of small and medium housing projects in Hong Kong and deepened internal synergy. During the year, the Group was awarded the bid for the mixed-use development (phase three) at Wong Chuk Hang. Meanwhile, its projects in progress have been carried out smoothly, with the residential project at 128 Wong Ma Kok Road, Stanley and Hong Kong Henderson Land's residential project in Ma Tau Wai running in an orderly manner.

3. Operating Management Business

China Overseas Supervision of the Group achieved breakthroughs in the full-process consultation business during the year. While reinforcing and optimising the existing supervision business, China Overseas Supervision proactively built its full-process consultation business, securing the bids for the renovation consultation of the Graduate School of the Harbin Institute of Technology and the full-process consultation of Shenzhen Longhua Middle School.

Proactively expanding its heat supply market, Huanggu Thermoelectricity, a subsidiary of the Group, continued to strengthen safe operations and explore the possibilities for energy saving and consumption reduction, which consistently provided a stable cash flow for the Company during the year.

Social Responsibilities

The Group has co-organised inclusion activities with the charitable organisation TREATS for many consecutive years. Winning the titles of "Green Office 5+", "Eco-Healthy Workplace" and HKCSS's "Caring Company", the Group demonstrates its commitment to the community and contributes to social harmony and stability.

PROSPECTS

Looking forward to 2022, although the global economy is expected to continue to pick up, downside risks still remain due to the rapid spread of the COVID-19 mutant strain in the communities, the worldwide reduction in financial support and the existing supply bottlenecks. After launching the development strategy which prioritises stability while pursuing progress, Mainland China is expected to maintain the growth momentum in good condition through various prudent yet effective fiscal and monetary policies. In the post-pandemic era, both Hong Kong and Macau are expected to see continuous economic growth as the control measures are normalized, which will further drive the construction demand. At the same time, the continuous development of the Guangdong-Hong Kong-Macau Greater Bay Area will also create tremendous opportunities for the construction industry in Hong Kong and Macau. The U.S. will face higher economic uncertainty in light of the changing development of the pandemic, leading to a slowdown in the North American construction market.

Business and Development Strategies

The facade contracting business is the Group's core business. The Group will continue to adopt the marketing strategy of "big markets, big landlords, and big projects", adhere to the business philosophy of "closely focusing on high-end markets and providing high-quality services", integrate advantageous resources, improve its operational and management and control models by taking into consideration the features of various markets, and optimise business deployment. It will further develop the Hong Kong and Macau markets and steadily explore the Mainland China market while it will shrink overseas markets in an orderly manner. The Group will further utilise and integrate existing resources and production capacity, and continue to focus on the construction period, quality, safety, capital and cost management of projects while improving the synergies created during the design, production and installation processes. The Group will strengthen its capabilities in research and development as well as innovation, sharpening its comprehensive competitive edge in the facade contracting business. To maintain a favourable profitability, efforts will be made to further improve the Group's branding and market development, strengthen the management of projects on hand, consolidate its core competitiveness in design, procurement, production and construction, and exercise rigorous control over project risks.

Committed to building its design teams, the Group will strengthen such function in Hong Kong and North America while expanding the design teams in Mainland China. To achieve this, the Group will continuously recruit professional talents to meet the personnel demand at the peak of projects. Meanwhile, the Group will provide stronger support to its overseas staff members through measures such as setting up an overseas core management team and establishing a basic welfare system for the remuneration and benefits of its employees working overseas. This can maintain the stability of overseas teams and enhance the Group's cohesiveness and performance capability.

Through continuous exploration and practices, the Board and the management wish to establish and maintain a healthy system that is jointly driven by shareholders, the Board, the management, employees and other stakeholders such as customers and suppliers, promoting the sustainable growth of the Group's revenue and profitability.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all shareholders and customers for their strong support and to all employees for their hard work and commitment.

By Order of the Board
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 23 March 2022

A NEW VOYAGE, CSC DEVELOPMENT SAILS TO A NEW DIRECTION

OVERALL PERFORMANCE

The Group's principal markets saw post-COVID-19 pandemic recovery of their economies. Hong Kong and Mainland China are on the path to recovery. Our facade contracting business in Hong Kong continued to benefit from the strong order book and the good progress being made on existing project delivery, and achieved record-high revenue and profit. For the year ended 31 December 2021, the Group recorded aggregate revenue of HK$6,295 million (2020: HK$4,536 million), an increase of 38.8% as compared to last year. The profit attributable to owners of the Company was HK$292 million (2020: HK$194 million), an increase of 50.2% as compared to last year. The basic earnings per share was HK13.55 cents (2020: HK9.02 cents), an increase of 50.2% as compared to last year. In consideration of the Company's profitability, cash flow level and capital requirements for future development, the Board recommends a final dividend of HK1.7 cents per share.

Segment Analysis

Facade Contracting Business

As a result of accelerated progress on curtain wall projects in Hong Kong and Mainland China, the segment's revenue increased to HK$4,478 million for the year ended 31 December 2021 (2020: HK$2,565 million), representing an increase of 74.6% as compared to last year. The gross profit increased to HK$356 million for the year ended 31 December 2021 (2020: HK$131 million), representing an increase of 171.8% as compared to last year. The operating profit increased by 6.1 times to HK$249 million for the year ended 31 December 2021 (2020: HK$35 million) as compared to last year.

General Contracting Business

Due to the fact that certain projects substantially completed in 2020 have made less contribution in 2021, segment's revenue decreased to HK$807 million for the year ended 31 December 2021 (2020: HK$1,055 million). The operating profit slightly decreased to HK$97 million for the year ended 31 December 2021 (2020: HK$98 million).

Operating Management Business

The segment recorded a steady growth in revenue during the year. The segment's revenue increased to HK$1,010 million for the year ended 31 December 2021 (2020: HK$916 million). The operating profit decreased to HK$181 million for the year ended 31 December 2021 (2020: HK$218 million) as a result of the increase in the cost of coal of Shenyang Huanggu thermoelectric plant.

Administrative, selling and other operating expenses

With the expansion of facade contracting business, administrative expenses increased by 23.4% to HK$274 million (2020: HK$222 million).

Finance costs

For the year ended 31 December 2021, the cost of borrowings has been reduced by optimizing the portfolio of bank loans and striving to reduce interest rates from banks through our efforts. The Group's finance costs decreased to HK$30 million (2020: HK$32 million).

New Contracts Awarded and Project in Progress

The Group recorded an accumulated new contract value of HK$8,208 million for the year ended 31 December 2021 and achieved the full year target of 2021.

As of 31 December 2021, the on-hand contract value amounted to approximately HK$18,715 million, among which the backlog was approximately HK$10,850 million.

Business Segments	New Contract Awarded (HK$ million)	Project in Progress Total Value (HK$ million)	Project in Progress Backlog (HK$ million)
Facade Contracting	6,248	13,547	8,043
General Contracting	917	3,585	2,176
Operating Management	1,043	1,583	631
Total	8,208	18,715	10,850

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 31 December 2021, the Group had cash and cash equivalents of HK$928 million (31 December 2020: HK$858 million), total borrowings of the Group were HK$1,333 million (31 December 2020: HK$1,062 million). The Group's net gearing ratio (net debt to total net assets) as at 31 December 2021 was approximately 25.6% (31 December 2020: 15.4%).

Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$2,928 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total bank borrowings as at 31 December 2021 and 31 December 2020 are set out as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
On demand or within one year	**824,563**	650,710
More than one year but not exceeding two years	**551**	400,524
More than two years but not more than five years	**508,042**	10,932
Total bank borrowings	**1,333,156**	1,062,166

The portfolio of the currencies of cash and cash equivalents of the Group as at 31 December 2021 and 31 December 2020 is set out as follows:

	31 December 2021 %	31 December 2020 %
Renminbi	**71**	69
Hong Kong Dollars	**25**	24
United States Dollars	**1**	1
Macau Pataca	**1**	1
Others	**2**	5

As at 31 December 2021, the Group's equity attributable to owners of the Company amounted to HK$1,671 million (31 December 2020: HK$1,403 million), comprising issued capital of HK$22 million (31 December 2020: HK$22 million) and reserves of HK$1,649 million (31 December 2020: HK$1,381 million).

TREASURY POLICY

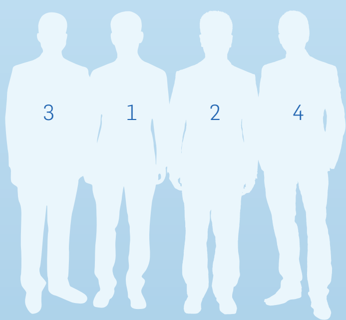
The Group adopts a conservative treasury policy in cash and financial management. The Group's treasury activities are centralized in order to achieve better risk control and minimize funding cost. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar or Renminbi. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

In 2021, the net cash inflow from operating activities was HK$185 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 4,434 (31 December 2020: 3,344) employees. The Group has sound policies of management incentives and competitive remuneration, which align the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of base salary, allowances, fringe benefits including medical insurance and contributions to pension funds as well as incentives such as discretionary bonus.

DIRECTORS AND ORGANISATION



1. Mr. ZHANG Haipeng
2. Mr. WU Mingqing
3. Mr. WANG Hai
4. Mr. HUANG Jiang

BOARD OF DIRECTORS

Mr. ZHANG Haipeng

Chairman and Non-executive Director
Chairman of the Nomination Committee
Member of the Remuneration Committee

Aged 46, was appointed as Chairman of the Board and a Non-executive Director on 18 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. He joined 中國建築集團有限公司 (China State Construction Engineering Corporation*, "CSCEC") in 2000 and was seconded to China State Construction International Holdings Limited ("CSC", a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) in 2002. Mr. Zhang has been a director of certain subsidiaries of CSC since 2008. Currently, he is a director of China Overseas Holdings Limited ("COHL") and an executive director and chief executive officer of CSC. CSCEC, COHL and CSC are controlling shareholders of the Company. Mr. Zhang has over 22 years of experience in construction engineering management.

Mr. WANG Hai

Executive Director, Senior Vice President

Aged 49, was appointed as an Executive Director on 15 August 2012. Mr. Wang is also a director of the Company's subsidiaries. He joined the Group in March 2012 and held various senior management positions including Chief Executive Officer and Associate Chief Executive Officer of the Company. Mr. Wang ceased to be Associate Chief Executive Officer on 21 September 2015 when he was reallocated to North America taking charge of North America business. He graduated from Tianjin University and Greenwich University. Mr. Wang joined CSCEC in 1994 and started getting involved in the operation of certain subsidiaries of CSC since 2003. He has over 28 years of experience in international corporation management in the industry of building and infrastructure investment in North America, Hong Kong and Mainland China.

Mr. WU Mingqing

Vice Chairman, Executive Director and Chief Executive Officer
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 57, was appointed as Vice Chairman of the Board, an Executive Director and Chief Executive Officer on 18 August 2018. Mr. Wu is also a director of the Company's subsidiaries. He graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University. Mr. Wu was awarded the title of Senior Accountant. He joined CSCEC in 1986 and was seconded to CSC in 2000. Mr. Wu has been a director of certain subsidiaries of CSC since 2002. He was an executive director of CSC between June 2014 and August 2018. Mr. Wu has over 36 years of experience in financial management, construction engineering, infrastructure investment and project management.

Mr. HUANG Jiang

Non-executive Director

Aged 47, was appointed as a Non-executive Director on 16 March 2017. Mr. Huang graduated from Chongqing Jianzhu University and holds a Master's degree in Project Management from Hong Kong Polytechnic University and an Executive Master's degree in Business Administration from Nankai University. He joined CSCEC in 1997 and was seconded to CSC in 2000. Mr. Huang has been a director of certain subsidiaries of CSC since 2007. Currently, he is an Assistant President of CSC. Mr. Huang has over 25 years of experience in contract and project management.

Mr. ZHOU Jinsong

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

Aged 51, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Zhou graduated from Guangdong Radio and TV University in 1992 and obtained a Master of Business Administration degree from Harbin Institute of Technology in 2003. He is a Certified Public Accountant licensed in the People's Republic of China ("PRC"). Mr. Zhou has extensive experience in accounting, audit and business advisory in various audit firms and private companies in the PRC. He was an accountant supervisor in the fund management office of the Shenzhen Cultural Development Department (深圳市宣傳文化事業發展專項基金領導小組辦公室) from 1995 to 2002. Mr. Zhou is currently the President of Weiya, an accounting firm in Shenzhen.

Mr. HONG Winn

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

Aged 52, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Hong obtained a Bachelor of Science degree in Aerospace Engineering and a Master of Science degree in Mechanical Engineering from the University of California, Los Angeles in 1993 and 1996, respectively. He graduated from the University of Chicago with a Master of Business Administration degree in 2005. Mr. Hong is Deputy Executive Director for the Alfred E. Mann Institute for Biomedical Engineering at the University of Southern California (AMI-USC) focusing on biotechnology, medical device, and medical and health care technologies. He is a member of the College of Fellows of the American Institute for Medical and Biological Engineering and has over 22 years of experience in high-tech product development and high-tech start-up success and leadership.

Ms. KWONG Sum Yee Anna

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

Aged 72, was appointed as an Independent Non-executive Director on 1 July 2013. Ms. Kwong is the Executive Director of Anna Kwong Architects & Associates Ltd. She holds a Bachelor of Arts degree (Honours) in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. Ms. Kwong is a Registered Architect in Hong Kong and an Authorised Person (List of Architects) of Hong Kong. She possesses Class 1 Registered Architect Qualification of the PRC. Ms. Kwong is a past president and a Fellow of the Hong Kong Institute of Architects, an ex-member of the Hong Kong Architects Registration Board and a Fellow of the Hong Kong Institute of Directors. She has also been a member, appointed by the HKSAR government, to serve at the Town Planning Board, the Buildings Ordinance Appeal Tribunal and Construction Workers Registration Authority as well as at various Boards and Councils. Ms. Kwong has been recently appointed by the Director of Environmental Protection to serve as a member of the Asbestos Administration Committee. She has over 44 years of professional experience in the architectural field.

SENIOR MANAGEMENT

Mr. LI Jing

Vice President

Aged 53, graduated from Shanghai University of Finance and Economics and University of South Australia with a Bachelor's degree in Economics and a Master's degree in Business Administration, holding the certification of senior accountant. Mr. Li joined CSCEC in 1991 and was seconded to the COHL Group in 1996. He joined the Group in April 2020 and has over 31 years of experience in financial management, auditing, internal control and risk management.

Mr. ZHU Minfeng

Assistant President

Aged 42, graduated from Southeast University and Huazhong University of Science and Technology, and holds a Bachelor's degree and a Master's degree in Engineering. Mr. Zhu joined the CSC Group in 2002 and was seconded to the Group in 2018. He has over 19 years of experience in construction engineering management.

Mr. WONG Man Cheung

Chief Financial Officer

Aged 50, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts degree in Accountancy and a Master's degree in Business Administration (Financial Services). Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and was a fellow of the Association of Chartered Certified Accountants. He joined the Group in November 2020 and has over 25 years of experience in financial management, corporate financing, strategic planning and advisory, business controlling, risk management and investor relations.

Mr. CHAN Sun Nung

Technical Director

Aged 62, obtained a Master's degree in Construction Engineering and Management from Griffith University, Australia. Mr. Chan is the vice president of Hong Kong Facade Association. He joined the Group in 2003 and has over 41 years of experience in curtain wall design.

Mr. WANG Yapeng

Vice President

Aged 46, graduated from Huazhong University of Science and Technology and Renmin University of China, and holds a Bachelor's degree in Engineering and a Master's degree in Business Administration. Mr. Wang joined CSCEC in 2004 and was seconded to the COHL Group in 2007. He joined the Group in 2018 and has over 23 years of experience in business operation, enterprise management, human resources and administration.

Mr. MOK Wai Him

Project Director

Aged 61, graduated from the University of Essex with a Bachelor of Science degree in Applied Physics and obtained a Master's degree in Instrumentation and Analytical Science from the University of Manchester Institute of Science and Technology. Mr. Mok is a member of the Institute of Measurement and Control in the United Kingdom and an associate member of the Chartered Institution of Building Services Engineers. He joined the Group in 1996 and has over 33 years of experience in project management.

Mr. LAU Sai Ying, Alan

Marketing Director

Aged 61, graduated from the University of Manitoba with a Bachelor of Science degree in Civil Engineering. Mr. Lau is a member of Hong Kong Institution of Engineers, a registered professional engineer in Hong Kong and professional engineer for the Province of Ontario, Canada. He joined the Group in 1997 and has over 32 years of construction, engineering and facade system project management and marketing experience in Canada and Hong Kong.

Mr. HONG Jianping

General Manager, 瀋陽皇姑熱電有限公司
(Shenyang Huanggu Thermoelectricity
Company Limited*)

Aged 56, graduated from Xi'an University of Architecture and Technology with a Bachelor of Engineering degree and obtained a Master's degree in Business Administration from Nankai University. Mr. Hong joined the COHL Group in 1998 and was seconded to the CSC Group in 2008. He joined the Group in 2014 and has over 32 years of experience in investment, mergers and acquisitions, plant management and enterprise management.

Mr. GAO Fai

Deputy General Manager,
Far East Facade (Hong Kong) Limited

Aged 36, graduated from the Harbin Institute of Technology with Bachelor of Engineering and Bachelor of Science degrees, and holds a Master's degree in Business Administration from Hong Kong Baptist University. Mr. Gao joined the CSC Group in 2009. He joined the Group in September 2020 and has over 13 years of experience in construction management.

* *for identification purpose*

GOVERNANCE FRAMEWORK

The Company is committed to maintaining and upholding high standards of corporate governance. The Board recognises that good corporate governance is crucial to the success of the Company and creating long-term sustainable value for shareholders. The corporate governance principles of the Company emphasize an effective Board, sound risk management and internal control systems, and transparency and accountability to all shareholders.

The Company has applied the principles, and complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021.

THE BOARD

The Board has a collective responsibility for promoting the Company's long-term sustainable success and enhancing shareholder value which is achieved by having members with a balanced range of individual skills and experience. The Board is responsible for the stewardship of the Group, directing and guiding strategic objectives, overseeing and monitoring performance, and discharging certain legal responsibilities. The Board delegates the day-to-day operation of the Group to the management under the leadership of the Chief Executive Officer. The Board has established three committees to assist it in discharging certain governance responsibilities. In addition, there is a sustainability committee which is led by the Chief Executive Officer to identify, evaluate and manage significant sustainability issues of the Group with regular reports being made to the Board on the progress and management plan to ensure effective implementation of the sustainability policy. Details of the Board committees' responsibilities are described more fully in the "Board Committees" section of this report. The Board reserves for its consideration and decision matters affecting the Group as a whole including approval of the Group's financial statements, dividends, external financing, Board appointments, major acquisitions, disposals and certain material contracts, and broad policies; oversight of systems of internal control and risk management (supported by the Audit Committee), sustainability, governance matters, and compliance arrangements.

As at 31 December 2021, the Board comprised seven Directors — two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules. The Directors have a broad range of expertise and experience which, we believe, contributes significantly to the effectiveness of the Board. The names of the Directors in office as at 31 December 2021 are set out in the "Board of Directors and Committees" section of this Annual Report and their biographical details are set out on pages 25 to 26.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are performed by separate individuals in accordance with the CG Code. A distinction is made between the leadership of the Board, which is the Chairman's responsibility, and the executive leadership of the Group's business, which is the Chief Executive Officer's role. The counter balance of responsibilities at Board level is set out below and demonstrates that no one individual has unfettered powers of decision. The Chairman of the Board, Mr. Zhang Haipeng, has responsibility for the effectiveness of the Board in its role of directing the Company and achieves this through promoting a culture of constructive debate and openness among all Board members, both executive and non-executive. To support this, from time to time, the Chairman meets with Independent Non-executive Directors privately without other Directors present. The Chairman encourages high standards of corporate governance and ensures that the Board receives accurate, timely and clear information, and is consulted on all relevant matters. The Chairman is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings. The Chief Executive Officer, Mr. Wu Mingqing, has responsibility for the day-to-day operation and management of the Group, and implementation of Board decisions, policies and strategies. The Chief Executive Officer assumes full accountability to the Board for the overall operation of the Group and has responsibility for overseeing and delivering operational performance of the Group.

Non-executive Directors

The Non-executive Directors provide a strong independent element on the Board and collectively bring independent and objective judgement to bear on Board decisions through regular attendance and active participation in the meetings of the Board and the Board committees on which they serve. All Independent Non-executive Directors serve on the Board committees, each of which is chaired by either a Non-executive Director or an Independent Non-executive Director. Through the Board committees and through the Board, Independent Non-executive Directors ensure that the integrity of financial information, financial controls and systems of risk management are robust and defensible. They also determine appropriate levels of remuneration and are involved in succession planning and appointments.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. Zhou Jinsong and Mr. Hong Winn have served more than nine years, the Company continues to consider all the Independent Non-executive Directors to be independent having regard to (i) their annual confirmation on independence; (ii) the absence of their involvement in the day-to-day management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

Board Process

The Board meets regularly and at least four times a year. Additional meetings of the Board or the Board committee established by it to consider specific matters, can be convened, when necessary. Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's articles of association. During the year, the Board held four meetings. In addition to physical meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by circulation of written resolutions with supporting explanatory materials. For regular meetings of the Board and Board committees, Directors receive notice and agenda at least 14 days in advance and supporting Board papers no less than 3 days prior to the meetings. For ad hoc meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Directors are given the opportunity to include matters in the agenda for regular Board meetings and raise other matters that are not on the agenda during the meetings. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, prompt and full responses will be given if possible.

Where Directors have not been able to attend a Board or Board committee meeting, they have reviewed the papers circulated for that meeting and provided their comments directly or through the Company Secretary, to the Chairman or the committee chair, as appropriate. In addition to formal Board meetings, the Chairman had private discussion with Independent Non-executive Directors during the year.

Draft version of meeting minutes of the Board and Board committees will be sent to Directors for comment within a reasonable time after the meetings and final version of minutes will be placed on record after approval at the next meeting.

The attendance of Directors at general meetings, meetings of the Board and Board committees of which they were members during the year is set out in the table below.

	Meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Chairman and Non-executive Director					
Zhang Haipeng	4/4	—	2/2	2/2	1/1
Executive Directors					
Wu Mingqing	4/4	—	2/2	2/2	1/1
Wang Hai	4/4	—	—	—	1/1
Non-executive Director					
Huang Jiang	3/4	—	—	—	1/1
Independent Non-executive Directors					
Zhou Jinsong	4/4	4/4	2/2	2/2	1/1
Hong Winn	4/4	4/4	2/2	2/2	1/1
Kwong Sum Yee Anna	4/4	4/4	2/2	2/2	1/1

The Board recognises the importance of individual members having sufficient time available to discharge their duties effectively. Additional commitments of Directors are carefully reviewed on appointment, before new Directors are accepted onto the Board. Directors are expected to attend all meetings of the Board and Board committees of which they are members, as well as the annual general meeting.

If a conflict of interest involving a substantial shareholder or a Director arises, the matter will be discussed at a physical meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no material interest in the proposed matter or transaction will be present at the meeting to deal with the conflict.

The Company has in place appropriate directors and officers liability insurance cover in respect of legal action against Directors. The coverage and sum insured under the directors and officers liability insurance are reviewed annually.

Appointment and Re-election

All Non-executive Directors are appointed under letters of appointment for a term of three years. Directors appointed by the Board shall hold office until the first general meeting following their appointments in the case to fill a casual vacancy or until the next following annual general meeting in the case as an addition to the Board. Such Directors shall then be eligible for re-election. In addition, all Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. A retiring Director is eligible for re-election and re-elections of retiring Directors at general meetings are dealt with by separate resolutions.

If an Independent Non-executive Director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders and the circular to shareholders will include the reasons why the Board believes he/she is still independent and should be re-elected. In respect of the Independent Non-executive Director who was eligible for re-election at the 2021 annual general meeting and had served more than nine years, the Board expressed its view in the circular to shareholders as regards his independence. In accordance with the CG Code, the Company had to include its own recommendation in the circular to explain why the Board considered such Director was still independent and should be re-elected.

Diversity

The Board diversity policy sets out the Board's approach to diversity. Differences in background, skills, industry experience, gender, age and other qualities will be considered in determining the optimum composition of the Board and the aim will be to balance them appropriately to ensure that the composition is appropriate to the business of the Company and the range and breadth of markets in which the Group operates. The Company is focused upon increasing Board diversity without compromising on the calibre of Directors and the overriding principle is that all appointments to the Board will be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. In determining suitable candidates for the Board appointment, the Nomination Committee and the Board pay due regard for the benefits of diversity on the Board and disclose in the circular to shareholders how the individual who is proposed to be elected as Independent Non-executive Director at the general meeting contributes to the diversity of the Board. After an annual review of the board composition by the Nomination Committee, the Board concluded that a range of personal strengths and industry backgrounds is represented on the Board, which is made up of six male and one female Directors. The Board is committed to ensuring that it remains diverse and has a diversity policy to support this.

Development, Information and Support

Directors have access to relevant and timely information, and they can ask for further information if necessary. Management is responsible for providing such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval. All members of the Board are provided with monthly updates with respect to the operating information and performance of the Group to enable the Directors, individually and collectively, to discharge their legal and regulatory duties.

All Directors also have direct access to the Company Secretary for advice and, if required, can seek independent professional advice at the Company's expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary.

A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements, is provided to each newly appointed Director. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. Directors are encouraged to attend internal and external briefings and courses on aspects of their respective committee specialisms. Training and regular updates on relevant legal, regulatory and corporate governance matters are provided to Directors as appropriate.

All Directors are required to provide to the Company records of continuous professional development activities they participated during the year. Based on the records so provided, the participation of individual Directors in the continuing professional development activities during the year is set out as below:

	Attending seminars, conferences, courses or briefings, or giving talks	Reading relevant materials
Directors		
Zhang Haipeng	√	√
Wu Mingqing	√	√
Wang Hai	√	√
Huang Jiang	—	√
Zhou Jinsong	√	√
Hong Winn	—	√
Kwong Sum Yee Anna	√	√

BOARD COMMITTEES

The Board currently has three committees, namely the Audit Committee, Nomination Committee and Remuneration Committee and each of which has specific written terms of reference approved by the Board. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the Company's website or, on request, from the Company Secretary. Verbal reports on meetings of the committees are provided at each regular Board meeting by the relevant committee chairs.

The committees are provided with all necessary resources including access to independent professional advice, if necessary, to enable them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committees.

Audit Committee

The Audit Committee is composed solely of Independent Non-executive Directors with Mr. Zhou Jinsong as chairman and Mr. Hong Winn and Ms. Kwong Sum Yee Anna as members of the committee. All the members served on the committee throughout the year. Mr. Zhou Jinsong possesses appropriate professional qualifications and experience in financial matters which is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee meets at least four times a year and its primary duties include ensuring the Group's financial statements (including annual, half-year and quarterly results) present a true and balanced assessment of the Group's financial position; reviewing the Group's financial reporting process, internal control and risk management systems; reviewing the Group's financial and accounting policies and practices; and recommending the appointment and approving remuneration of external auditor. Other duties of the Audit Committee are set out in its specific terms of reference.

The committee met four times in 2021. Vice President, Chief Financial Officer, and Deputy General Manager, Finance and Treasury Department were regular attendees at the meetings of the committee. External auditors were invited to attend two of those meetings to discuss various accounting issues and audit findings, and the audit plan with the committee.

The work of the committee during the year included reviewing the results announcements and financial statements for the year ended 31 December 2020, and for the first quarter, half-year and third quarter of 2021, the annual report and interim report. To aid its review, the committee considered the report from the management and the report from external auditor on the outcomes of the annual audit. The committee also reviewed the continuing connected transactions, internal control, risk management and internal audit matters, approved the audit plan and fee for the 2021 year end audit before audit commencement and made recommendation to the Board on the reappointment of auditor.

In addition, the Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor to ensure that their engagement in non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from Ernst & Young which confirms that they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by Ernst & Young and other firms of its worldwide network for the financial year ended 31 December 2021 amounted to approximately HK$2,614,000 and HK$291,000 respectively. The non-audit services mainly consist of tax services amounting HK$210,000 and other services for ad hoc projects amounting HK$81,000.

Nomination Committee

The Nomination Committee is chaired by Mr. Zhang Haipeng, the Chairman of the Board and Non-executive Director and its other members include Mr. Wu Mingqing, Vice Chairman, Executive Director and Chief Executive Officer and the three Independent Non-executive Directors, namely Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna. All members served on the committee throughout the year.

The Nomination Committee meets at least once a year and is responsible for reviewing the Board structure, size and composition, identifying and nominating to the Board candidates who are appropriate for appointment or reappointment as Directors, assessing the independence of Independent Non-executive Directors and making recommendation to the Board on succession planning.

The committee held two meetings in 2021. The work of the committee during the year included consideration of the composition of the Board to ensure there was an appropriate balance of skills, knowledge and experience and the independence of Independent Non-executive Directors, and considering and making recommendation to the Board on the re-election of the retiring Directors at the annual general meeting.

The Company has adopted a policy for nomination of Directors which sets out the principles that guide the committee to identify and evaluate candidates for nomination and the procedures for nomination. The committee will take into account the candidate's character and integrity, qualifications, diversity contributions, independence (for the appointment of Independent Non-executive Director), time commitment and any other relevant factors as may be determined by the committee or the Board from time to time. The committee shall, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of a candidate, evaluate the candidate based on the criteria as set out above. The committee will then recommend to the Board the appointment of the candidate for directorship, if appropriate. The Board decides the appointment based upon the recommendation of the committee.

In assessing the independence of Directors, the committee recognises that Mr. Zhou Jinsong and Mr. Hong Winn have served on the Board for more than nine years but having considered their annual confirmation of independence and the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement, the committee remains confident that both of Mr. Zhou and Mr. Hong continue to demonstrate independent character and judgement in carrying out their duties. In forming its view concerning the re-election of Mr. Zhou Jinsong at the 2021 annual general meeting who has been serving as an Independent Non-executive Director for more than nine years, in addition to his independence, the committee took into account the composition of the Board, the diversity aspects as set out in the Board diversity policy, his devotion, commitment and contribution to the Board.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Zhou Jinsong, an Independent Non-executive Director and its other members include Mr. Zhang Haipeng, the Chairman of the Board and Non-executive Director, Mr. Wu Mingqing, Vice Chairman, Executive Director and Chief Executive Officer and two Independent Non-executive Directors, namely Mr. Hong Winn and Ms. Kwong Sum Yee Anna. All members served on the committee throughout the year.

The Remuneration Committee meets at least once a year and is responsible for formulating and making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Group with reference to the Group's overall performance, individual's responsibilities and performance and the prevailing market conditions, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure and other compensation related issues. The committee determines the remuneration packages of individual Executive Directors and senior management and reviews the adequacy and effectiveness of the Group's remuneration policy. The committee also has the responsibility to make recommendations to the Board on the remuneration of Non-executive Directors.

The committee held two meetings in 2021. Deputy General Manager, Human Resources Department was invited to attend one of the meetings to discuss the Group's remuneration policy. The committee reviewed and approved the Group's policy on salary adjustment and discretionary bonus which applies to Directors and senior management of the Company and the policy has been set to align with the Group's operating performance while taking into account the general economic condition, individual performance and contribution, and remuneration offered by peer companies. In addition, the committee reviewed and considered the appropriateness and relevance of the remuneration policy and structure of the Group with reference to the construction market practices, the Group's performance and remuneration offered by peer companies.

Remuneration of Directors and Senior Management

Information relating to the remuneration of each Director for the year ended 31 December 2021 is set out in note 10 to the consolidated financial statements.

The remuneration of members of the senior management by band for the year end 31 December 2021 is set out in note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Board has undertaken the responsibility for performing the corporate governance duties pursuant to the CG Code and is committed to ensuring that an effective governance structure is in place to continuously review, monitor and improve the corporate governance practices within the Group with regard to the prevailing legal and regulatory requirements.

During the year, the work of the Board in this area included reviewing the policies and practices on the Group's corporate governance, monitoring the Company's legal and regulatory compliance and training and continuing professional development of Directors and senior management, developing relevant policies to ensure compliance with the latest change in the laws and regulations and reviewing the Company's compliance with the CG Code and the disclosure in this report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2021.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of Hong Kong Financial Reporting Standards and the applicable laws have been complied with.

The Directors acknowledged their responsibility for preparing the consolidated financial statements for the year ended 31 December 2021. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern and on such basis, the Board has prepared the financial statements on a going concern basis.

The responsibilities of external auditor of the Company with respect to financial reporting are set out in the "Independent Auditor's Report".

Internal Controls and Risk Management

The Board is responsible for maintaining appropriate systems of internal control and risk management, policies and procedures within the Group and the Audit Committee has the delegated responsibility to assess on an ongoing basis the effectiveness and relevancy of the systems. Such systems are designed to identify and control rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Processes and procedures are in place to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication and to ensure compliance with applicable laws, rules and regulations.

The Group has established a risk management framework to enable the Board and the management of the Company to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. Various operational committees including Project Tendering Committee, Procurement and Subcontracting Committee, 3MS Committee and Safety Production Committee which stand at the highest level of the Group's risk governance structure below the Board have been established to manage the risks and opportunities across the project lifecycle. These committees provide direct oversight of the formulation of institutional risk appetite, and control and monitor the levels of risk that the Group is willing to undertake with regard to its financial capacity, strategic direction, prevailing market conditions and regulatory requirements.

The Group's risk management and internal control framework comprises a number of approval and review gates that cover the business lifecycle from initial project pursuit through to delivery and completion. All gates are mandatory and require approval at Group level by the operational committees, by divisional or business unit level depending upon the nature and complexity of projects.

To ensure that decisions are taken at the right level within the Group by those best placed to take them, the Company has in place a policy on delegation of authority for expenditure which sets out limits and conditions for the authority afforded to each function and senior individuals. The policy ensures there is a consistency of approach across the business units and allows the business to operate efficiently without creating burdensome processes. The policy will be reviewed from time to time to re-align them with changes to the Group's business structure leading to stronger accountability.

The Group's internal audit function is performed by the holding group's Intendance and Audit Department and an ad hoc team mandated from time to time to carry out regular and irregular audit on the governance and control processes of the Group. During the year, the Finance and Treasury Department conducted an internal audit on the Group's assets, an assessment on the systems on corporate level control and business process level control, and a self-assessment on payments and cash management. The findings and recommendations were reported to the Audit Committee and corrective actions have already been implemented by the management.

The Group had conducted an annual review on its risk management and internal control systems which covered the financial year 2021 and there were no material internal control defects or significant areas of concerns identified. The Board considered that the Group's risk management and internal control systems remain adequate and effective in evaluating, determining and managing significant risks that the Group may take in achieving its strategic objectives. Upon reviewing the report by the management, the Board confirmed that there were adequate resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function as well as those relating to the its environmental, social and governance performance and reporting.

In addition to the inside information disclosure policy adopted by the Board, the Group has in place policies and procedures to regulate employees conduct on handling, disseminating and preserving confidential information (including inside information) with designated teams to review their implementation and monitor compliance.

The Group will continue to review and develop risk management and internal control systems and procedures to manage and mitigate the impact of risks both within and outside its control.

DIVIDEND POLICY

The dividend policy of the Company will be approximately 30% of the profits available for distribution, which will be declared/recommended by the Board for distribution semi-annually when the Board approves the interim results and annual results. The amount of dividends actually distributed to shareholders will depend upon the earnings and financial position, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. There is no assurance that dividends of any amount will be declared or distributed in any year.

COMPANY SECRETARY

The Company Secretary is an employee of the Group and the appointment and removal of the Company Secretary is a matter for the whole Board. Whilst the Company Secretary reports to the Board through the Chairman and Chief Executive Officer, all Directors have access to the advice and services of the Company Secretary for the ongoing discharge of their duties and responsibilities. The Company Secretary maintains dialogue with each of them on an individual basis.

The Board is supported by the Company Secretary who ensures that the Board is able to function effectively and efficiently. In addition to making logistical arrangements for meetings, the Company Secretary is responsible for advising the Board on all governance matters, managing the policies and procedures relating to the Board and ensuring that the Directors receive information in a timely manner. Minutes of meetings of the Board and Board committees are taken and kept by the Company Secretary and are open for inspection by Directors.

During the year, the Company Secretary undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any enquiries to be put to the Board may send a letter to:

Company Secretary	
Address:	China State Construction Development Holdings Limited 16th Floor, Eight Commercial Tower 8 Sun Yip Street Chai Wan Hong Kong

The Company maintains procedures for shareholders to propose a person for election as a Director at a general meeting. The procedures for such proposal are available on the Company's website.

Should shareholders wish to call an extraordinary general meeting, it must be convened according to the articles of association of the Company, which state as follows:

- Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company can, by written requisition to the Board or the Company Secretary at the above address, require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board attaches great importance to maintaining good relationships with shareholders and investors to ensure that they are kept informed of major developments of the Group. The management of the Group believes that active communication with shareholders can not only increase the transparency of operation, but also enhance the ability to create value.

The Board believes that the Company's general meeting is one of the channels for direct communication with investors. Meanwhile, the management of the Group and investor relations team maintain mutual communication with shareholders and investors through various means to introduce the market and policy environment, business strategy, business development, financial situation and management experience. The management of the Group also listens to concerns and expectations from shareholders and investors, taking them as important considerations for formulating long-term development strategies of the Group. The Group will continue its effort to increase the investor relations service to enhance the transparency in 2022.

The website www.cscd.com.hk is a source of information on the Group, including press releases, shareholder documentation, annual, interim and quarterly results and the terms of reference of the principal Board committees. Moreover, the enquiries from shareholders and investors will be received and replied by the investor relations email info.cscd@cohl.com.

There was not any change in the memorandum and articles of association of the Company during the year.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. The activities of the Company's principal subsidiaries are shown in note 18 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 63 and 64 respectively.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

An interim dividend of HK3 cents per share was paid to shareholders on 12 November 2021. The Board recommended the declaration of a final dividend of HK1.7 cents per share payable on 6 July 2022 to shareholders whose names appear on the register of members of the Company on 17 June 2022. Together with the interim dividend of HK3 cents per share, this results in total dividends for the year of HK4.7 cents per share and represents a total distribution of HK$101,310,000.

BUSINESS REVIEW

A fair review of the Group's business, including a discussion and analysis of the Group's performance during the year, the important events affecting the Group that have occurred since the end of 2021 and the likely future developments, is set out in the "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report. Disclosures relating to the Group's environmental policies and performance, and relationships with major stakeholders can be found in the Company's Sustainability Report 2021 which will be published in April 2022.

Principal Risks and Uncertainties

Below are the principal risks and uncertainties facing the Group that could adversely impact the Group's business, financial condition and profitability. There may be other risks in addition to those disclosed below which are not known to the Group or which may not be currently material but could turn out to be material in the future.

Risk	Description	Management Measures
Foreign Exchange	The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency where these sales or purchases are mainly denominated in United States dollar, Renminbi, Australian dollar, Canadian dollar, Pound Sterling and Macau Pataca.	The Group monitors foreign exchange exposure by closely reviewing the movement of the foreign currency rate and adapting natural hedge strategies. During the year ended 31 December 2021, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2021.
Interest Rate	The Group's interest rate risk mainly related to variable rate borrowings.	The Group has established policies and procedures to the assessment, booking and monitoring such risk and will consider hedging significant interest rate fluctuation should the need arise.

Risk	Description	Management Measures
Market	The effects of national or market trends, political change or new developments in infrastructure expenditure may cause customers to postpone, reduce or change existing or future projects, which may impact the Group's strategy, business model, revenue or profitability in the short or medium term.	The Group's strategy to focus on the more resilient and stable infrastructure and property markets and geographies will help mitigate this risk. The effect of spending changes in any one market is mitigated by the Group's broad exposure to infrastructure and property markets across the globe and the continued need for infrastructure spending. It also mitigates the effects of such market conditions by continuing to adapt its business model. It is essential that the financial solvency and strength of counterparties are always considered before contracts are signed. During the life of a contract, such assessments are updated and reviewed whenever possible. The business also seeks to ensure that it is not over-reliant on any one counterparty.
Bidding	The Group's success depends on its ability to identify, price and execute the right volume and quality of bids to maintain a profitable, sustainable order book. This in turn requires that it has a competitive business model and overheads.	All bids are subject to rigorous estimating and tendering processes within the risk management framework. The Group has defined delegated authority levels for approving all tenders. Reviews are conducted following all tenders to ensure lessons are learnt and applied to future tenders.
Project Performance	The Group performs the construction projects with complex design, engineering and construction works. If it fails to deliver them on time, to customers' requirements, and in accordance with its own cost assumptions and reporting, the Group faces the risk of financial loss, claims and reputational damage.	Each business unit has defined operating procedures to address the risks inherent in project delivery. In addition, the revision of the Group's risk management framework and increased controls aid identification and quantification of specific risks on projects and the mitigating actions required. This has been further reinforced through the implementation of common minimum standards in project and commercial management.
Workplace Safety	The unsafe working environment decreases productivity and the quality of the products and services.	The Group has formulated safety policies to address the inherent risk in office and job site. Regular risk assessments are performed in order to provide our employees and workers of subcontractors with a healthy and safe working environment.

Risk	Description	Management Measures
Supply Chain	The Group is heavily reliant on its supply chain partners for successful operational delivery, which means it is also exposed to a variety of risks in the supply chain, including financial, technical, quality, safety and ethics. The COVID-19 pandemic has had a significant impact on supply chain delivery process such as disruption of transport logistics of overseas markets.	The Group aims to develop long-term relationships with key subcontractors, working closely with them to understand their operations. It develops contingency plans to address subcontractor failure, and also obtains project retentions, bonds and/or letters of credit from subcontractors, where appropriate to mitigate the impact of any insolvency. The Group aims to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share its values. It also aims to avoid becoming over-reliant on any one supplier or subcontractor. The Group adopts a conservative strategy and will undertake new projects with attractive profit margin in overseas markets for the time being, focusing on the performance of the projects on hand.
People	Inability to recruit and retain the best management and employees who have the appropriate competencies and also share Company values and behaviours may hamper the Group's growth prospects. The COVID-19 pandemic and remote work have amplified the importance of keeping an eye on cultural changes. With the control environment operating differently now, the Group realizes the risk of stress on operations and people.	All potential recruits for key roles in the organisation are measured against a competency and leadership system. The Group's succession planning process to identify and develop high potential personnel is reviewed regularly within the organisation and by the Board. The Group has appropriate remuneration and incentive packages to help it attract and retain key employees. As a response to scarcity of designer and project talent, the Group has established close connections with universities and higher education institutions. The Group provides various training programs and conducts employee reviews on a regular basis.
Business Conduct	The Group operates in various markets that present business conduct-related risks involving fraud, bribery or corruption, whether by its own staff or via third parties such as partners or subcontractors. Those risks are higher in some countries and sectors. Overall the construction industry has a higher risk profile than other industries.	The Group has a range of risk assessment, due diligence and procurement controls that are designed to identify and minimise such risks.
Legal	The Group operates in different markets and its businesses are subject to a variety of complex, demanding and evolving legal, tax and regulatory requirements.	The Group monitors and responds to legal and regulatory requirements by qualified internal personnel and external lawyers or counsel. The Group has established comprehensive policies, guidelines, and manuals with proper training courses provided to its employees.

Compliance with Relevant Laws and Regulations

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

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

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

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 140.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements of property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company as at 31 December 2021 amounted to HK$1,042,643,000 (2020: HK$1,083,745,000). Movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity on page 67 respectively.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Chairman and Non-executive Director

Mr. Zhang Haipeng

Executive Directors

Mr. Wu Mingqing *(Vice Chairman and Chief Executive Officer)*
Mr. Wang Hai

Non-executive Director

Mr. Huang Jiang

Independent Non-executive Directors

Mr. Zhou Jinsong
Mr. Hong Winn
Ms. Kwong Sum Yee Anna

Notes:

Pursuant to article 84(1) of the articles of association of the Company, Mr. Wang Hai, Mr. Huang Jiang and Ms. Kwong Sum Yee Anna will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The change in emoluments of the Directors is set out in note 10 to the consolidated financial statements.

The Company has received annual confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered each of them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year, Messrs. Zhang Haipeng, Wu Mingqing and Huang Jiang held directorships and/or senior management positions in the Company's holding companies and/or their subsidiaries. These companies are engaged in construction, property development and related businesses.

The Board is independent of the boards of directors of the Company's holding companies and their subsidiaries. With the presence of appropriate portion of Independent Non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of its holding group.

DIRECTORS' INDEMNITY

The articles of association of the Company provides that every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him by reason of any act done, concurred in or omitted in or about the execution of his duty as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the Director. A directors and officers insurance policy is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	% of shares in issue (Note)
Zhang Haipeng	Beneficial owner	Personal interest	3,750,000	0.174
Wu Mingqing	Beneficial owner	Personal interest	5,000,000	0.232
Huang Jiang	Beneficial owner	Personal interest	3,000,000	0.139

Note: The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2021 (i.e. 2,155,545,000 shares).

(b) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares of the associated corporations of the Company

As at 31 December 2021, Mr. Zhang Haipeng had personal interests in 1,169,000 A-shares, representing approximately 0.003% of the then issued voting shares, in China State Construction Engineering Corporation Limited ("CSCECL"), held in his capacity as beneficial owner; Mr. Wang Hai had personal interests in 300,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner; and Mr. Huang Jiang had personal interests in 210,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner. The Company was informed that all the interests in A-shares in CSCECL held by Directors were granted to them by CSCECL pursuant to its share award scheme (details are set out in note 29 to the consolidated financial statements).

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. Nor any of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2021, held any interests in, or was granted any right to subscribe for, the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year ended 31 December 2021 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts that are significant in relation to the Group's business to which the Company or any of its subsidiaries, was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Directors or chief executive of the Company, as at 31 December 2021, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	% of shares in issue[1]
Add Treasure Holdings Limited ("Add Treasure")	Beneficial owner	1,596,403,279	74.06
China State Construction International Holdings Limited ("CSC")[2]	Interest in controlled corporation	1,596,403,279	74.06
China Overseas Holdings Limited ("COHL")[2]	Interest in controlled corporation	1,596,403,279	74.06
中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL")[2]	Interest in controlled corporation	1,596,403,279	74.06
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")[2]	Interest in controlled corporation	1,596,403,279	74.06

* *for identification purpose only*

Notes:

1. The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2021 (i.e. 2,155,545,000 shares).

2. Add Treasure is a wholly-owned subsidiary of CSC which, in turn, is owned as to approximately 64.81% by COHL. COHL is a wholly-owned subsidiary of CSCECL which, in turn, is a subsidiary of CSCEC. By virtue of the SFO, each of CSC, COHL, CSCECL and CSCEC is deemed to be interested in the same 1,596,403,279 shares held by Add Treasure.

Save as disclosed above, as at 31 December 2021, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

The connected and continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules are disclosed on pages 48 to 56.

EQUITY-LINKED AGREEMENT

There were no equity-linked agreements entered into by the Company during the year or subsisted at the end of the year.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The Group's employees outside Hong Kong are primarily covered by the respective defined contribution schemes in accordance with local legislation and practices. During the year, the Group made contribution to these schemes amounting to approximately HK$74,703,000. No forfeited contribution under these schemes are available to reduce the contribution payable in future years.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the Directors' knowledge, more than 25 per cent of the Company's issued share capital was held by the public.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the total purchases of the Group. The five largest customers of the Group accounted for approximately 43.1% of the total revenue of the Group and the revenue from the largest customer included therein accounted for approximately 18.0%. The first and fourth largest customers are subsidiaries of the controlling shareholder of the Company.

Other than disclosed above, at no time during the year did a Director, close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) have an interest in any of the Group's five largest customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

AUDITOR

PricewaterhouseCoopers retired, and Ernst & Young was appointed, as auditor of the Company at the annual general meeting of the Company held on 28 May 2020.

Save as disclosed above, there was no other change in the auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the 2022 annual general meeting.

On behalf of the Board
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 23 March 2022

CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Company under the Listing Rules during the year ended 31 December 2021:

1. CSCECL Sub-construction Engagement Agreement

On 19 October 2020, the Company entered into a new agreement ("CSCECL Sub-construction Engagement Agreement") with China State Construction Engineering Corporation Limited ("CSCECL") to renew the previous agreement entered into between the parties on 11 October 2017. Pursuant to the CSCECL Sub-construction Engagement Agreement, CSCECL and its subsidiaries (together, the "CSCECL Group") may engage the Group as sub-contractor or service provider (as the case may be) for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group's construction works for a term of three years commencing from 1 January 2021 and ending on 31 December 2023, provided that the total contract sum that may be awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement for each year shall not exceed HK$1,000 million.

The Group will normally need to go through a tender or similar process before being selected and appointed by the CSCECL Group, or nominated by the ultimate employer, as sub-contractor for the provision of contracting and engineering works or service provider for provision of project consultancy service and project management service (as the case may be) for the CSCECL Group's construction works. The prices and terms of the tenders are subject to the standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties. In preparing and assessing the tender documents, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with a project. In determining the pricing terms, the Group will review the costs information maintained in its in-house database for material supplies and contract prices from sub-contractors for the Group's previous projects and peripheral operation. The Group will also review and compare previous tender prices submitted to both connected persons and independent third parties so as to ensure that the tender price to be submitted is no more favourable to the CSCECL Group than those submitted to independent third parties.

Where the Group submits tender directly to the ultimate employer and is nominated by the ultimate employer as sub-contractor or service provider of the CSCECL Group (as the case may be), consideration to the Group will be ascertained by the ultimate employer or its independent professional quantity surveyor.

CSCECL is an intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company and the transactions contemplated under the CSCECL Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 19 October 2020 and the circular dated 20 November 2020. The CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 11 December 2020.

2. CSC Sub-construction Engagement Agreement

On 24 March 2020, the Company entered into a new agreement ("CSC Sub-construction Engagement Agreement") with China State Construction International Holdings Limited ("CSC") to supersede and replace the previous agreement entered into between the parties on 11 October 2017. Under the CSC Sub-construction Engagement Agreement, CSC and its subsidiaries (together, the "CSC Group") may engage the Group as sub-contractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works for a term of three years commencing from 1 July 2020 and ending on 30 June 2023, provided that the total contract sum that may be awarded by the CSC Group to the Group under the CSC Sub-construction Engagement Agreement for the period between 1 July 2020 and 31 December 2020, each of the two years ended 31 December 2021 and 31 December 2022 and the period between 1 January 2023 and 30 June 2023 shall not exceed HK$3,000 million, HK$3,500 million, HK$3,500 million and HK$3,000 million, respectively.

As for the provision of contracting and engineering works, the Group will normally need to go through a tender or similar process before being selected and appointed by the CSC Group, or nominated by the ultimate employer, as sub-contractor of the CSC Group. The price and terms of a tender are subject to the standard and systematic tender submission procedures of the Group which apply to tenders submitted to both connected persons and independent third parties. In preparing and assessing the tender documents, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with the project. In determining the pricing terms, the Group will review the costs information maintained in its in-house database for material supplies and prices from sub-contractors for the Group's previous projects and peripheral operation. The Group will also review and compare previous tender prices submitted to both connected persons and independent third parties so as to ensure that the tender price to be submitted is no more favourable than those submitted to independent third parties.

Where the Group submits the tender directly to the ultimate employer and is nominated by the ultimate employer as sub-contractor to the CSC Group, consideration to the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

As for the provision of project management service and project consultancy service, the Group is typically engaged to provide such services through direct appointment by the CSC Group. The price and terms of each service provided to the CSC Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project. The service fees are determined based on a percentage of not more than 20% of the value or remaining value of the projects.

CSC is an intermediate holding company of the Company. Accordingly, members of the CSC Group are connected persons of the Company and the transactions contemplated under the CSC Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 24 March 2020 and the circular dated 17 April 2020. The CSC Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at the annual general meeting held on 28 May 2020.

3. CSC Operational Services Agreement

On 19 October 2020, the Company entered into a new agreement ("CSC Operational Services Agreement") with CSC in relation to the engagement of the CSC Group by the Group for provision of mechanical and electrical engineering works, leasing of machineries, provision of insurance services and issuance of surety bonds, and supply of building materials as the previous agreement entered into between the parties on 11 October 2017 would have expired on 31 December 2020.

3.1 Mechanical and Electrical Engineering Works Transactions

Under the CSC Operational Services Agreement, the Group may engage the CSC Group as sub-contractor for provision of mechanical and electrical engineering works for the Group's construction works ("Mechanical and Electrical Engineering Works Transactions") for a term of three years commencing from 1 January 2021 and ending on 31 December 2023, provided that the total contract sum that may be awarded by the Group to the CSC Group in respect of the Mechanical and Electrical Engineering Works Transactions for each year shall not exceed HK$450 million.

Where the CSC Group is nominated as sub-contractor by the ultimate employer, consideration to the CSC Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Where the Group has the right to select contractors, consideration to such contractors will be ascertained under the supervision of an in-house qualified professional quantity surveyor. Depending on the scale of a project and the estimated value of the sub-construction contract, the Group will shortlist at least three contractors from its own list of pre-approved contractors to be invited to tender based on the general selection criteria including but not limited to the contractor's qualification grade, financial stability, technical capability, cooperation record, project management ability, quality of work and business management capability and any specific criteria as required for the project. If the contractors on the Group's list of pre-approved contractors are not suitable for the works, the CSC Group will participate in a tender with all bidders (including independent third parties in the market). The winning bid will be the one with the lowest tender amount in accordance with the Group's internal tender procedures on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability and historical relationship and track records) as set out in the bid invitation.

3.2 Machineries Leasing Transactions

Under the CSC Operational Services Agreement, the Group may lease machineries from the CSC Group for the Group's construction works ("Machineries Leasing Transactions") for a term of three years commencing from 1 January 2021 and ending on 31 December 2023, provided that the total rent payable in respect of the Machineries Leasing Transactions for each year shall not exceed HK$25 million.

The Group will obtain at least three quotations from a list of pre-approved vendors (which is subject to periodic review and update by its management to ensure vendors' machineries and equipment are in good operational conditions). For the selection of a vendor, the lowest quotation will be selected on the condition that the vendor also satisfies all other essential requirements (including but not limited to the specification and condition of the machinery and equipment).

3.3 Insurance Services and Surety Bonds Transactions

Under the CSC Operational Services Agreement, the Group may engage the CSC Group for provision of insurance services (including but not limited to Public Liability Employees' Compensation insurance and Contractors' All Risks insurance) to the Group and issuance of surety bonds for the Group's construction works ("Insurance Services and Surety Bonds Transactions") for a term of three years commencing from 1 January 2021 and ending on 31 December 2023, provided that the total premiums/fees payable in respect of the Insurance Services and Surety Bonds Transactions for each year shall not exceed HK$70 million.

The Group will obtain at least three quotations from independent insurers (directly or indirectly through insurance brokers) and the CSC Group. For the selection of the insurers, the lowest quotation will be selected on the condition that the insurer also satisfies other essential requirements (including but not limited to paying ability, financial strength, specialisation, historical relationship and record of claim refusal).

3.4 Supply of Building Materials Transactions

Under the CSC Operational Services Agreement, the CSC Group may supply building materials to the Group for the Group's construction works ("Supply of Building Materials Transactions") for a term of three years commencing from 1 January 2021 and ending on 31 December 2023, provided that the total sum payable in respect of the Supply of Building Materials Transactions for each year shall not exceed HK$150 million.

The Group will obtain at least three quotations from a list of pre-approved suppliers (which is subject to periodic review and update by its management to ensure a portfolio of best in class suppliers is available for use). For the selection of a supplier, the lowest quotation will be selected on the condition that the supplier also satisfies all other essential requirements (including but not limited to relevant experience, qualities and specifications of materials and track records).

CSC is an intermediate holding company of the Company. Accordingly, members of the CSC Group are connected persons of the Company, and the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services and Surety Bonds Transactions and Supply of Building Materials Transactions contemplated under the CSC Operational Services Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 19 October 2020 and the circular dated 20 November 2020. The CSC Operational Services Agreement was duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 11 December 2020.

4. COLI Framework Agreement

On 26 June 2018, the Company entered into a framework agreement ("COLI Framework Agreement") with China Overseas Land & Investment Limited ("COLI") in relation to the engagement of the Group by COLI and its subsidiaries (together, the "COLI Group"), for the provision of building construction, contracting and engineering works, project management, supervision and consultancy services for the COLI Group's construction works as contractor, sub-contractor or service provider (as the case may be) (the "COLI Works") for the period commencing from 20 August 2018 and ending on 30 June 2021, provided that the total contract sum that may be awarded by the COLI Group to the Group for the relevant period/year under the COLI Framework Agreement in respect of (i) the building construction works; and (ii) project management, supervision and consultancy services shall not exceed the following COLI Works Engagement Cap:

COLI Works Engagement Cap	For the period from 20 August to 31 December 2018 (HK$ million)	For the year ended 31 December 2019 (HK$ million)	For the year ended 31 December 2020 (HK$ million)	For the period from 1 January to 30 June 2021 (HK$ million)
Building construction works	1,190	1,100 Note	1,100 Note	700 Note
Project management, supervision and consultancy services	10	100 Note	100 Note	100 Note
Total	1,200	1,200	1,200	800

Note: The sub-caps of the COLI Works Engagement Cap were re-allocated in anticipation of business expansion in the construction supervision market, details of which were disclosed in the announcement dated 18 October 2019.

The Group may participate in competitive tender for the COLI Works as contractor, subcontractor or service provider in accordance with the tendering procedures of the COLI Group. The price and terms of a tender are subject to the standard and systematic tender submission procedures of the Group which apply for tenders submitted to both connected persons and independent third parties. In preparing and assessing a tender, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with the project. In determining the tender price, the Group will review the costs information maintained in its in-house computer database for material supplies and prices from sub-contractors for the Group's previous projects and peripheral operation. The Group will also review and compare previous tender prices submitted to both connected persons and up to two independent third parties, so as to ensure that the tender price to be submitted is no more favourable than those submitted to independent third parties.

China Overseas Holdings Limited ("COHL") is a controlling shareholder of both COLI and the Company. Accordingly, members of the COLI Group are connected persons of the Company and the transactions contemplated under the COLI Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 26 June 2018 and the circular dated 18 July 2018. The COLI Framework Agreement was duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 17 August 2018.

5. New COLI Framework Agreement

The COLI Framework Agreement has expired on 30 June 2021. As the Company anticipated that the COLI Group would continue to invite the Group to participate in competitive tender for the COLI Works in relation to the construction works of the COLI Group, COLI and the Company entered into a new agreement on 29 March 2021 ("New COLI Framework Agreement). Pursuant to the New COLI Framework Agreement, for a term of three years commencing from 1 July 2021 and ending on 30 June 2024, each of the COLI Group, and the companies held as to 30% to 50% by the COLI Group and their respective subsidiaries (excluding the COLI Group, China Overseas Grand Oceans Group Limited and its subsidiaries) (together, the "Minority Controlled Group") may engage the Group, and the Group may act as contractor or service provider (as the case may be), for the COLI Works in relation to the respective construction works of the COLI Group and the Minority Controlled Group, provided that the maximum total contract sums of works contracts in respect of the COLI Works that may be awarded to the Group shall not exceed HK$310 million for the period between 1 July 2021 and 31 December 2021, HK$310 million for the year ending 31 December 2022, HK$510 million for the year ending 31 December 2023, and HK$155 million for the period between 1 January 2024 and 30 June 2024.

The Group will normally need to go through a tender or similar process before being selected and engaged by the COLI Group or the Minority Controlled Group (as the case may be) for the COLI Works. The prices and terms of the tender proposals submitted by the Group to the COLI Group and the Minority Controlled Group for the COLI Works are subject to the standard and systematic tender submission procedures of the Group, which apply to tender proposals submitted to both connected persons and independent third parties. In determining the pricing terms, the Group will conduct quantitative comparison between the cost information maintained in its in-house database for material and labour costs, and subcontractors' quotations, and the preliminary quotations from subcontractors and material suppliers, for cost estimation. The Group will also take into account the contract value of the previous winning bids, relevant market information such as material price trends, and the chance of winning a bid. The Group will review and compare the prices of previous tender proposals submitted to both connected persons and independent third parties, so as to ensure that the tender price is no less favourable to the Group than those offered to independent third parties.

COHL is a controlling shareholder of both COLI and the Company. Accordingly, members of the COLI Group are connected persons of the Company and the transactions contemplated under the New COLI Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 29 March 2021 and the circular dated 23 April 2021. The New COLI Framework Agreement was duly approved by the independent shareholders of the Company at the annual general meeting held on 9 June 2021.

6. COGO Framework Agreement

On 26 June 2018, the Company entered into a framework agreement ("COGO Framework Agreement") with China Overseas Grand Oceans Group Limited ("COGO") in relation to the engagement of the Group by COGO and its subsidiaries (together, the "COGO Group") for provision of project management, supervision and consultancy services for the property development projects of the COGO Group in the PRC (the "COGO Management Services") for the period commencing from 1 July 2018 and ending on 30 June 2021, provided that the total contract sum that may be awarded by the COGO Group to the Group under the COGO Framework Agreement for the period from 1 July 2018 to 31 December 2018 shall not exceed HK$30 million, for each of the two years ending 31 December 2020 shall not exceed HK$60 million, and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK$30 million.

The Group may participate in competitive tender for provision of the COGO Management Services for the property development projects of the COGO Group in the PRC as service provider in accordance with the tendering procedures of the COGO Group. The price and terms of a tender are subject to the standard and systematic tender submission procedures of the Group which apply for tenders submitted to both connected persons and independent third parties. In preparing and assessing a tender, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with the project. In determining the pricing terms, the Group will review the costs information maintained in its in-house database for staff needed for its previous projects and peripheral operation. The Group will also review and compare previous tender prices submitted to both connected persons and independent third parties, so as to ensure that the tender price to be submitted is no more favourable than those submitted to independent third parties.

COHL is a controlling shareholder of both COGO and the Company. Accordingly, members of the COGO Group are connected persons of the Company and the transactions contemplated under the COGO Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 26 June 2018.

7. New COGO Framework Agreement

The COGO Framework Agreement has expired on 30 June 2021. As the Company anticipated that the COGO Group would continue to invite the Group to participate in competitive tender for the COGO Management Services, COGO and the Company entered into a new agreement on 24 March 2021 ("New COGO Framework Agreement"). Pursuant to the New COGO Framework Agreement, for a term of three years commencing from 1 July 2021 and ending on 30 June 2024, the Group may tender for, and upon successful tender, the COGO Group may engage the Group as service provider for the COGO Management Services provided that the maximum total contract sums of service contracts in respect of the COGO Management Services that may be awarded by the COGO Group to the Group shall not exceed (i) HK$30 million (equivalent to approximately RMB25 million) for the period between 1 July 2021 and 31 December 2021; (ii) HK$60 million (equivalent to approximately RMB50 million) for each of the two years ending 31 December 2023; and (iii) HK$30 million (equivalent to approximately RMB25 million) for the period between 1 January 2024 and 30 June 2024.

The prices and terms of the tender proposals submitted by the Group to the COGO Group are subject to the standard and systematic tender submission procedures of the Group, which apply to tender proposals submitted to both connected persons and independent third parties. In determining the pricing terms, the Group will conduct quantitative comparison between the cost information maintained in its in-house database for labour costs and subcontractors' quotations, and the preliminary quotations obtained from subcontractors, for cost estimation. The Group will also take into account the contract value of the previous winning bids and the chance of winning a bid. The Group will review and compare the prices of previous tender proposals submitted to both connected persons and independent third parties, so as to ensure that the tender price is no less favourable to the Group than those offered to independent third parties.

COHL is a controlling shareholder of both COGO and the Company. Accordingly, members of the COGO Group are connected persons of the Company and the transactions contemplated under the New COGO Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 24 March 2021.

8. Framework Agreement with CSC for Hong Kong Building Construction Main Contracts

On 22 October 2019, the Company entered into a framework agreement ("JV Framework Agreement") with CSC, pursuant to which CSC and the Company (or their respective subsidiaries) may cooperate to enter into the main contract(s) (the "Hong Kong Building Construction Main Contracts") for private sector building construction works in Hong Kong (the "Hong Kong Building Construction Works") as joint venture main contractor at the request of CSC or the Company for the period commencing from 20 December 2019 and ending on 30 June 2022 provided that the total contract sum that may be awarded jointly to CSC and the Company (or their respective subsidiaries) as joint venture main contractor for the period from 20 December 2019 to 31 December 2019 shall not exceed HK$1,000 million, for each of the two years ending 31 December 2021 shall not exceed HK$2,000 million, and for the period from 1 January 2022 to 30 June 2022 shall not exceed HK$2,000 million.

The cooperation between CSC and the Company (or their respective subsidiaries) as contemplated by the JV Framework Agreement will take the form of contractual joint venture in accordance with terms customary in the construction industry in Hong Kong. CSC (or its subsidiary) and the Company (or its subsidiary) may participate in the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client as joint venture main contractor if the Company (or its subsidiary), after making qualitative and quantitative assessment of the scoring criteria of such process, determines that such joint venture will maximise the scoring of the tendering process and therefore enhance the chance of successful award of the contract.

As a general principle and in accordance with market practice, the contract sum with respect to the Hong Kong Building Construction Main Contracts shall be determined in the ordinary course of business on normal commercial terms and on an arm's length basis after a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client.

CSC is an intermediate holding company of the Company. Accordingly, members of the CSC Group are connected persons of the Company and the transactions contemplated under the JV Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 22 October 2019 and the circular dated 22 November 2019. The JV Framework Agreement was duly approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 December 2019.

9. Connection Services Framework Agreement

On 30 December 2019, the Company entered into a framework agreement ("Connection Services Framework Agreement") with COLI, pursuant to which the COLI Group may engage the Group for the provision of heating pipes connection services for the real estate projects which are located in the PRC and developed by the COLI Group ("Heating Pipes Projects") (i.e. the Connection Services) from time to time for the period commencing from 1 January 2020 and ending on 31 December 2022 provided that the total contract sum that may be awarded by the COLI Group to the Group under the Connection Services Framework Agreement for each of the three years ending 31 December 2022 shall not exceed HK$70 million.

The fees for the Connection Services will be determined by the Group with reference to the prevailing market price of similar heating services offered by other comparable service providers in the vicinity of the Heating Pipes Projects, the coverage of heating services, the location, size and development status of the Heating Pipes Projects, heat capacity and the cost of heating pipes connection.

The price and terms of the tenders submitted by the Group to the COLI Group for the Connection Services are subject to the standard and systematic tender submission procedures of the Group which apply to tenders submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the proposed tender submitted by the Group to the COLI Group are no more favourable than those submitted to independent third parties.

COHL is a controlling shareholder of both COLI and the Company. Accordingly, members of the COLI Group are connected persons of the Company and the transactions contemplated under the Connection Services Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions were disclosed in the announcement dated 30 December 2019.

A summary of all related party transactions entered into by the Group during the year ended 31 December 2021 is contained in note 32 to the consolidated financial statements. Except for the transactions with fellow subsidiaries set out in paragraph (a)(i) of the note which were entered into by the Group pursuant to the continuing connected transactions described above, none of the related party transactions described therein constitute "connected transactions" or "continuing connected transactions" as defined in Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended 31 December 2021.

In respect of the financial year ended 31 December 2021, each of the continuing connected transactions mentioned above has been subject to annual review by the Independent Non-executive Directors pursuant to Rule 14A.55 of the Listing Rules who have concluded that each continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Based on the work performed, the auditor has confirmed in a letter to the Board that:

a. nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the attention of the auditor that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

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To the shareholders of China State Construction Development Holdings Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China State Construction Development Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 139, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Revenue recognition from construction works

For the year ended 31 December 2021, the Group recognised revenue from construction works of HK$5,285 million. 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 liquidated 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.

The accounting policies and disclosures in relation to the revenue recognition from construction works are included in notes 2.4, 4(i) and 5 to the consolidated financial statements.

How our audit addressed the key audit matter

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 the supporting documents of the budgets on a sample basis, 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 sample basis.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
As at 31 December 2021, the Group recognised net trade receivables of HK$1,413 million and contract assets of HK$2,450 million, which were significant assets of the Group as of the year end, representing 44% of total assets. In assessing the recoverability of trade receivables and contract assets, 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, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of trade receivables and contract assets. This area has been identified as a key audit matter due to the judgements applied by management which have a significant impact on the level of provision 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 2.4, 4(v), 20 and 21 to the consolidated financial statements.	Our audit procedures to assess the recoverability of trade receivables and contract assets included the following: • understanding, evaluating and validating on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables and contract assets; • testing on a sample basis the ageing of trade receivables at year end; • testing on a sample basis subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • in respect of material trade receivables and contract assets, 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 receivables balances which are past due, additional procedures were performed to evaluate their historical progress payment records, assessing whether the customers are experiencing financial difficulties, default or delinquency in interest or principal payments, and assessing the probability that the customers will enter bankruptcy with reference to publicly available information, where applicable; and • evaluating the level of provisions made by management for trade receivables and contract assets using forward-looking and historical information.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Assessment of the carrying amount of deferred tax assets of Gamma USA, Inc. and impairment of goodwill in Gamma North America, Inc.

Key audit matter

As of 31 December 2021, the Group carried goodwill, net of impairment, of HK$113 million from the acquisition of a 55% equity interest in Gamma North America, Inc. The Group has also recognised deferred tax assets of HK$50 million, which is mainly attributable to the tax losses in Gamma USA, Inc. The recognition of deferred tax assets is based upon management judgement that it is probable that sufficient taxable profits will be available in the future to utilise available tax losses.

In view of the significance of the carrying amounts of both deferred tax assets and goodwill as at 31 December 2021, management performed an assessment of the carrying amount of deferred tax assets of Gamma USA, Inc. as well as an impairment assessment of the goodwill of Gamma North America, Inc. A write down of deferred tax assets of HK$13,000,000 and impairment of goodwill of HK$17,000,000 were recognised in profit or loss during the year.

For the purpose of the goodwill impairment assessment, Gamma USA, Inc. and Gamma Windows and Walls International, Inc. were assessed as a single cash generating unit ("CGU"). The recoverable amount of a CGU is determined based on the value-in-use calculation which requires the use of management estimates. Cash flow projections used in the value-in-use calculation were based on the financial budgets approved by management. The estimated discount rates, revenue growth rates and gross margins were specific to the risks related to the CGU.

A change in the assumptions used for the impairment assessment may impact the carrying amount of the deferred tax assets and the impairment assessment of goodwill. As the assessments involve significant judgements and estimates, this is identified as a key audit matter.

The accounting policies and disclosures in relation to the assessment of the carrying amount of deferred tax assets and impairment of goodwill are included in notes 2.4, 4(iii), 4(iv), 9, 17 and 26 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures to assess the carrying amount of deferred tax assets of Gamma USA, Inc. and impairment of the goodwill on acquisition of Gamma North America, Inc. included the following:

- understanding and evaluating the design and operating effectiveness of management control over the review of the financial budgets;
- assessing the key assumptions used by management in the assessment of the carrying amount of deferred tax assets and value-in-use calculations in the impairment assessment of goodwill, including revenue growth rates, gross margins and taxable profits by comparing them with economic and industry forecasts. We compared the current year actual results with the prior year forecasts to assess the reasonableness of financial budgets approved by management;
- involving our internal valuation experts to assess the valuation methodology and comparing the discount rates applied by management to other comparable companies in the same industry;
- assessing management's sensitivity analysis of the impact on the impairment assessment of goodwill through reasonably possible deviations to the assumptions, such as changes in expected revenue growth rates and discount rates, applied by management; and
- comparing the market inputs used by management to available market information.

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. CHUNG, Ho Ling.

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**6,294,827**	4,535,657
Costs of sales	7	**(5,617,973)**	(4,047,197)
Gross profit		**676,854**	488,460
Other income and gains, net	6	**22,622**	21,864
Administrative, selling and other operating expenses	7	**(273,993)**	(222,463)
Share of profit of an associate		**44**	—
Finance costs	8	**(29,554)**	(31,569)
PROFIT BEFORE TAX		**395,973**	256,292
Income tax charge	9	**(112,066)**	(73,432)
PROFIT FOR THE YEAR		**283,907**	182,860
Profit/(loss) for the year attributable to:			
Owners of the Company		**291,976**	194,344
Non-controlling interests		**(8,069)**	(11,484)
		283,907	182,860
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Earnings per share			
Basic and diluted	13	**HK13.55 cents**	HK9.02 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR	**283,907**	182,860
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**99,172**	82,910
Exchange differences arising on translation of an associate	**(211)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX OF NIL	**98,961**	82,910
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**382,868**	265,770
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**390,402**	277,101
Non-controlling interests	**(7,534)**	(11,331)
	382,868	265,770

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,269,207**	2,107,754
Interests in infrastructure project investments	16	**64,539**	132,892
Interests in an associate		**5,375**	—
Goodwill	17	**112,649**	129,649
Deferred tax assets	26	**169,302**	175,119
		2,621,072	2,545,414
CURRENT ASSETS			
Interests in infrastructure project investments	16	**68,390**	61,080
Inventories	19	**154,153**	137,186
Contract assets	20	**2,449,554**	1,451,792
Trade and other receivables	21	**1,499,030**	1,321,016
Deposits and prepayments		**210,356**	127,518
Tax recoverable		**1,190**	2,326
Amounts due from fellow subsidiaries	22	**877,780**	864,074
Amounts due from related companies	22	**—**	20,338
Cash and cash equivalents	23	**928,104**	858,154
		6,188,557	4,843,484
CURRENT LIABILITIES			
Bank borrowings	24	**824,563**	650,710
Contract liabilities	20	**911,443**	778,041
Trade payables, other payables and accruals	25	**2,072,159**	1,464,870
Lease liabilities	15	**24,786**	12,088
Deposits received		**41,480**	37,695
Current tax payables		**178,775**	148,733
Amount due to an intermediate holding company	22	**6,992**	2,755
Amounts due to fellow subsidiaries	22	**1,690,967**	1,550,247
Amount due to a related company	22	**—**	1,547
Loan from an intermediate holding company	22	**170,000**	—
		5,921,165	4,646,686
NET CURRENT ASSETS		**267,392**	196,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,888,464**	2,742,212

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CAPITAL AND RESERVES			
Share capital	27	**21,555**	21,555
Share premium and reserves	28	**1,649,180**	1,381,464
Equity attributable to the owners of the Company		**1,670,735**	1,403,019
Non-controlling interests		**(85,677)**	(78,143)
		1,585,058	1,324,876
NON-CURRENT LIABILITIES			
Contract liabilities	20	**766,736**	755,970
Bank borrowings	24	**508,593**	411,456
Loan from an intermediate holding company	22	**—**	230,000
Lease liabilities	15	**24,557**	15,709
Deferred tax liabilities	26	**3,520**	4,201
		1,303,406	1,417,336
		2,888,464	2,742,212

Zhang Haipeng
Director

Wu Mingqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000 (note 27)	Share premium HK$'000 (note 28)	Special reserve HK$'000 (note 28)	Share-based payment reserve HK$'000 (note 28)	Foreign currency translation reserve HK$'000 (note 28)	Statutory reserves HK$'000 (note 28)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	21,555	898,654	(1,165,142)	4,636	49,637	96,727	1,219,258	1,125,325	(66,812)	1,058,513
Profit/(loss) for the year	–	–	–	–	–	–	194,344	194,344	(11,484)	182,860
Exchange differences on translation of foreign operations	–	–	–	–	82,757	–	–	82,757	153	82,910
Total comprehensive income/(loss) for the year	–	–	–	–	82,757	–	194,344	277,101	(11,331)	265,770
Capital contribution relating to share-based payment borne by an intermediate holding company (note 29)	–	–	593	–	–	–	–	593	–	593
Transfer to statutory reserves	–	–	–	–	–	21,556	(21,556)	–	–	–
At 31 December 2020	21,555	898,654*	(1,164,549)*	4,636*	132,394*	118,283*	1,392,046*	1,403,019	(78,143)	1,324,876
At 1 January 2021	21,555	898,654*	(1,164,549)*	4,636*	132,394*	118,283*	1,392,046*	1,403,019	(78,143)	1,324,876
Profit/(loss) for the year	–	–	–	–	–	–	291,976	291,976	(8,069)	283,907
Exchange differences on translation of foreign operations	–	–	–	–	98,637	–	–	98,637	535	99,172
Exchange differences on translation of an associate	–	–	–	–	(211)	–	–	(211)	–	(211)
Total comprehensive income/(loss) for the year	–	–	–	–	98,426	–	291,976	390,402	(7,534)	382,868
Capital contribution relating to share-based payment borne by an intermediate holding company (note 29)	–	–	6,646	–	–	–	–	6,646	–	6,646
Transfer to statutory reserves	–	–	–	–	–	31,867	(31,867)	–	–	–
2020 final dividend	–	–	–	–	–	–	(64,666)	(64,666)	–	(64,666)
2021 interim dividend	–	–	–	–	–	–	(64,666)	(64,666)	–	(64,666)
At 31 December 2021	21,555	898,654*	(1,157,903)*	4,636*	230,820*	150,150*	1,522,823*	1,670,735	(85,677)	1,585,058

* These reserve accounts comprise the consolidated reserves of HK$1,649,180,000 (2020: HK$1,381,464,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**395,973**	256,292
Adjustments for:			
Finance costs	8	**29,554**	31,569
Bank interest income	6	**(4,760)**	(3,024)
Gains on disposal of items of property, plant and equipment	6	**(274)**	(6)
Share of profits of an associate		**(44)**	—
Warranty provisions, net	7	**18,025**	26,726
Depreciation of property, plant and equipment	7	**9,276**	6,094
Depreciation of right-of-use assets	7	**10,380**	8,641
Impairment of goodwill	7	**17,000**	8,500
Provision of trade and other receivables, net	7	**628**	10,721
Equity-settled share-based payment expenses		**6,646**	593
		482,404	346,106
Increase in inventories		**(16,967)**	(38,662)
Increase in contract assets/liabilities, net		**(698,394)**	(226,091)
Increase/(decrease) in deposits received		**3,785**	(990)
(Increase)/decrease in trade and other receivables		**(178,642)**	301,798
(Increase)/decrease in deposits and prepayments		**(82,838)**	5,911
Increase in amounts due to fellow subsidiaries		**140,720**	—
Decrease/(increase) in amounts due from related companies		**20,338**	(16,613)
Increase in trade payables, other payables and accruals		**588,907**	50,175
Cash generated from operations		**259,313**	421,634
Income tax paid, net		**(74,239)**	(100,321)
Net cash generated from operating activities		**185,074**	321,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(228,397)**	(196,448)
Proceeds from disposals of items of property, plant and equipment		**1,130**	459
Payment for interests in infrastructure project investments		**—**	(119,395)
Progress payment of outstanding consideration for acquisition of subsidiaries in the prior year		**—**	(444,000)
Investment in an associate		**(5,331)**	—
Decrease in amounts due from fellow subsidiaries		**47,337**	577,481
Interest received		**4,760**	3,024
Net cash flows used in investing activities		**(180,501)**	(178,879)

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		**(25,920)**	(28,097)
Interest paid on lease liabilities	30	**(1,920)**	(2,967)
Drawdown of bank loans		**481,492**	625,797
Repayment of bank loans		**(213,078)**	(434,156)
Drawdown of a loan from an intermediate holding company	30	**—**	230,000
Repayment of a loan from an intermediate holding company	30	**(60,000)**	—
Decrease in amounts due to fellow subsidiaries		**—**	(475,166)
(Decrease)/increase in amount due to a related company		**(1,547)**	72
Payment of principal portion of lease liabilities		**(19,664)**	(17,693)
Dividends paid		**(129,332)**	—
Net cash flows generated from/(used in) financing activities		**30,031**	(102,210)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**34,604**	40,224
Cash and cash equivalents at beginning of year		**858,154**	826,576
Effect of foreign exchange rate changes, net		**35,346**	(8,646)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**928,104**	858,154
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**928,104**	858,154
Cash and cash equivalents as stated in the consolidated statement of financial position		**928,104**	858,154

1. CORPORATE AND GROUP INFORMATION

China State Construction Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") are involved in the general contracting business, the facade contracting business (including the design, engineering, manufacture and installation of curtain wall systems) and operating management business.

The Company is a limited liability company incorporated in the Cayman Islands and under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong.

The Company's immediate holding company is Add Treasure Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of China State Construction International Holdings Limited ("CSC") whose shares are listed on The Stock Exchange of Hong Kong Limited.

The Company's intermediate holding company is China Overseas Holdings Limited, a company incorporated in Hong Kong which, in turn, is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"). CSCECL is a joint stock company established in the People's Republic of China ("PRC") with its shares listed on the Shanghai Stock Exchange. The Company's ultimate holding company is 中國建築集團有限公司 (China State Construction Engineering Corporation*, "CSCEC"), which is a state-owned enterprise established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with 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. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

* The English name is a translated name and is for identification purpose only.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings and loan from an intermediate holding company denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and various Interbank Offered Rates as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to extend the availability of the practical expedient for or any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "2021 Amendment"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associate

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

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 shares acquired or disposed of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to or acquisition from non-controlling interests of partial 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 profit or loss. 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 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 other comprehensive income are reclassified to the income statement or equity as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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 that makes strategic decisions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency translation

(i) 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 dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other income and gains, net' and 'administrative, selling and other operating expenses' respectively.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(iii) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each income statement are translated at average exchange rates (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

(c) all resulting currency translation differences are recognised in other comprehensive income.

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. Currency translation differences arising are recognised in other comprehensive income.

(iv) 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 exchange differences accumulated in equity in respect of that operation attributable to the equity holders 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 profit or loss. For all other partial disposals (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Land and buildings comprise mainly factories and offices. All other items of property, plant and equipment are 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 income statement during the financial period in which they are incurred.

Depreciation on other assets are 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
Buildings	Over the shorter of the term of the relevant lease of the leasehold land or 50 years
Right-of-use assets	Over the term of the relevant leases
Heat and electricity supply facilities	Over the shorter of the licence operation period or 20 years
Leasehold improvements	4 years
Plant and machinery	5 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	4 to 5 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 under construction and plant 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 within "other income and gains, net" in the income statement.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

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 unit ("CGU"), 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 value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill is not subject to amortisation and is 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement category — 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. Management determines the classification of its financial assets at initial recognition.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(iv) Impairment

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 21 for further details.

For other financial assets which have been classified as financial assets at amortised cost under HKFRS 9, the Group applied the general approach and has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. Provision for impairment of receivables 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-month 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 will be recognised as equal to lifetime expected losses.

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.

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 in note 21.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when 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.

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.

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.

If the Group performs by transferring goods or provide services to a customer before the customer pays consideration or before payment is due, retention receivables are recognised for the earned consideration that is conditional.

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. See "Financial assets" above for further information about the Group's accounting for trade receivables and description of the Group's impairment policies.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, pledged bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in income statement.

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 income statement in the period in which they are incurred.

Deferred income

Deferred income represents connection fee income not yet recognised in relation to heat transmission services.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current and deferred income tax

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

(i) 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 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.

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, 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 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.

(iii) Offsetting

Deferred income 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 income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions 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 has been reliably estimated.

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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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 payments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases, 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 take 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 profit or loss 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 profit or loss. Short-term leases are leases with a lease term of twelve months or less.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

Share-based payments

(a) Equity-settled share-based payments 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 payments transactions among group entities

Incentive shares granted by an intermediate holding company to the employees of the Group is treated as 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 profit or loss, with a corresponding adjustment to equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Revenue from contracts with customers

(i) 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 (a) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or (b) 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.

(ii) Service income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(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 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 deferred income and amortised on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating licence of the relevant entities.

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 with 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) Interest income

Interest income on bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

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 financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 Group has the right to consideration in exchange for goods and services transferred to the customers. Contract assets are transferred to receivables when the rights become unconditional. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in income statement.

Contract assets are assessed for impairment under the simplified approach. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. FINANCIAL RISK MANAGEMENT

Financial instruments by category

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	132,929	193,972
Amounts due from fellow subsidiaries	877,780	864,074
Amounts due from related companies	—	20,338
Trade and other receivables	890,885	750,885
Deposits	73,026	14,222
Cash and cash equivalents	928,104	858,154
	2,902,724	2,701,645
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	2,072,159	1,384,581
Amount due to an intermediate holding company	6,992	2,755
Amounts due to fellow subsidiaries	1,690,967	1,550,247
Amount due to a related company	—	1,547
Bank borrowings	1,333,156	1,062,166
Deposit received	41,480	37,695
Loan from an intermediate holding company	170,000	230,000
Lease liabilities	49,343	27,797
	5,364,097	4,296,788

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.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency, where these assets and liabilities are mainly denominated in United States dollar and Australian dollar.

In view of the fact that the Hong Kong dollar is pegged to the United States dollar, the foreign currency exposure of operating units having the Hong Kong dollar as their functional currency on United States dollar transactions and balances is minimal.

At 31 December 2021, if the Hong Kong dollar had weakened/strengthened 5% against the Renminbi, Macau Pataca and the Australian dollar with all other variables held constant, the consolidated profit for the year would have been HK$7,908,000 higher/lower (2020: HK$166,000), HK$309,000 lower/higher (2020: HK$202,000) and HK$261,000 lower/higher (2020: HK$351,000 lower/higher), respectively.

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.

The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group's interest rate risk arises from bank borrowings and loan from an intermediate holding company. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2021 and 2020, the Group's borrowings at variable rate were denominated in the Hong Kong dollar, Canadian dollar and United States dollar.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest bank borrowings and loan from an intermediate holding company. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2020: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

At 31 December 2021, if interest rates at that date had been 50 (2020: 50) basis points higher/lower with all other variables held constant, consolidated profit for the year would have been HK$4,620,000 lower/higher (2020: HK$2,379,000 lower/higher), arising mainly as a result of higher/lower interest expense on bank borrowings and loan from an intermediate holding company, netting off against bank interest income.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

Credit risk

The carrying amount of the cash and cash equivalents, deposits and prepayments, amounts due from fellow subsidiaries and related companies, contract assets, trade and other receivables and interests in infrastructure project investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers, fellow subsidiaries and related companies with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on interests in infrastructure project investments is limited because the counterparties are mainly Chinese government-related entities.

The credit risk on contract assets and most trade receivables is limited because the history of default is low. The Group assessed the credit losses against contract assets and trade receivables and the lifetime expected credit loss rate is below 1%, except for trade receivables relating to several accounts from thermoelectricity business which are long overdue with significant amounts or known insolvencies or non-response to collection activities which are assessed individually for impairment allowance. As at 31 December 2021, the expected credit loss rates for these trade receivables from thermoelectricity business were ranging from 3.5% to 100% (2020: 3.5% to 100%).

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit quality of financial assets measured at amortised cost is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. They 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

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 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
Group					
At 31 December 2021					
Trade payables, other payables and accruals, excluding warranty provision	**1,861,320**	**174,869**	**—**	**—**	**2,036,189**
Loan from and amount due to an intermediate company	**176,992**	**—**	**—**	**—**	**176,992**
Amounts due to fellow subsidiaries	**1,690,967**	**—**	**—**	**—**	**1,690,967**
Bank borrowings	**834,399**	**1,005**	**521,129**	**—**	**1,356,533**
Lease liabilities	**25,432**	**15,454**	**8,275**	**1,298**	**50,459**
	4,589,110	**191,328**	**529,404**	**1,298**	**5,311,140**
At 31 December 2020					
Trade payables, other payables and accruals, excluding warranty provision	1,290,734	142,745	—	—	1,433,479
Loan from and amount due to an intermediate company	2,755	233,197	—	—	235,952
Amounts due to fellow subsidiaries	1,550,247	—	—	—	1,550,247
Amount due to a related company	1,547	—	—	—	1,547
Bank borrowings	665,924	410,356	11,702	—	1,087,982
Lease liabilities	14,343	9,100	7,904	1,140	32,487
	3,525,550	795,398	19,606	1,140	4,341,694

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, 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 bank borrowings (including "current and non-current bank borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Net assets are calculated as "equity attributable to the owners of the Company" and "non-controlling interests" as shown in the consolidated statement of financial position.

The gearing ratio is calculated as follows:

	2021 **HK$'000**	2020 HK$'000
Bank borrowings	**1,333,156**	1,062,166
Less: Cash and cash equivalents	**(928,104)**	(858,154)
Net debt	**405,052**	204,012
Net assets	**1,585,058**	1,324,876
Gearing ratio	**25.6%**	15.4%

The increase of net gearing ratio from 15.4% to 25.6% was resulted by an increase in bank borrowings.

Fair value estimation

The fair values of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Deposits and prepayments
- Cash and cash equivalents
- Interests in infrastructure project investments
- Amounts due from/to an intermediate holding company, fellow subsidiaries and related companies
- Trade payables, other payables and accruals
- Bank borrowings
- Lease liabilities

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 discussed below.

(i) Construction contracts

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.

(ii) 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 subcontracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and experience of management. A foreseeable losses is resulted from 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iii) Impairment of assets

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.4. The recoverable amount of goodwill is the higher of the fair values less costs to sell and value in use.

A considerable amount of judgement and assumptions are required in estimating the recoverable amount of goodwill, including financial budgets prepared and approved by management, revenue growth rate, gross margin and weighted average discount rate applied to the discounted cashflows. Further details are disclosed in note 17 to the financial statements.

Impairment of property, plant and equipment

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 recoverable amounts have been determined based on the higher of the fair value less costs to sell and value in use calculations.

In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) Income and deferred taxes

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.

The Group has exercised significant accounting judgement on recognition of deferred tax assets in respect of losses, particular for the North America division. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement regarding the future financial performance of the relevant division. Those significant estimations and judgement include financial budgets prepared and approved by management, gross profit margin, overhead and capital expenditure applied to the profit forecasts.

(v) Impairment of receivables, contract assets and amounts due from related parties

The Group assesses on a forward-looking basis the expected credit losses associated with its receivables and amounts due from related parties carried at amortised cost and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To make that 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, that is indicative of significant increases in credit risk since initial recognition. Significant estimates and judgements are required in determining the probability-weighted amount that is not recoverable and the forecast of future economic conditions.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business, general contracting business and operating management business. The Group's revenue represents revenue from construction and management contracts.

The Group has classified the reportable segments into three operating segments, principally based on reportable business units as well as the reporting organisation hierarchy, which are determined as follows:

— Facade Contracting Works

— General Contracting Works

— Operating Management

Operating management segment includes the Group's urban planning management and consultation services, engineering consultancy services, thermoelectricity business and funding to infrastructure projects.

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). The CODM assesses the performance of the operating segments based on a measure of adjusted profit or loss before interest and tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, if any, such as restructuring costs, legal expenses and impairment of goodwill. The measurement also excludes the effects of share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses resulting from the central treasury function are not allocated to segments.

Segment results for the years ended 31 December 2021 and 2020 are as follows:

	Revenue		Gross profit		Segment result	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Facade Contracting Works	**4,478,100**	2,564,630	**356,339**	131,294	**249,345**	34,597
General Contracting Works	**806,592**	1,055,353	**99,161**	101,571	**96,659**	97,706
Operating Management	**1,010,135**	915,674	**221,354**	255,595	**181,442**	218,148
Total	**6,294,827**	4,535,657	**676,854**	488,460	**527,446**	350,451
Unallocated corporate expenses					**(106,014)**	(67,701)
Other income and gains, net					**4,051**	5,111
Share of profit of an associate					**44**	—
Finance costs					**(29,554)**	(31,569)
Profit before tax					**395,973**	256,292

Segment revenue of Facade Contracting Works comprises revenue from Hong Kong, Mainland China and other region amounting to HK$3,956,043,000 (2020: HK$2,226,210,000) and revenue from North America region amounting to HK$522,057,000 (2020: HK$338,420,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Hong Kong and Mainland China.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue for the year is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Timing of revenue recognition		
— Over time	**6,233,971**	4,470,273
— At a point in time	**40,661**	39,527
	6,274,632	4,509,800
Revenue from other source		
— Interest income generated from infrastructure projects	**20,195**	25,857
	6,294,827	4,535,657

Amounts of administrative, selling and other operating expenses included in the measurement of segment result:

	Depreciation of property, plant and equipment		(Gain)/loss on disposal of items of property, plant and equipment	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Facade Contracting Works	**16,154**	13,768	**(214)**	(50)
General Contracting Works	**117**	384	**—**	—
Operating Management	**3,385**	583	**(60)**	44
	19,656	14,735	**(274)**	(6)

An analysis of the Group's financial position by territory is as follows:

	Non-current assets*		Addition to property, plant and equipment	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Hong Kong, Mainland China and Others	**1,746,180**	1,738,819	**68,868**	55,264
North America	**641,051**	498,584	**162,020**	143,434
	2,387,231	2,237,403	**230,888**	198,698

* Other than deferred tax assets and interests in infrastructure project investments.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

No assets and liabilities are included in the measurements of the Group's segment reporting that are used by the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customer information

Revenue from two major customers in Facade Contracting Works which accounted for 10% or more of the Group's revenue for the year is set out below (2020: no customer contributed revenue more than 10% of the Group's total revenue).

	2021 HK$'000	2020 HK$'000
Customer A	1,382,010	N/A*
Customer B	667,059	N/A*

* Less than 10% of the Group's revenue in the respective year.

6. OTHER INCOME AND GAINS, NET

	2021 HK$'000	2020 HK$'000
Bank interest income	4,760	3,024
Exchange gain, net	8,990	3,495
Insurance claim received	305	1,942
Rental income	284	2,602
Service income	5,477	3,388
Sundry income	2,532	7,407
Gain on disposal of items of property, plant and equipment	274	6
	22,622	21,864

7. EXPENSES BY NATURE

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Costs of sales		
Costs of contracting works performed	5,030,810	3,539,396
Costs of supply of heat, steam and electricity	569,138	481,075
Warranty provisions, net	18,025	26,726
	5,617,973	4,047,197
Administrative, selling and other operating expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances*	1,042,858	797,327
Retirement benefits scheme contributions**	74,703	26,427
Less: Amounts included in costs of sales	(945,880)	(699,514)
	171,681	124,240
Depreciation of property, plant and equipment, excluding right-of-use assets	146,370	126,195
Less: Amounts included in costs of sales	(137,094)	(120,101)
	9,276	6,094
Depreciation of right-of-use assets	28,486	18,683
Less: Amounts included in costs of sales	(18,106)	(10,042)
	10,380	8,641
Expenses relating to short-term leases	24,925	28,423
Less: Amounts included in costs of sales	(23,767)	(27,351)
	1,158	1,072
Auditor's remuneration		
Audit services	2,614	2,510
Non-audit services	291	70
	2,905	2,580
Provision of trade and other receivables, net	628	10,721
Impairment of goodwill	17,000	8,500
Others	60,965	60,615
	273,993	222,463

7. EXPENSES BY NATURE *(Continued)*

Note:

* Wage subsidies of HK$Nil and HK$3,163,000 granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong and the "Canada Emergency Wage Subsidy" had been received during the year ended 31 December 2021 (2020: Wage subsidies of HK$12,225,000 and HK$14,087,000 granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong and the "Canada Emergency Wage Subsidy" had been received). The amounts were recognised in costs of sales and administrative, selling and other operating expenses and had been offset against the employee benefit expenses. There are no unfulfilled conditions or contingencies relating to these grants.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank loans and overdrafts	25,920	28,097
Interest on lease liabilities	1,920	2,967
Interest on loan from an intermediate holding company	4,205	2,755
	32,045	33,819
Less: Amounts capitalised in property, plant and equipment	(2,491)	(2,250)
	29,554	31,569

9. INCOME TAX CHARGE

(a) The amount of taxation charged to the consolidated income statement represents:

	2021 HK$'000	2020 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**43,846**	20,669
Under/(over)provision in prior years	**85**	(2,873)
	43,931	17,796
Current tax — Mainland China and overseas		
Provision for the year	**58,575**	65,098
Overprovision in prior years	**—**	(11,119)
	58,575	53,979
Deferred tax		
Write-down of deferred tax assets	**13,000**	10,920
Credit for the year	**(3,440)**	(9,263)
	9,560	1,657
Income tax charge for the year	**112,066**	73,432

Hong Kong profits tax has been provided at 16.5% of the estimated assessable profit for both years.

The tax charge on estimated assessable profits elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices.

Certain of the Group's subsidiaries in the Mainland China were approved as new and high technology enterprises pursuant to which the Mainland China subsidiaries can enjoy a preferential income tax rate of 15% effective from 2018 to 2021. The income tax rate of most of the Group's remaining subsidiaries in the Mainland China is 25%.

The income tax rate of the Group's overseas subsidiaries range from 12% to 28%.

9. INCOME TAX CHARGE *(Continued)*

(b) The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**395,973**	256,292
Taxation at Hong Kong profits tax rate at 16.5%	**65,335**	42,288
Effect of different taxation rates in other countries	**(794)**	(6,756)
Income not subject to taxation	**(495)**	(3,656)
Expenses not deductible for taxation purposes	**5,233**	2,072
Temporary differences not recognised	**(182)**	626
Write-down of deferred tax assets	**13,000**	10,920
Tax losses not recognised	**29,884**	41,930
Under/(over) provision in prior years	**85**	(13,992)
Income tax charge	**112,066**	73,432

10. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2021

	Emoluments paid or payable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name	Fees HK$'000	Salary and allowance HK$'000	Discretionary bonuses HK$'000	Employer's contribution to benefit scheme HK$'000	Total HK$'000
Zhang Haipeng	—	—	—	—	—
Wu Mingqing	—	2,138	4,064	18	6,220
Wang Hai	—	1,803	2,456	—	4,259
Huang Jiang	—	—	—	—	—
Zhou Jinsong	180	—	—	—	180
Hong Winn	150	—	—	—	150
Kwong Sum Yee Anna	150	—	—	—	150
	480	3,941	6,520	18	10,959

10. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2020

Name	Emoluments paid or payable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	Fees	Salary and allowance	Discretionary bonuses	Employer's contribution to benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Zhang Haipeng	—	—	—	—	—
Wu Mingqing	—	2,136	4,310	18	6,464
Wang Hai	—	1,779	2,674	—	4,453
Chan Sim Wang (Note i)	—	792	—	5	797
Huang Jiang	—	—	—	—	—
Zhou Jinsong	180	—	—	—	180
Hong Winn	150	—	—	—	150
Kwong Sum Yee Anna	150	—	—	—	150
	480	4,707	6,984	23	12,194

Note:

(i) Mr. Chan Sim Wang resigned as an executive director of the Company with effect from 18 March 2020.

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.

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2020: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2020: three) individuals are set out below:

	2021	2020
	HK$'000	HK$'000
Basic salaries and allowances	**5,227**	3,023
Discretionary bonuses	**5,757**	6,756
Retirement benefit scheme contributions	**164**	32
	11,148	9,811

10. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) The emoluments fell within the following bands:

	2021 No. of employees	2020 No. of employees
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	—	1
HK$3,500,001 to HK$4,000,000	3	1
	3	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. SENIOR MANAGEMENT EMOLUMENTS

The emoluments of the senior management (excluding directors and chief executive) for the years ended 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	25,811	21,485
Contributions to retirement benefit schemes	703	308
	26,514	21,793

The emoluments of the senior management for the years ended 31 December 2021 and 2020 were within the following bands:

	2021 No. of employees	2020 No. of employees
HK$1,000,000 or less	—	1
HK$1,000,001 to HK$1,500,000	—	2
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	1	4
HK$2,500,001 to HK$3,000,000	3	1
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	3	1
	9	10

12. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Interim dividend of HK3 cents per ordinary share (2020: No interim dividend paid)	64,666	—
Proposed final dividend of HK1.7 cents per ordinary share (2020: HK3 cents per ordinary share)	36,644	64,666
	101,310	64,666

The final dividend proposed after 31 December 2021 was not recognised as a liability at 31 December 2021 and is subject to approval by shareholders in the forthcoming annual general meeting.

13. 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:

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	291,976	194,344
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	2,155,545	2,155,545
Basic and diluted earnings per share (HK cents)	13.55	9.02

The Company did not have any dilutive potential ordinary shares during the year ended 31 December 2021 (2020: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Heat and electricity supply facilities HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2020	863,978	5,642	76,992	2,029,951	77,324	17,324	48,590	3,119,801
Exchange difference	35,454	152	2,434	99,528	2,190	690	8,672	149,120
Additions	19,468	47	8,340	2,120	7,905	1,390	159,428	198,698
Disposals	—	(78)	—	—	(6,223)	(2,149)	—	(8,450)
Transfers	1,390	—	2,310	14,693	(12)	12	(18,393)	—
At 31 December 2020 and 1 January 2021	**920,290**	**5,763**	**90,076**	**2,146,292**	**81,184**	**17,267**	**198,297**	**3,459,169**
Exchange difference	**26,621**	**106**	**2,281**	**85,389**	**1,692**	**(604)**	**3,705**	**119,190**
Additions	**40**	**—**	**14,435**	**3,496**	**21,886**	**594**	**190,437**	**230,888**
Disposals	**(809)**	**(108)**	**—**	**—**	**(3,990)**	**(914)**	**—**	**(5,821)**
Transfers	**323,227**	**—**	**—**	**43,270**	**5,235**	**—**	**(371,732)**	**—**
At 31 December 2021	**1,269,369**	**5,761**	**106,792**	**2,278,447**	**106,007**	**16,343**	**20,707**	**3,803,426**
Accumulated depreciation and impairment								
At 1 January 2020	237,010	3,372	36,760	1,042,420	58,261	14,049	—	1,391,872
Exchange difference	12,243	117	883	50,693	1,853	582	—	66,371
Charge for the year	30,851	890	7,125	78,555	8,074	700	—	126,195
Disposals	—	(78)	—	—	(6,046)	(1,873)	—	(7,997)
Transfers	—	—	—	—	(9)	9	—	—
At 31 December 2020 and 1 January 2021	**280,104**	**4,301**	**44,768**	**1,171,668**	**62,133**	**13,467**	**—**	**1,576,441**
Exchange difference	**9,809**	**80**	**611**	**49,058**	**1,412**	**126**	**—**	**61,096**
Charge for the year	**34,567**	**798**	**10,089**	**86,820**	**13,232**	**864**	**—**	**146,370**
Disposals	**(68)**	**(108)**	**—**	**—**	**(3,895)**	**(894)**	**—**	**(4,965)**
At 31 December 2021	**324,412**	**5,071**	**55,468**	**1,307,546**	**72,882**	**13,563**	**—**	**1,778,942**
Net book value as at								
At 31 December 2021	**944,957**	**690**	**51,324**	**970,901**	**33,125**	**2,780**	**20,707**	**2,024,484**
At 31 December 2020	640,186	1,462	45,308	974,624	19,051	3,800	198,297	1,882,728

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the cost of the Group's land and buildings is as follows:

	2021 HK$'000	2020 HK$'000
Located in:		
Hong Kong	**50,645**	50,645
Mainland China	**751,257**	723,803
Canada, freehold	**467,467**	145,842
	1,269,369	920,290

As at 31 December 2021, certain land and buildings of the Group situated in Mainland China, with an aggregate carrying amount of HK$90,701,000 (31 December 2020: HK$92,249,000), did not have the property certificates registered under the name of a subsidiary of the Group.

In the opinion of the Company's directors, the risk of the Group not being able to obtain the legal titles for the relevant land and buildings is low and the Group will continue the ownership registration of the land and buildings.

At 31 December 2021, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities was HK16,418,000 (2020: HK$16,664,000) (note 24).

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

	2021 HK$'000	2020 HK$'000
Property, plant and equipment	**2,024,484**	1,882,728
Right-of-use assets (note 15(a))	**244,723**	225,026
	2,269,207	2,107,754

15. LEASES

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

The carrying amount of property, plant and equipment shown on the consolidated statement of financial position includes the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Prepaid land lease payment*	166,392	167,517
Buildings	78,145	57,136
Motor vehicles	186	373
	244,723	225,026
Lease liabilities		
Current	24,786	12,088
Non-current	24,557	15,709
	49,343	27,797

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$40,889,000 (2020: HK$7,551,000).

* The Group has land lease arrangement with Mainland China government and leasehold land in Hong Kong.

15. LEASES *(Continued)*

(b) Amounts recognised in the consolidated income statement

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

	2021 **HK$'000**	2020 HK$'000
Depreciation charge of right-of-use assets		
Prepaid land lease payment	**7,596**	2,321
Buildings	**20,703**	16,142
Motor vehicles	**187**	220
	28,486	18,683
Interest expense (included in finance cost)	**1,920**	2,967
Expenses relating to short-term leases (included in cost of sales and administrative, selling and other operating expenses)	**24,925**	28,423
	26,845	31,390

The total cash outflow for leases during the year ended 31 December 2021 was approximately HK$46,509,000 (2020: HK$49,083,000).

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

The Group leases various offices, warehouses and vehicles. Rental contracts are typically made for fixed periods of 2 to 10 years.

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.

16. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	2021 HK$'000	2020 HK$'000
Interests in infrastructure project investments	**132,929**	193,972
Less: Portion due within one year included in current assets	**(68,390)**	(61,080)
Portion due after one year	**64,539**	132,892

On 7 January 2019, the Group acquired 100% of equity interests in and shareholder's loan to Fuller Sky Enterprises Limited ("Fuller Sky") and Value Idea Investments Limited ("Value Idea") from Ever Power Group Limited, a wholly-owned subsidiary of CSC at a total consideration of HK$295,000,000.

Interests in infrastructure project investments represent funding denominated in Renminbi ("RMB") for 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 yield on the infrastructure project investments ranged from 10.2% to 10.7% (2020: 10.2% to 10.7%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2021.

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

17. GOODWILL

	HK$'000
At 1 January 2020:	
Cost	159,707
Accumulated impairment	(21,558)
Net carrying amount	138,149
Cost at 1 January 2020, net of accumulated impairment	138,149
Impairment during the year	(8,500)
Net carrying amount at 31 December 2020	129,649
At 31 December 2020:	
Cost	159,707
Accumulated impairment	(30,058)
Net carrying amount	129,649
Cost at 31 December 2020 and 1 January 2021, net of accumulated impairment	129,649
Impairment during the year	(17,000)
Net carrying amount at 31 December 2021	112,649
At 31 December 2021:	
Cost	159,707
Accumulated impairment	(47,058)
Net carrying amount	112,649

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination.

The carrying amount of goodwill has been allocated to the CGU relating to the operations of Gamma North America, Inc. and its subsidiaries ("Gamma Group") within the North America division.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and turnover are based on past practices and expectations of market development.

17. GOODWILL *(Continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the revenue average growth rate of 4% (2020: 6%) and extrapolating the average revenue growth rate of 3% (2020: 3%) from sixth to fifteenth years and then applied the residual period using the growth rate of 3% (2020: 3%). These rates do not exceed the average long-term revenue growth rate for the relevant markets. A financial budget of a fifteen year reflects the medium term plan of management in expanding the customer base and market share. The pre-tax rates used to discount the forecast cash flows range from 21.9% to 23.66% (2020: 19.28% to 19.53%).

During the year ended 31 December 2021, an impairment loss of HK$17,000,000 (2020: HK$8,500,000) has been provided for the Gamma Group CGU as the recoverable amount of this CGU was reduced to HK$141,258,000 (2020: HK$158,652,000) at the end of the reporting period. The impairment loss was as a result of the less than satisfactory past and expected performance of the Gamma Group CGU.

With all other variables held constant, if the revenue growth rates used in the value-in-use calculation was decreased by 0.3% or the discount rate used in the value-in-use calculation had been increased by 1.00% than the management estimates as at 31 December 2021, the recoverable amount would be further reduced by HK$1,014,000 (i.e. additional impairment loss of HK$1,014,000).

18. SUBSIDIARIES

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest 2021	2020	Principal activities
Far East Global Group Limited	British Virgin Islands/Hong Kong	6,000 ordinary shares of US$1 each	100%	100%	Investment holding
Far East Facade (UAE) Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	100%	100%	Investment holding
Venture Synergy Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Netfortune Enterprise Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Willbert Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	100%	Property holding
FEA Investments Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Value Idea Investments Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
China Overseas Public Utility Investment Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Far East Facade Investments Limited	British Virgin Islands	10,000 ordinary share of US$1 each	100%	100%	Investment holding

18. SUBSIDIARIES *(Continued)*

Information about subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest 2021	2020	Principal activities
Far East Facade (Hong Kong) Limited (formerly known as Far East Aluminium Works Company Limited)	Hong Kong	900,000 ordinary shares of HK$188,952,242 5,000 non-voting deferred shares of HK$500,000	**100%**	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Treasure Construction Engineering Limited	Hong Kong	150,000,000 ordinary shares of HK$150,000,000	**100%**	100%	Building constructions
Heng Fai International Limited	Hong Kong	1 ordinary share of HK$1	**100%**	100%	Investment holding
Netfortune Limited	Hong Kong	500,000 ordinary shares of HK$500,000	**100%**	100%	Investment holding
China State Development Holdings Limited	Hong Kong	5,000,000 ordinary shares of HK$5,000,000	**100%**	100%	Investment holding
Far East Aluminium Works (Guangzhou) Company Limited	Hong Kong	2 ordinary shares of HK$2	**100%**	100%	Property holding
Better View Investment Limited	Hong Kong	2 ordinary shares of HK$2	**100%**	100%	Property holding
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK$2	**100%**	100%	Provision of company secretarial services to Group companies
Far East Global Property Development Limited[3]	Hong Kong	1 ordinary share of HK$1,376,541	**–**	100%	Building construction and project management
China Construction Think Tank Limited	Hong Kong	1,000,000 ordinary shares of HK$1,000,000	**100%**	100%	Consultancy Service
中建興業投資(湖南)有限公司[1]	The People's Republic of China	Registered capital of RMB200,000,000	**100%**	100%	Investment holding
湖南遠東力進建築工程有限公司[1]	The People's Republic of China	Registered capital of RMB50,000,000	**100%**	100%	Consultancy and construction service
遠東幕牆(西安)有限公司[1] (formerly known as 西安遠東幕牆工程設計有限公司)	The People's Republic of China	Registered capital of RMB10,000,000	**100%**	100%	Design service

18. SUBSIDIARIES *(Continued)*

Information about subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest 2021	2020	Principal activities
中海監理有限公司[1]	The People's Republic of China	Registered capital of RMB50,000,000	**100%**	100%	Provision of project consultancy service
瀋陽皇姑熱電有限公司[1][2]	The People's Republic of China	Registered capital of RMB680,660,000	**100%**	100%	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司[1]	The People's Republic of China	Registered capital of RMB8,000,000	**100%**	100%	Trading of coal
上海力進鋁質工程有限公司[1]	The People's Republic of China	Registered capital of RMB37,958,749	**100%**	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
遠東幕牆(深圳)有限公司[1] (formerly known as 遠東幕牆制品(深圳)有限公司)	The People's Republic of China	Registered capital of HK$70,000,000	**100%**	100%	Manufacture of curtain walls, aluminium windows and other related products
遠東幕牆(珠海)有限公司[1] (formerly known as 遠東恒輝幕牆(珠海)有限公司)	The People's Republic of China	Registered capital of US$25,000,000	**100%**	100%	Manufacture of curtain walls, aluminium windows and other related products
深圳中海通信工程監理有限公司[1]	The People's Republic of China	Registered capital of RMB8,000,000	**100%**	100%	Provision of project consultancy service
Far East Facade (Macau) Limited (formerly known as Netfortune Engineering (FEA) Macau Limited)	Macau	Registered capital of MOP25,000	**100%**	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade, Inc.	United States of America	100,000 common shares of US$0.01 each	**100%**	100%	Installation of curtain walls, aluminium windows and other related products
Far East Aluminum Works (U.S.) Corporation	United States of America	200,000,000 common stock of US$0.001 each	**100%**	100%	Installation of curtain walls, aluminium windows and other related products
Gamma Buffalo, Inc.	United States of America	1 share of US$1	**100%**	100%	Property holding
Gamma North America, Inc.	United States of America	7,060 shares of US$0.001 each	**93.63%**	93.63%	Investment holding

18. SUBSIDIARIES *(Continued)*

Information about subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest 2021	2020	Principal activities
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	**93.63%**	93.63%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma Installations, Inc.	United States of America	100 shares of US$0.001 each	**93.63%**	93.63%	Installation of curtain walls, aluminium windows and other related products
Gamma North Corporation	United States of America	1 share of US$1	**93.63%**	93.63%	Manufacture of curtain walls, aluminium windows and other related products
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	**93.63%**	93.63%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Hygate Development Corp.	Canada	100 common shares of CAD1 each	**100%**	100%	Business development
Hygate Investment Corp.	Canada	100 common shares of CAD100 each	**100%**	100%	Investment holding
Hygate Property Corp.	Canada	100 common shares of CAD1 each	**100%**	100%	Property holding
Hygate Management Services Corp.	Canada	100 common shares of CAD1 each	**100%**	100%	Provision of management service
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	**100%**	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
World Eastern Cladding Works (LLC)	United Arab of Emirates	100 ordinary shares of AED3,000 each	**100%**	100%	Installation of curtain walls, aluminium windows and other related products

Notes:

(1) Limited liability company registered in the PRC

(2) Registered as sino-foreign joint venture enterprise

(3) Dissolved in 2021

The above table lists the subsidiaries of the Group which, in the opinion of its directors, principally affect the results or assets of the Group.

18. SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests

The negative non-controlling interest as at 31 December 2021 of HK$85,677,000 (2020 : HK$78,143,000) is mainly for Gamma Group within the North America division.

Set out below is the summarised financial information for Gamma Group that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Gamma Group	
	2021	2020
	HK$'000	HK$'000
Current		
Assets	**612,792**	472,814
Liabilities	**(2,016,812)**	(1,771,479)
Total current net liabilities	**(1,404,020)**	(1,298,665)
Non-current		
Assets	**69,246**	82,754
Liabilities	**(11,032)**	(11,618)
Total non-current net assets	**58,214**	71,136
Net liabilities	**(1,345,806)**	(1,227,529)

Summarised income statement

	Gamma Group	
	2021	2020
	HK$'000	HK$'000
Revenue	**522,057**	338,420
Loss before tax	**(113,669)**	(168,742)
Income tax charge	**(13,000)**	(11,539)
Other comprehensive income	**8,393**	2,398
Total comprehensive loss	**(118,276)**	(177,883)
Total comprehensive loss allocated to non-controlling interests	**(7,534)**	(11,331)

18. SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised cash flow

	Gamma Group	
	2021	2020
	HK$'000	HK$'000
Operating cash flows		
Cash from operations	**35,030**	324,784
Interest paid	**3,888**	5,310
Net cash from operating activities	**38,918**	330,094
Net cash used in investing activities	**(1,914)**	(430)
Net cash used in financing activities	**(32,751)**	(327,509)
Net increase in cash and cash equivalents	**4,253**	2,155
Cash and cash equivalents at beginning of year	**5,753**	3,598
Cash and cash equivalents at end of year	**10,006**	5,753

The information above is before inter-company eliminations.

19. INVENTORIES

	2021	2020
	HK$'000	HK$'000
Raw materials	**154,153**	137,186

The cost of inventories recognised as expense and included in 'costs of sales' amounted to approximately HK$760,279,000 (2020：HK$508,970,000).

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract assets and contract liabilities:

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Contract assets related to construction services	(i)	2,449,554	1,451,792	1,017,935
Contract liabilities related to construction services		(441,106)	(309,603)	(278,459)
Contract liabilities related to thermoelectricity business	(ii)	(1,237,073)	(1,224,408)	(1,178,149)
		(1,678,179)	(1,534,011)	(1,456,608)
Less: Current portion		911,443	778,041	685,696
Non-current portion		(766,736)	(755,970)	(770,912)

Notes:

(i) Contract assets related to the Group's right to consideration for construction work completed but yet to be certified by surveyors appointed by the customers as at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

(ii) Contract liabilities related to payments received in advance of the performance under supply of heat, steam and electricity and pipeline construction contracts.

20. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year and the amount relating to performance obligations that were satisfied in previous years:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
— Construction services	**269,672**	238,721
— Thermoelectricity business	**525,430**	524,309
	795,102	763,030
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods:		
— Construction services	**103,487**	106,822

The following table shows the amount of unsatisfied performance obligations:

	2021 HK$'000	2020 HK$'000
Expected to be recognised within one year	**4,469,231**	4,347,866
Expected to be recognised after one year	**4,197,641**	4,137,296
	8,666,872	8,485,162

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.

21. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**863,555**	756,447
Retention receivables	**623,185**	579,258
	1,486,740	1,335,705
Less: Provision for impairment	**(73,550)**	(70,944)
	1,413,190	1,264,761
Other receivables	**85,840**	56,255
Trade and other receivables	**1,499,030**	1,321,016

The Group's trade receivables mainly represent progress billing receivables from facade contracting works and general contracting works and construction contracts of thermoelectricity business. The Group adopts credit policies which are consistent with the trade practices prevalent in the building industry in countries in which the Group has operations. The Group recognises its trade receivables when the value of the subcontract works is certified by the architect. Pursuant to the trade practices, the main contractor from time to time makes applications for payment certificates which include the certified value of the nominated subcontract works.

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. No ageing analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables include balances with related companies amounting to approximately HK$705,025,000 (2020 : HK$296,865,000), which are unsecured, interest-free and repayable in accordance with the terms of relevant agreements.

The analysis of trade and other receivables, including the ageing analysis of trade receivables, based on invoice date, and net of provisions, is as follows:

	2021 HK$'000	2020 HK$'000
Trade receivables:		
0 to 30 days	379,758	500,862
31 to 60 days	100,951	28,305
61 to 90 days	17,082	30,393
More than 90 days	307,254	135,070
	805,045	694,630
Retention receivables	608,145	570,131
	1,413,190	1,264,761
Other receivables	85,840	56,255
Trade and other receivables	1,499,030	1,321,016

Except for the receivables arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period not exceeding 90 days (2020 : 90 days) to its customers and the retention receivables are repayable approximately one year after the expiry of the defect liability period of construction projects.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention 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.

As at 31 December 2021, trade and retention receivables of approximately HK$11,575,000 (2020 : HK$11,575,000) were impaired and fully provided.

The individually impaired trade and retention receivables relate to contracts under disputes with customers and are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Movements of provision for impairment of the trade and retention receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	70,944	60,818
Addition of provisions	7,128	10,721
Write back of provisions	(6,500)	—
Amount written-off as uncollectible	—	(3,108)
Exchange differences	1,978	2,513
At 31 December	73,550	70,944

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Hong Kong dollar	477,205	622,628
Renminbi	731,962	376,337
United States dollar	98,130	120,548
Canadian dollar	117,604	120,714
Macau Pataca	50,546	55,699
Great British Pound	23,509	21,456
United Arab Emirates Dirham	74	74
Others	—	3,560
	1,499,030	1,321,016

There is no concentration of credit risk with respect to trade and retention receivables, as the Group has a large number of customers.

The carrying amounts of the Group's trade and other receivables approximate the fair values of these balances.

22. AMOUNTS/LOAN DUE FROM/TO AN INTERMEDIATE HOLDING COMPANY/ FELLOW SUBSIDIARIES AND RELATED COMPANIES

Balances with fellow subsidiaries, intermediate holding company and related companies are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

The loan from an intermediate holding company of HK$170,000,000 (2020: HK$230,000,000) as at 31 December 2021 was unsecured, interest-bearing at HIBOR+1.7% per annum and repayable in 2022 and denominated in HKD.

Amounts due from related companies were trade related. The analysis of amounts due from related companies, including the ageing analysis, based on invoice date, and net of provisions, is as follows:

	2021 HK$'000	2020 HK$'000
Trade receivables:		
0 to 30 days	—	5,642
31 to 60 days	—	2,410
61 to 90 days	—	1,297
More than 90 days	—	10,989
	—	20,338

The amounts are billed and repayable in accordance with the terms of the relevant agreements.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group are cash and bank balances denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Renminbi	662,888	589,237
Hong Kong dollar	227,927	207,184
Great British Pound	9,209	17,136
Australian dollar	7,408	8,408
Canadian dollar	2,919	23,006
Macau Pataca	5,949	4,585
United States dollar	11,570	8,386
United Arab Emirates Dirham	201	178
Others	33	34
	928,104	858,154

In respect of the cash balance denominated in RMB which is held by the Group's subsidiaries incorporated in the PRC, conversion into foreign currencies and remittance out of the PRC is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loan, secured	11,561	11,958
Bank loans, unsecured	1,321,595	1,050,208
	1,333,156	1,062,166
The borrowings are repayable as follows:		
On demand or within one year	824,563	650,710
In the second year	551	400,524
In the third to fifth years, inclusive	508,042	10,932
	1,333,156	1,062,166
Less: current portion	(824,563)	(650,710)
Non-current portion	508,593	411,456

At 31 December 2021, a bank loan of HK$11,561,000 (2020: HK$11,958,000) is secured by the Group's land and buildings of HK$16,418,000 (2020: HK$16,664,000) (note 14).

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Hong Kong dollar HK$'000	Canadian dollar HK$'000	United States dollar HK$'000	Total HK$'000
31 December 2021				
Bank loans	896,362	436,794	—	1,333,156
31 December 2020				
Bank loans	780,000	281,340	826	1,062,166

The average bank loan interest rate at 31 December 2021 was 2.03% (2020：2.62%) per annum.

Most bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The carrying amounts of bank borrowings approximate the fair value of these balances.

The secured bank loan includes the bank loan with assets pledged as security to the bank. The unsecured bank loans include the bank loans with financial undertaking required to be fulfilled by the Group.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The analysis of trade payables, other payables and accruals, including the ageing analysis of trade payables, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Trade payables:		
0 to 30 days	**1,206,687**	827,777
31 to 60 days	**53,254**	26,273
More than 60 days	**209,390**	139,579
	1,469,331	993,629
Retention payables	**323,384**	276,518
	1,792,715	1,270,147
Other payables and accruals	**279,444**	194,723
Trade payables, other payables and accruals	**2,072,159**	1,464,870

As at 31 December 2021, the amount of retention payables expected to be settled after more than twelve months was approximately HK$174,869,000 (2020 : HK$142,745,000).

The carrying amounts of the Group's trade payables, other payables and accruals are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Hong Kong dollar	**809,698**	640,993
Renminbi	**1,073,290**	663,030
Canadian dollar	**137,337**	90,766
United States dollar	**21,659**	35,513
Macau Pataca	**22,439**	28,502
Great British Pound	**6,472**	5,040
Others	**1,264**	1,026
	2,072,159	1,464,870

The carrying amounts of trade payables, other payables and accruals approximate the fair value of these balances.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(Continued)*

Movement of warranty provisions included in other payables and accruals are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**31,391**	37,630
Addition	**18,025**	26,726
Exchange differences	**357**	(17)
Utilisation	**(13,803)**	(32,948)
At 31 December	**35,970**	31,391

The Group provides warranties to its customers on facade contracting works in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the past experience of the level of defective works and the estimation basis is regularly reviewed and revised where appropriate, and is included in "other payables and accruals".

26. DEFERRED TAXATION

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

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities to be crystalised after more than twelve months	**3,036**	3,036
Deferred tax liabilities to be crystalised within twelve months	**3,228**	3,908
	6,264	6,944
Deferred tax assets to be recovered after more than twelve months	**(131,056)**	(146,872)
Deferred tax assets to be recovered within twelve months	**(40,990)**	(30,990)
	(172,046)	(177,862)

26. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax liabilities and (assets) recognised by the Group.

	Accelerated tax depreciation HK$'000	Revaluation of land and buildings HK$'000	Tax losses HK$'000	Contract liabilities HK$'000	Provision HK$'000	Undistributed earnings of Mainland China subsidiaries HK$'000	Total HK$'000
At 1 January 2020	2,283	753	(81,647)	(81,943)	(11,124)	4,242	(167,436)
Exchange difference	—	—	(128)	(4,384)	(627)	—	(5,139)
Charged/(credited) to consolidated income statement (note 9)	—	—	10,962	(7,399)	(1,572)	(334)	1,657
At 31 December 2020 and 1 January 2021	**2,283**	**753**	**(70,813)**	**(93,726)**	**(13,323)**	**3,908**	**(170,918)**
Exchange difference	**—**	**—**	**(62)**	**(3,865)**	**(497)**	**—**	**(4,424)**
Charged/(credited) to consolidated income statement (note 9)	**—**	**—**	**18,541**	**(9,929)**	**1,628**	**(680)**	**9,560**
At 31 December 2021	**2,283**	**753**	**(52,334)**	**(107,520)**	**(12,192)**	**3,228**	**(165,782)**

The following is analysis of net deferred tax balances for statement of financial position purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	**3,520**	4,201
Deferred tax assets	**(169,302)**	(175,119)
	(165,782)	(170,918)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$1,808,595,000 (2020: HK$1,568,577,000) to be carried forward in offsetting future taxable income. The expiry dates of these tax losses are subject to the tax rulings of the respective jurisdictions, which is 20 years in Canada and available indefinitely for offsetting against future taxable profits in USA.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008.

26. DEFERRED TAXATION *(Continued)*

As at 31 December 2021, deferred tax of HK$3,228,000 (2020：HK$3,908,000) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, the rest of the unremitted earnings will not be distributed by the Group's subsidiaries in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to HK$913,205,000 as at 31 December 2021 (2020：HK$808,640,000).

27. SHARE CAPITAL

	Issued and fully paid	
	Number of shares '000	Share capital amount HK$'000
Ordinary shares of HK$0.01 each		
At 1 January 2020, 1 January 2021 and 31 December 2021	2,155,545	21,555

28. SHARE PREMIUM AND RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium and retained profits

Under the Companies Law of the Cayman Islands, the funds in the share premium and retained profits of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and an associate. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 to the financial statements.

(iii) Share-based payments reserve

The share-based payments reserve represents the fair value of the equity instruments granted to directors and employees of the Group, recognised in accordance with the accounting policy adopted for share-based payments in note 2.4 to the financial statements.

28. SHARE PREMIUM AND RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iv) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC and Macau subsidiaries under the applicable laws and regulations in the PRC and Macau respectively.

(v) Special reserve

On 11 March 2014, the Group acquired 100% of the equity interests in Treasure Construction Engineering Limited from Barkgate Enterprises Limited, a wholly-owned subsidiary of CSC, which is an intermediate holding company of the Company, at a cash consideration of HK$2,000,000. The excess of approximately HK$1,970,000, representing the difference between the fair value of consideration paid for the acquisition and the net asset value of Treasure Construction at the acquisition date, was charged to special reserve.

During 2016, the Group increased its equity interests in its subsidiary, Gamma North America, Inc. by 38.63% through capitalisation of shareholder's loans. The net liability value of Gamma North America, Inc. of HK$287,768,000 has been transferred from non-controlling interests to special reserve in equity.

On 26 June 2018, the Group acquired 100% of equity interests in China Overseas Supervision Limited ("COS") from Shenzhen CS Grand Wealth Investment Company Limited, a wholly-owned subsidiary of CSC, at a cash consideration of RMB70,000,000. HK$180,564,000 represents the excess of consideration paid over the share capital of the COS net of distribution of the former shareholders.

On 30 December 2019, the Group acquired 100% of equity interests in 瀋陽皇姑熱電有限公司 ("Shenyang Huanggu Company") by way of purchase of (i) the entire issued share capital of China Overseas Public Utility Investment Limited ("COPUI") which owns 99.69% of the registered capital of Shenyang Huanggu Company; and (ii) the 0.31% of the registered capital of Shenyang Huanggu Company held by 深圳海豐德投資有限公司 ("Shenzhen Haifengde"), for an aggregate consideration of HK$673,580,000. The excess of approximately HK$673,580,000, representing the difference between the fair value of consideration paid and the share capital value of Shenyang Huanggu Company at the acquisition date, was charged to special reserve.

29. 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, 1,215,000 incentive shares were granted to certain directors and employees of the Company 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.

29. SHARE-BASED PAYMENTS *(Continued)*

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 payment 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 A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 2,430,000 incentive shares were granted to certain employees of the Company (including one director 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.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase IV) (the "Incentive Plan (Phase IV)") of CSCECL, 5,490,000 incentive shares were granted to certain employees of the Company (including two directors and certain senior management) on 23 December 2020 (the "Grant Date (Phase IV)") with an exercise price of RMB3.06 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 incentive shares will be removed, otherwise, CSCECL has constructive obligations 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 RMB3.06 per share and share-based payments cap at 30% of respective two years' employees' remuneration.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$40,889,000 (2020: HK$7,551,000) and HK$40,889,000 (2020: HK$7,551,000), respectively, in respect of lease arrangements for buildings included in property, plant and equipment.

(b) Reconciliation of liabilities from financing activities

	Lease liabilities HK$'000	Bank borrowings HK$'000	Loan from an intermediate holding company HK$'000	Total HK$'000
At 1 January 2020	37,631	867,538	—	905,169
Cash flows	(20,660)	191,641	230,000	400,981
Foreign exchange adjustments	308	2,987	—	3,295
Interest on lease liabilities (Note 8)	2,967	—	—	2,967
Increase in lease liabilities from entering into new contracts (Note 15(a))	7,551	—	—	7,551
As 31 December 2020 and 1 January 2021	**27,797**	**1,062,166**	**230,000**	**1,319,963**
Cash flows	**(21,584)**	**268,414**	**(60,000)**	**186,830**
Foreign exchange adjustments	**321**	**2,576**	**—**	**2,897**
Interest on lease liabilities (Note 8)	**1,920**	**—**	**—**	**1,920**
Increase in lease liabilities from entering into new contracts (Note 15(a))	**40,889**	**—**	**—**	**40,889**
At 31 December 2021	**49,343**	**1,333,156**	**170,000**	**1,552,499**

31. COMMITMENTS

At 31 December 2021, the Group had the following commitments contracted but not provided for in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for		
— Construction in progress for property, plant and equipment	**23,569**	163,256
— Investment in an associate	**—**	8,886

32. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions with related parties

(i) Transactions with fellow subsidiaries

	2021 HK$'000	2020 HK$'000
Construction fees received from fellow subsidiaries	**2,295,506**	1,796,474
Service income received from fellow subsidiaries	**142,166**	88,779
Insurance premium paid to fellow subsidiaries	**19,505**	17,215
Purchases of materials from fellow subsidiaries	**11,729**	3,164
Leasing of machinery from fellow subsidiaries	**5,701**	4,967

These related party transaction also constitutes continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) Transactions with other state-controlled entities in the Mainland China

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

Apart from transactions with its fellow subsidiaries, the Group has transactions with other state-controlled entities, mainly interest income.

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

(b) Compensation of key management personnel

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

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**36,752**	33,656
Post-employment benefits	**721**	331
	37,473	33,987

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

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current asset		
Interests in subsidiaries	**1,434,732**	1,686,522
Current assets		
Deposits, prepayments and other receivables	**53**	662
Amounts due from subsidiaries	**50,000**	50,000
Tax recoverable	**—**	300
Cash and cash equivalents	**942**	17,855
	50,995	68,817
Current liabilities		
Bank borrowings	**—**	180,000
Loan from an intermediate holding company	**170,000**	—
Amount due to an intermediate holding company	**6,992**	2,755
Amount due to a fellow subsidiary	**229,580**	229,580
Other payables and accruals	**600**	600
Current tax payables	**607**	—
	407,779	412,935
NET CURRENT LIABILITIES	**(356,784)**	(344,118)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,077,948**	1,342,404
Capital and Reserves		
Share capital	**21,555**	21,555
Share premium and reserves (note (a))	**1,056,393**	1,090,849
	1,077,948	1,112,404
Non-current liabilities		
Loan from an intermediate holding company	**—**	230,000
	—	230,000
	1,077,948	1,342,404

On behalf of the Board

Zhang Haipeng
Director

Wu Mingqing
Director

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

Note:

(a) Reserve movement of the Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Special reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	898,654	4,636	1,875	94,152	999,317
Profit for the year	—	—	—	90,939	90,939
Capital contribution relating to share-based payment borne by an intermediate holding company	—	—	593	—	593
At 31 December 2020 and 1 January 2021	**898,654**	**4,636**	**2,468**	**185,091**	**1,090,849**
Profit for the year	**—**	**—**	**—**	**88,230**	**88,230**
Capital contribution relating to share-based payment borne by an intermediate holding company	**—**	**—**	**6,646**	**—**	**6,646**
2020 final dividend	**—**	**—**	**—**	**(64,666)**	**(64,666)**
2021 interim dividend	**—**	**—**	**—**	**(64,666)**	**(64,666)**
At 31 December 2021	**898,654**	**4,636**	**9,114**	**143,989**	**1,056,393**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

The table set out below summarizes the results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Group's published consolidated financial statements of the respective years and restated/reclassified as appropriate. This summary is not part of the audited consolidated financial statements.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2017 HK$'000 (restated)	2018 HK$'000 (restated)	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Revenue	3,755,581	4,243,167	4,619,412	4,535,657	**6,294,827**
Gross profit	517,708	486,073	544,064	488,460	**676,854**
Profit before tax	279,003	252,208	276,913	256,292	**395,973**
Income tax expense, net	127,085	73,519	109,173	73,432	**112,066**
Profit for the year	151,918	178,689	167,740	182,860	**283,907**
Profit/(loss) for the year attributable to:					
Owners of the Company	161,714	182,780	175,560	194,344	**291,976**
Non-controlling interests	(9,796)	(4,091)	(7,820)	(11,484)	**(8,069)**
Basic earnings per share (HK cents)	7.50	8.48	8.14	9.02	**13.55**
Diluted earnings per share (HK cents)	7.50	8.48	8.14	9.02	**13.55**

CONSOLIDATED NET ASSETS

	For the year ended 31 December				
	2017 HK$'000 (restated)	2018 HK$'000 (restated)	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Non-current assets	2,220,230	2,315,494	2,461,154	2,545,414	**2,621,072**
Current assets	4,217,327	4,423,704	4,592,840	4,843,484	**6,188,557**
Current liabilities	3,793,060	4,069,372	4,748,706	4,646,686	**5,921,165**
Non-current liabilities	1,039,040	1,701,270	1,246,775	1,417,336	**1,303,406**
Net assets	1,605,457	968,556	1,058,513	1,324,876	**1,585,058**

中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code: 00830