中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 03311

Exercise Caution in Details and Implementation

Build a Strong Foundation to Seek Greater Success

Annual Report 2019

Vision

The Group is dedicated to its core value of

Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success.

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

Contents

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

MAINLAND CHINA

- Infrastructure Investment (PPP* and other models)
- Operation of Infrastructure Assets
- General Contracting and Prefabricated Construction
- Other Construction Related Business

HONG KONG

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

MACAU

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

OTHERS

- Curtain Wall System**
- Operation Management Business**

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

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

Board of Directors and Committees

Board of Directors

Chairman and Non-executive Director
Yan Jianguo

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

Independent Non-executive Directors
Adrian David Li Man Kiu
Raymond Leung Hai Ming
Lee Shing See

Committees

Audit Committee
Lee Shing See *(Chairman)*
Adrian David Li Man Kiu
Raymond Leung Hai Ming

Remuneration Committee
Adrian David Li Man Kiu *(Chairman)*
Raymond Leung Hai Ming
Lee Shing See

Nomination Committee
Lee Shing See *(Chairman)*
Adrian David Li Man Kiu
Raymond Leung Hai Ming

Corporate Information

Authorised Representatives

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

Company Secretary

Ko Hiu Fung

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Mayer Brown

Principal Bankers

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

Listing Information

Shares

Hong Kong Stock Exchange: 03311

Guaranteed Notes (CSCFIN II N2211)

Hong Kong Stock Exchange: 05037
US$550,000,000 3.375% Guaranteed Notes due 2022 issued by China State Construction Finance (Cayman) II Limited

Guaranteed Notes (CSCFIN II N2711)

Hong Kong Stock Exchange: 05038
US$250,000,000 3.875% Guaranteed Notes due 2027 issued by China State Construction Finance (Cayman) II Limited

Senior Guaranteed Perpetual Capital Securities (CSC FIN SGPS)

Hong Kong Stock Exchange: 05462
US$500,000,000 6.0% Senior Guaranteed Perpetual Capital Securities issued by China State Construction Finance (Cayman) I Limited

Subordinated Guaranteed Perpetual Capital Securities (CSCFIN III SGPS)

Hong Kong Stock Exchange: 40083
US$500,000,000 4.0% Subordinated Guaranteed Perpetual Capital Securities issued by China State Construction Finance (Cayman) III Limited

Website

www.csci.com.hk

Financial Calendar

Closure of Register of Members — Annual General Meeting
5 June 2020 to 10 June 2020 (both days inclusive)

Annual General Meeting
10 June 2020

Closure of Register of Members — Final Dividend
17 June 2020

Payment of Proposed Final Dividend
3 July 2020

Financial Highlights

	For the year ended 31 December (Note a)				
	2015 (restated)	2016	2017	2018	**2019**
Results (HK$'000)					
Revenue	38,001,876	46,207,508	50,152,524	55,626,304	**61,669,678**
EBITDA (Note b)	6,103,727	7,061,232	8,223,304	8,369,258	**10,044,381**
Profit attributable to owners of the Company	4,524,126	5,130,066	5,490,091	4,500,148	**5,413,208**
Financial Ratios					
Net margin (%)	11.9	11.1	11.0	8.1	**8.8**
Current ratio (times)	1.02	1.01	1.07	1.12	**1.06**
Financial Information Per share					
Earnings (HK cents) (Note c)	112.37	119.51	118.85	89.13	**107.21**
Dividend (HK cents)	33.00	33.00	35.00	27.00	**32.00**
Net assets (HK$)	5.74	5.72	7.62	8.53	**10.08**
Other Information					
Value of incomplete contracts at 31 December (HK$ billion)	127.06	153.89	188.01	236.56	**227.07**

Notes:

(a) The figures 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe Global Limited and its subsidiaries and changes of measurement of investment properties.

(b) EBITDA represents Profit before Tax, Finance costs, Depreciation and Amortisation charged to the Income Statement during the year.

(c) The weighted average number of ordinary share used in the calculation of earnings per share for the year ended 31 December 2017 has accounted for the bonus element of the rights issue which was completed on 12 October 2017. The earnings per share for the corresponding year of 2016 have been retrospectively adjusted to reflect the bonus element of the rights issue.

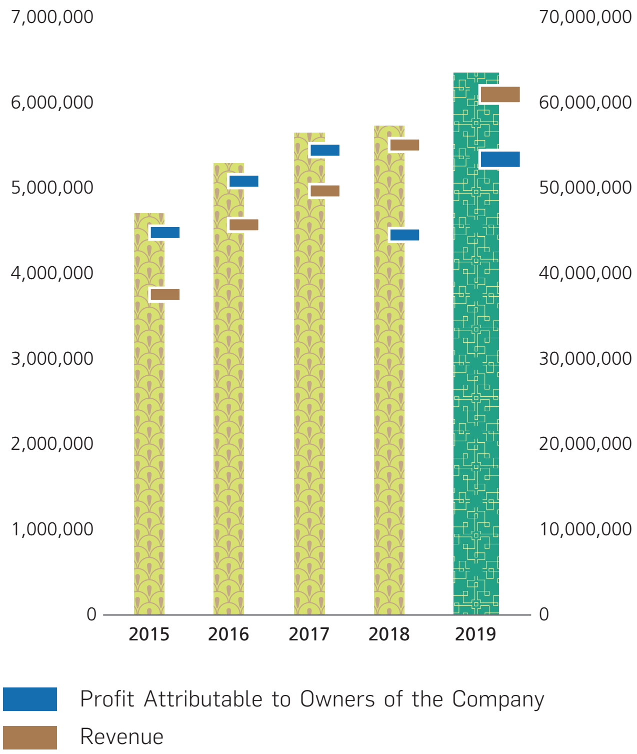
Results

Profit Attributable to Owners of the Company

(HK$'000)

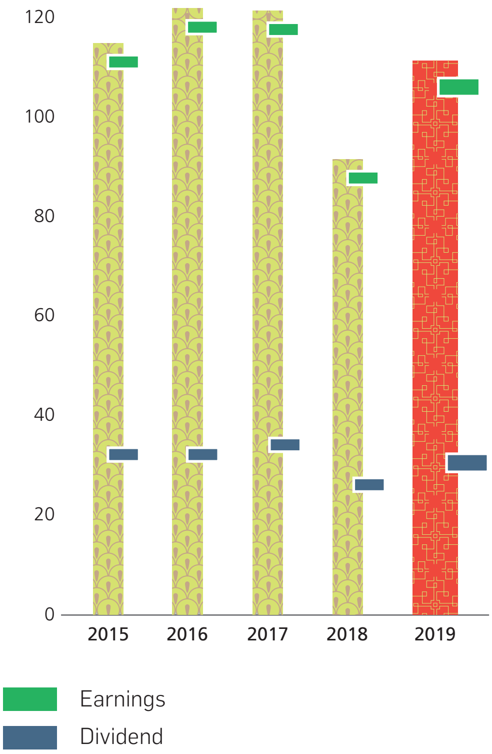
Revenue

(HK$'000)



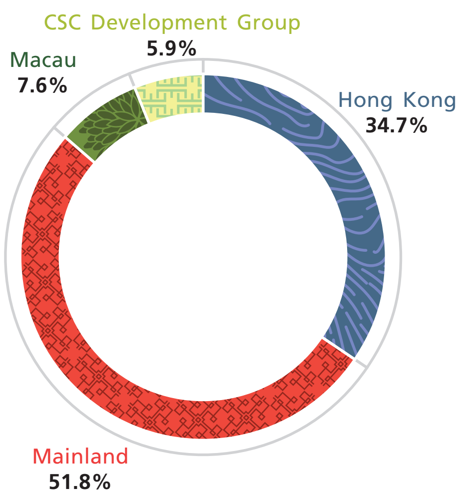
Financial Information Per Share

(HK cents)



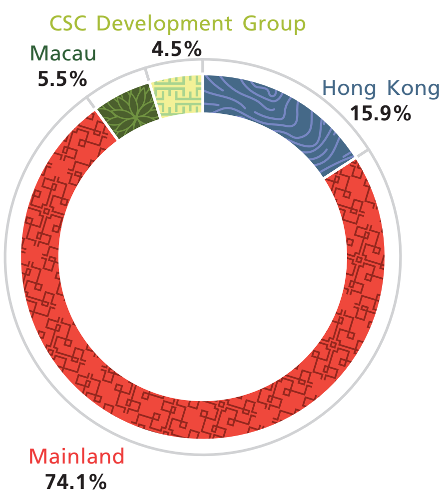
Breakdown of Segment Revenue

for the year ended 31 December 2019



Breakdown of Segment Results*

for the year ended 31 December 2019



* Excluding loss of Overseas Segment

Major Events of the Year 2019

JANUARY

Inauguration ceremony for the Central-Wan Chai Bypass Project in Hong Kong

The inauguration ceremony for the Central-Wan Chai Bypass Project was held on the morning of 19 January 2019. CSCHK has successfully completed the project, which further improves the transportation network of Hong Kong and contributes in a significant way as a milestone to the continued development of Hong Kong.

FEBRUARY

Foreign institutional investors participated in a study tour to our branch in Sichuan

On 27 February 2019, Chen Yan, the general manager of China International Capital Corporation Hong Kong Securities Limited, led a delegation that consisted of 13 U.S. and Singapore investors, including ASHLER, DUQUESNE and TENG YUE, to visit, research and study our Sichuan branch.

APRIL

The ground-breaking ceremony of the academic building of Gan Tuan (Mei E) Primary School (幹團(美娥)小學) built by China Overseas Holdings was held

On 2 April 2019, Mr. Zhang Haipeng, our CEO participated in the ground-breaking ceremony of Mei E Primary School in Congjiang, Guizhou, and accompanied the Macau delegation in their visit, research and study.

MARCH

CSC Macau was awarded the Good Citizen Award in Macau for the second time

On 10 March 2019, CSC Macau was awarded the Good Citizen Award by the Public Security Police Force of Macau for the second time since 2017. After Typhoon Mangkhut, CSC Macau provided construction machineries and vehicles to the SAR government on its own initiative, which allowed for fast and smooth removal of obstacles. The Good Citizen Award aims to express gratitude to and respect for the hard work and dedication of CSC Macau.

Major Events of the Year 2019 (continued)

MAY

Successful tender of the construction of Hong Kong Palace Museum

CSCI has successfully won the tender for the construction of Hong Kong Palace Museum with a contract value of value of approximately HK$2.2 billion. The site area and gross floor area of the project are approximately 17,000 square metres and 43,000 square metres, respectively. The construction of Hong Kong Palace Museum will be a high standard demonstration project that demonstrates the world-class corporate technology and management innovation of China Overseas Group and CSCEC and a signature project of the high standard construction business of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area!

JUNE

China State Environmental Protection Day 2019 was successfully held

We have held the "China State Environmental Protection Day 2019" in June. The activity was held in response to the "World Environment Day" and the 40th anniversary of China Overseas Group, so as to enhance its staff members' awareness on environmental protection and fulfil its corporate social responsibilities. It organized 41 employees from the Company's office and construction sites to visit the "waste-to-energy" sludge treatment facility in T • PARK.

AUGUST

Selected as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index" for five consecutive years

On 19 August 2019, CSCI is pleased to announce that Hang Seng Indexes Company Limited has confirmed that the Company was selected as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index" for five consecutive years.

JULY

CSCIICL was awarded the "2018 Outstanding Contribution Award for Foreign Investment Enterprises in Shenzhen" (深圳市2018年度外商投資企業突出貢獻獎)

On 12 July 2019, the 2019 Marketing and Investment Conference of Shenzhen was held in Shenzhen, and CSCIICL was awarded the "2018 Outstanding Contribution Award for Foreign Investment Enterprises in Shenzhen".

Major Events of the Year 2019 (continued)

OCTOBER

"Inclusive Artists" Activity (「共融藝術家」活動)

On 26 October, "CSC Development x Family" (「中國建築興業 x 親切」) co-organised the "Inclusive Artists" activity, with 15 students from the Tung Wah Group of Hospitals Tsui Tsin Tong School and 15 volunteers from "830 Volunteers" (830義工).

SEPTEMBER

3801 Site was awarded Contractors Safety Project Team Award — Champion from Lighthouse Club Hong Kong

On 20 September 2019, the Lighthouse Club held the 25th Contractor Safety Awards at City Hall Maxim's Palace. Our construction project of APM and BHS Tunnel on Existing Airport Island has enhanced its safety culture by strengthening the cooperation and trust with frontline employees, making excellent contribution to protecting employees and promoting safe working habits, and was awarded the Safe Project Team Award — Champion.

OCTOBER

CSCI was awarded the highest credit rating by the rating agency in Mainland China

On 14 October 2019, CSCI was pleased to note that China Chengxin Securities Rating Co., Ltd. (applicable to the stock exchanges and other markets) and China Chengxin International Credit Rating Co., Ltd. (applicable to the inter-bank market and other markets) under the credit rating agency, China Chengxin, in Mainland China rated the Company's corporate credit rating as the highest "AAA" rating with a "stable" outlook.

NOVEMBER

3311 Science and Technology Work Conference (科技工作會) was held in Shenzhen

On 4–5 November 2019, the technology work conference of the China State Construction International Holdings was held in Shenzhen, with the theme "To arrange the "13th Five-Year" technology work, share the experience of technology work, map out the technology work for the last year of the "13th Five-Year", and create a new era of technology innovation and development for China State Construction International Holdings.

The Completion Ceremony of the first section of Zheng'an-Xishui Expressway in Guizhou Province and the Taoshuya Tunnel

On 13 November 2019, Mr. Zhang Haipeng, our CEO attended the Overcoming Difficulties Declaration Ceremony cum Completion Ceremony of the first section of 90km Zheng'an-Xishui Expressway in Guizhou Province and the Taoshuya Tunnel (貴州正習高速公路攻堅克難誓師大會暨90公里之首段工程和桃子埡隧道建成儀式) in Zunyi.

NOVEMBER

DECEMBER

CSC Macau Hengqin project's initial pilot Macau engineering model

On 19 December, CSC Macau obtained the project of "Approval for Macau Construction and Related Engineering Consulting Enterprises" (《澳門建築及相關工程諮詢企業備案認可書》) in Hengqin New Area.

Corporate Citizenship logo

On 27 December, CSC Development was awarded the "Hong Kong Corporate Citizenship Program" — "Corporate Citizenship" logo by the Hong Kong Productivity Council.

Chairman's Statement

In the year, the Group secured 96 new contracts with attributable contract value of approximately

110.62
HK$ billion

Mr. Yan Jianguo
Chairman and Non-executive Director

Chairman's Statement

Driven by Transformation, Upgrades and Innovation

Review of Operation

In 2019, movements towards unilateralism and protectionism can be seen in large economies such as the United States. As international trade is in a weak state, there is a global slowdown in economic development, giving rise to an increased level of risks. Negative factors such as intensified trade conflicts and geopolitical tension have led to a general slowdown of major economies. Central banks have gradually adjusted their monetary policies. Fluctuations in capital markets have become more exacerbated and the recovery of global economy has become more difficult and challenging.

In 2019, there was an overall trend of steady improvement in China's economy. Its resilience of growth could be seen from the annual growth of 6.1% and the fact that the GDP was approaching RMB100 trillion. On the other hand, with a contraction of 0.5% in the second quarter of 2019 and a further drop of 3.2% in the third quarter, Hong Kong's economy has shown signs of technical recession, which is the first slump after the financial tsunami in 2008. Economy of Macau also experienced a slowdown after a ten-consecutive-quarter growth. Achievements have been made in economic diversification, but there is still a long way to go for the transformation of Macau's economic structure.

Facing the complex external environment, the Group has managed to formulate a strategy to balance its scale of growth, leverage and cash flow and proactively adjust its business structure. For example, measures have been in place to lower the contribution of orders obtained from long term projects in mainland China, while compliant infrastructure projects with fast turnover and high return have been actively obtained. Also, more efforts are allocated to expand the markets in Hong Kong and Macau so that both places can serve as a stabilizer for the entire Group. The annual operational plan of the Group has been implemented satisfactorily and the quality of development has been enhanced.

For the year ended 31 December 2019, the revenue of the Group amounted to HK$61.67 billion, with an operational profit of HK$8.96 billion. The profit attributable to the shareholders increased by 20.3% to HK$5.41 billion, representing net profit ratio of 8.8%, basic earnings per share of HK107.21 cents and net asset value per share of HK$10.08. The Board recommended the distribution of final dividend of HK16.00 cents per share for the year of 2019. The total dividend distributed throughout the year amounted to HK32.00 cents, representing a year-on-year growth of 18.5%.

Mainland China Market

In 2019, central ministries and commissions emphasized to maintain bottom-line thinking, structural deleveraging and reduction of hidden debts incurred by local governments. Meanwhile, special bonds were released by local governments as a means of appropriate support. Against this backdrop, infrastructure investment growth still remained relatively low, although the rate of growth had risen compared with the second half of 2018. During the year, central ministries and commissions issued policies to strengthen the supervision over public-private partnership ("PPP") projects, further regulated government purchase of services, and made more detailed restrictions on capital expenditure and repayment sources of local government infrastructure investment. Under this more stringent policy framework, local governments actively explored various new infrastructure investment models other than PPP. Based on the strategy of balance between scale growth, leverage and cash flow, the Group reduced the proportion of orders for long term projects, strengthened business model innovation, and actively acquired infrastructure projects with a shorter cycle, faster turnover and higher return. The new contracts signed in the Mainland China amounted to HK$55.43 billion, with a slight reduction from the previous years' scale, while the structure of contracts was significantly optimized and the project cycle was relatively shortened, which achieved the target of structural adjustment.

Hong Kong and Macau Markets

Under the downward pressure of economy, in Policy Address 2019, the Chief Executive of Hong Kong proposed Lands Resumption Ordinance to resume three types of private land for developing public housing and starter homes, and further proposed measures such as planning and design for railway extension of Tung Chung, Tuen Mun (South), and the Northern Link. These plans brought considerable opportunities for the construction market in Hong Kong. With the overall market competition intensifying, the Group fully utilized its competitive advantages and brand value, seized market opportunities and achieved new breakthroughs in Hong Kong. The new contracts signed in Hong Kong amounted to HK$38.13 billion in the year, representing a significant growth of 44.9% as compared with that of the previous year.

The economy of Macau took a step backward following years of growth. In order to expand domestic demand, the Macau Government gradually launched more projects. The Group captured the opportunity and achieved a total value of contracts newly signed in Macau amounted to HK$12.01 billion, representing a significant growth of 69.2% as compared with that of the previous year.

Curtain Wall Market

Several large-scale commercial and residential projects were launched in the market of curtain wall in Hong Kong and Macau over the year. China State Construction Development Holdings Limited ("CSC Development"), as a subsidiary of the Group, solidified its leading position in the market of Hong Kong and Macau. At the same time, the expansion in the mainland market was successful, deepening efforts in the Greater Bay Area and further expanding other regional markets. The newly signed contracts amounted to HK$5.05 billion for the year.

Corporate Governance

Through a clear corporate governance structure, the Group kept enhancing Board functions and internal control, improving the competitiveness and risk-control capacities, thereby supporting the business development. During the year, the Group continued to optimize its decision-making and implementation mechanism, and further improved the governance structure of headquarters and other business units. Reviews and revisions were made upon internal rules, while a number of internal control reports and management information system were strengthened and refined. As a result, the Group's efficiency in internal control was well-improved.

The optimization of governance structure significantly improved the management and operation efficiency of the Group. The decisions to adjust business structure made at the beginning of the year based on judgment of each market were fully implemented, ensuring the completion of operational objectives.

Risk Management

The Board is responsible for setting overall business strategy and objectives of the Company. It assesses and determines the nature and extent of risks, which it is willing to take in achieving strategic objectives, and ensures that the Group establishes and maintains appropriate and effective risk management and internal control system. Under the supervision of the Board, the management of the Group is responsible for designing, implementing and monitoring the risk management and internal control system so that sufficient control measures can be adopted to safeguard the Group's assets and the interests of stakeholders.

To constantly identify risks and strengthen risk management of the Company, and establish a risk awareness and control culture, the Group set up a Risk Management Control Committee mainly in response to strategic risks, financial risks, market risks and operational risks. Special and periodic reports from each department shall be submitted to the Committee for review. During the year, the Group further refined project risk classification work, comprehensively improving the level of risk prevention and control.

Financial Management

During the year, the Group's business operations and capital operations continued to develop effectively and synergistically, leading to achievements in financial stability. The Group's international credit rating remained high, and newly obtained the highest AAA rating from both China Chengxin International Credit Rating (CCXI) and United Ratings, establishing a solid foundation for expansion into the capital market in mainland China. Besides, the Group kept on making progress in financial innovation. After completing the first ever US$500 million asset securitization transaction in March 2019, the Group successfully issued US$500 million subordinated guaranteed perpetual capital securities in December 2019.

Following the operational objectives, the Group steadily controlled leverage and strengthened cash flow. The operating cash collected from infrastructure investment projects in mainland China amounted to HK$11.8 billion for the year, representing a growth of 6.5% as compared with the year of 2018. As at the end of the year, the cash in hand amounted to HK$22.62 billion, accounting for 14.0% of total assets. The net gearing ratio was controlled at 45.1%, decreasing 8.6% percentage points as at the end of the previous year. As at the end of the year, the committed but unutilized credit facilities of the Group was HK$50.08 billion, representing an increase of 79.4% as compared with that of the end of the previous year and securing the liquidity of the Group.

Human Resources

The Group endeavours to establish and maintain a diversified, inclusive and non-discriminatory working environment, providing equal opportunities for its current and future employees. Meanwhile, the protection of employees' rights and interests is also highly concerned. The Group attaches great importance to capacity development of its employees. Through annual training plan, internal standard courses and external courses, the Group strengthened the professional knowledge of employees and stimulated their working enthusiasm, thereby improving their work performance and creating higher value. During the year, with the goal of refining the human resources training system and improving training efficiency, the Group designed and carried out a series of diversified and targeted training courses, ensuring that all employees receive appropriate training. The Group also continuously optimized its human resources policies, improved the assessment and incentive system, and completed the pilot implementation and first selection works of professional manager system in December 2019.

Technological innovation

The Group values technological innovation and has established a system for its management. Specifically, an organizational structure for technological work was settled and a system for managing innovative work was established. Furthermore, the Group held a conference on technological work, summarized the core technical system, and promoted the application of technological achievements. In particular, the combination of technological innovation with green construction, intelligent construction and industrialized construction will enhance the Group's core competitiveness. During the year, a total of 17 national invention patents and 27 utility model patents were approved, of which 13 were approved in Hong Kong. All these patents were technological equipment innovation achievements, bringing breakthroughs in intellectual property management.

Social Responsibility

At the same time of business development, the Group also integrates sustainable development concepts such as integrity management, people-orientation, social care and environmental protection into its daily operation. The sustainable development committee operated efficiently and released the Group's sustainable development policies and guidelines within the year, which had become a key consideration for business decision-making and operation. The Group also set up a series of non-financial performance evaluation indicators, such as safety and environmental protection, anti-corruption, etc., and established supporting management mechanism to ensure the effective implementation of sustainable development policies.

The Group was selected as a constituent of FTSE4Good Index for three consecutive years, a constituent of Hang Seng Corporate Sustainability Benchmark Index for five consecutive years, and "B" rating in MSCI Global Sustainability Index Series for five consecutive years (the highest rating of the construction industry in Asia). The Group's 2018 Sustainability Report was awarded "CarbonCare ESG Label" by Carbon Care Asia for four consecutive years, with the highest ranking of Level 3 for two consecutive years.

Chairman's Statement (continued)

Business Prospects

The year 2020 marks the end of the 13th five-year plan. The Group will continue its comprehensive deepening of reform and high-quality development, and keep on creating value for shareholders. Although the Group's main business market is facing challenges due to the prevalence of COVID-19 and other factors, the Group is confident in its competitive advantage, execution ability, and capacity to move forward steadily in a volatile market environment.

Business in Mainland China

We will continue to improve our investment management system, and refine the investment research and project management. Based on the investment map, we will establish a standardized evaluation system for each of the regional markets and different types of investment projects. Our scientific investment model will be guided by the investment map, and we will make full use of it as a reference for evaluating investments specifically and objectively. Apart from investment-driven projects, we will also actively obtain projects through various channels such as technology-and-management-driven, and brother-company-cooperation-driven.

With the goal of improving the profitability of assets, we will accelerate the construction of the operation management system, realizing self-circulation and self-balance of the Group's capital. Besides, in order to optimize the allocation of operation assets, we will strive to open up channels for acquisition and transfer of operation assets, looking for opportunities to boost revenue and profits through asset trading. For financing, we will reasonably arrange the scale of all kinds of industrial chain financing, rejuvenate assets in hand, accelerate asset turnover and relieve funding pressure. For project implementation, we will focus on project quality and progress management, safety control, as well as fund recovery management.

Business in Hong Kong and Macau

We will continue to strengthen the leading position in Hong Kong and Macau's construction market, actively exploring markets and obtaining contracts in both public and private sectors. Large-scale construction projects such as public housing, hospitals and airports will be our main focus. Also, we will seek opportunities in investment-driven contracting and old buildings reconstruction. On the other hand, we will keep up with the policy and market trend, actively integrating into the construction of Greater Bay area. By utilizing advantages in technology, management, quality and brand in Hong Kong and Macau, we will promote the pilot application of Hong Kong and Macau engineering model in mainland China, and use our differentiated advantages to obtain high-quality projects.

CSC Development

In respect of curtain wall business in Hong Kong and Macau, the Group will continue to expand markets with its good market reputation, brand influence as well as quality advantages. In the mainland, we will take prioritized efficiency and moderate scale as our development strategy with focus on quality owners in South China, East China, North China and southwest markets to obtain high end projects. In North America, we will accelerate team building, strengthen project management, and establish overseas supply chain. In order to better centralize resources and create benefits, large-scale projects and quality owners will be preferred.

While cultivating the existing market, the Group will also actively respond to the Belt and Road Initiative. By virtue of talents, experience and linguistic advantage in Hong Kong and Macau, we will evaluate overseas business in a steady and orderly manner. Besides, in-depth research on policies and regulations in English and Portuguese speaking regions will be conducted, focusing on talent nurturing and localized management. Meanwhile, the Group will also strengthen coordination with other companies within China State Construction in striving to contribute more in the future.

In 2019, the Group established the strategic goal of "becoming the top investment, construction and operation group through differentiated advantages". After clarifying the core competitive advantage of "technology, capital, and solidarity within COHL", we have planned a strategic path of "differentiation in investment, construction and operation". Looking forward to the year 2020, the Group will adhere to the principle of "customer-oriented", "result-oriented", "achiever-oriented", and "sustainability-oriented", striving to becoming a world-class enterprise.

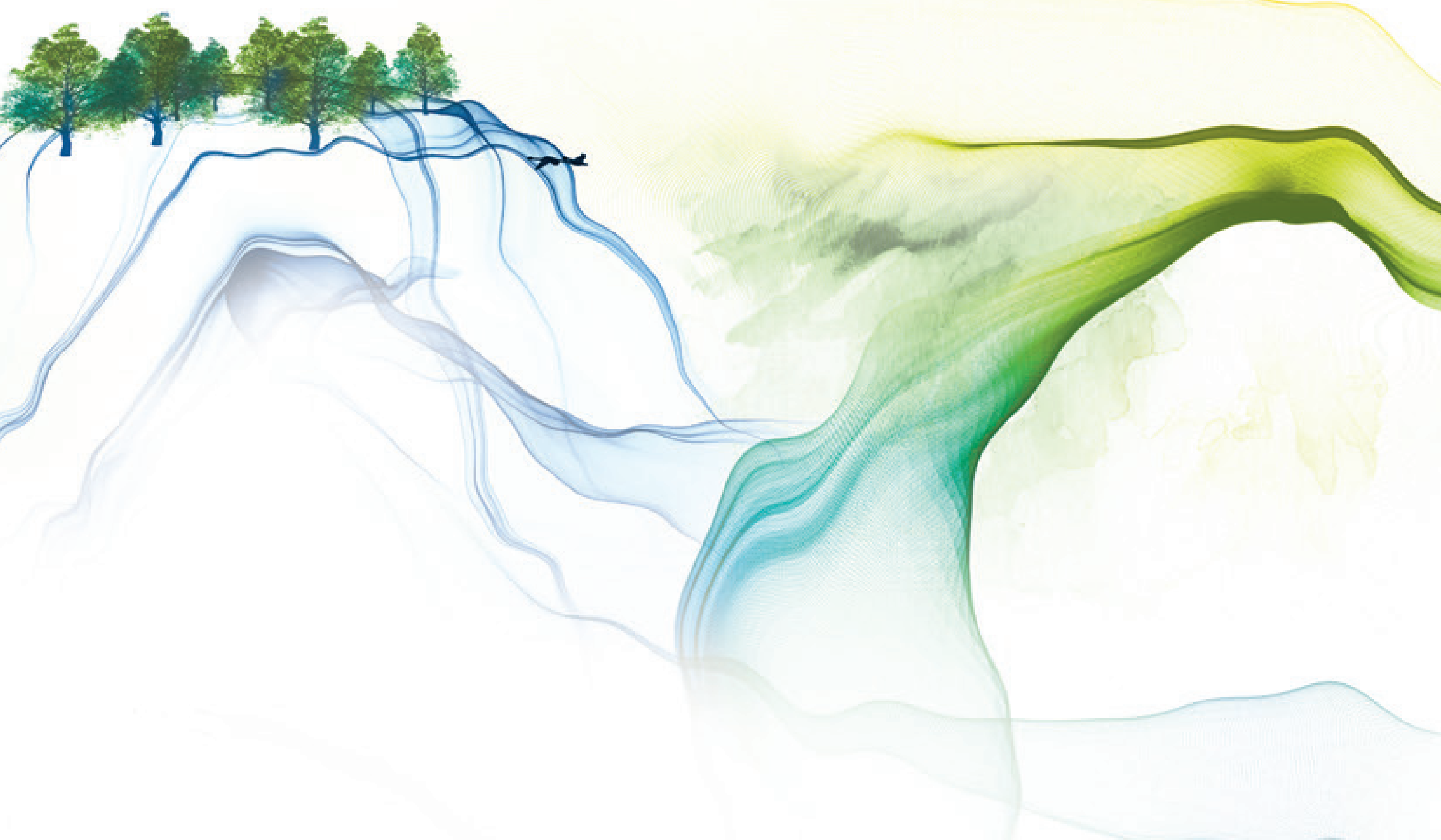
Acknowledgement

I would like to express my profound gratitude to the Board for its brilliant leadership, to the shareholders for their strong supports, to other members of the community for their generous assistances, and to our staff for their hard works and dedications.

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

Hong Kong, 25 March 2020

Management Discussion and Analysis



Profit attributable to owners of the Company was

HK$5,413 million,

represents a year-on-year increase of 20.3%.

Overall performance

Driven by the growth of Hong Kong segment, the Group recorded revenue and gross profit of HK$61,670 million and HK$9,236 million, representing 10.9% and 6.2% growth respectively. Basic earnings per share was HK107.21 cents, representing an increase of 20.3% as compared with last year. With a proposed final dividend per share of HK16.00 cents, an interim dividend per share of HK16.00 cents per share paid in the year, the total dividends for the year amount to HK32.00 cents per share, representing an increase of 18.5% as compared to last year.

During the year, Hong Kong, Macau and Mainland China remained the core markets and the major contributors of the Group. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and has maintained its leading position in the field. In Mainland China, the Group focused on construction and related investment businesses. China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited) and its subsidiaries (together, the "CSC Development Group") mainly focused on curtain wall business and other new business in Hong Kong, Macau and North America. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.

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

Hong Kong and Macau

Construction and Related business

The Group continued to maintain its leading position in Hong Kong and Macau's construction market, and continued to provide stable cash flow. Against the increased market competition in Hong Kong, the Group makes full use of its competitive advantages and brand value of the professional sector to continuously achieve new breakthroughs in public projects including hospitals, and actively participated in the private housing work. Revenue derived from Hong Kong segment recorded new high to HK$21,421 million (2018: HK$14,875 million), up by about 44.0%, segment result amounted to HK$1,353 million (2018: HK$1,171 million), up by about 15.5%. Macau's general market environment improved, but given the smaller market capacity, the revenue of the construction industry fluctuated. Marcu reported revenue of HK$4,694 million (2018: HK$7,025 million) for the year, dropped by about 33.2%, segment result amounted to HK$473 million (2018: HK$736 million), dropped by about 35.8%. The decrease was mainly attributable to the completion of a mega-sized gambling construction project in Macau in 2018. As the contract value of such gambling construction project is relatively high and there was no construction project with similar contract value in 2019, the revenue and result of Macau in 2019 fluctuated.

Mainland China

Infrastructure Investment Projects and Construction Related Business

In the first half of 2019, central ministries and commissions issued several policies and regulations to further strengthen the supervision of Public-Private-Partnership ("PPP") projects, reduce the scale of shantytown redevelopment plan and strengthen the regulation of government investment, with clear limits on capital expenses, repayment resources, etc.

The Group strengthened the implementation of on hand project, and aimed for fast turnover and high yield project while identifying new projects. With the ample order book, this segment recorded stable revenue of HK$31,936 million (2018: HK$30,621 million) and result of HK$6,307 million (2018: HK$5,999 million), representing a growth of 4.3% and 5.1% year-on-year respectively.

(1) Infrastructure Investment Projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and school. We participated in these infrastructure projects by way of PPP models. During the year, the Group increased efforts on cash return and received buy-back payment of HK$11,797 million from infrastructure investment project, including the attributable share of such payment received by our joint venture investments.

Infrastructure Investment Projects remained the core business and the major contributor of Mainland China. Revenue and result were up 5.7% and 2.5% over last year to HK$30,989 million and HK$6,027 million respectively.

(2) Operation of Infrastructure Projects

During the year, the Group transferred Shenyang Huanggu Thermoelectric Plant Limited ("Shenyang Huanggu") to CSC Development Group, the result of Shenyang Huanggu for the year was recorded under CSC Development Group without restating the segment result for the last corresponding year. As the result for the two years were determined by different grouping, certain information may not be directly comparable. The revenue from operating infrastructure projects representing toll road, excluding contribution from joint venture, was HK$166 million.

(3) Construction related business

The Group continued focus on infrastructure investment projects, less resources was allocated to other construction related business and recorded HK$780 million revenue for the year, represent a growth of 69.6%. The growth was mainly from the increase in contribution from prefabricated construction industrialization factories.

China State Construction Development Holdings Limited

CSC Development Group focused on the façade contracting business, general contracting business, project operation and management service business. During the year, the Group transferred Shenyang Huanggu and its investment in two toll bridges in Nan Chang to CSC Development Group, the result of Shenyang Huanggu and the bridges for the year was recorded under CSC Development Group without restating the segment result for the last corresponding year. As the result for the two years were determined by different grouping, certain information may not be directly comparable. CSC Development Group recorded revenue and result of HK$3,619 million and HK$384 million respectively.

Investment Income, Other Income and Other Gains, net

Investment Income, Other Income and Other Gains was HK$637 million, as contrasted with the net loss of HK$360 million in last year. Excluding impairment losses of HK$817 million made in last year, an increase of HK$180 million is recorded, the increase was contributed by the increase in interest income, given higher cash on hand.

Share of Profits of associates

The Group continued to drive the contracting business by its investment in associates and recorded share of profits amounting HK$920 million, up about 1.7 times over last year, which was mainly attributable to the gain from the equity investment of the Group on a residential project in Macau.

Share of Profits of Joint Ventures

The Group mainly operates toll bridge and infrastructure investment projects in form of joint ventures. The share of profits of joint ventures amounting HK$453 million as compared to HK$705 million for last year.

Finance Costs

During the year, the finance costs charged to profit for the year increased by 27.9% to HK$2,279 million (2018: HK$1,782 million). The increase was mainly due to the increase of borrowings for investment purpose during the year.

Earnings Per Share

Basic earnings per share increased by 20.3% to HK107.21 cents for the year ended 31 December 2019. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$5,413 million and on the weighted average number of 5,049,157,000 ordinary shares in issue during year.

CORPORATE FINANCE

Financial Position of the Group

(a) Shareholder's Equity

During the year, the Group issued US$500 million guaranteed perpetual capital securities, raised an approximately HK$3,877 million, net of expenses.

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK$50,908 million as at 31 December 2019 (2018: HK$43,078 million). The increase was mainly attributable to the profit for the year of HK$5,413 million, the US$500 million guaranteed perpetual capital securities issued during the year, partly offset by the HK$357 million increase in translation reserve (loss) due to the depreciation of RMB.

(b) Bank Balances and Cash

At 31 December 2019, the Group had bank balances and cash of HK$22,624 million (2018: HK$17,926 million), representing 14.0% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	2019 **%**	2018 %
Hong Kong Dollars	23	29
Renminbi	43	50
Macao Patacas	12	12
United State Dollars	21	8
Others	1	1

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

(c) Borrowings

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

During the year, the Group has net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of approximately HK$4,971 million.

At 31 December 2019, the total borrowings of the Group (including the guaranteed notes denominated in US dollars issued by the Group November 2017) were HK$45,605 million of which, approximately 18%, 14% and 67% were denominated in Hong Kong dollars, US dollars and Renminbi respectively. Bank borrowings were bearing interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate ("HIBOR") or People's Bank of China ("PBOC") reference rate (overall the condition is favorable) while the Notes bear fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2019 and 2018:

	2019 **HK$' million**	2018 HK$' million
Bank and other borrowings		
On demand or within one year	10,041	2,796
More than one year but not exceeding two years	5,071	12,073
More than two years but not more than five years	13,554	13,336
More than five years	10,723	6,625
Total bank and other borrowings	39,389	34,830
Unsecured guaranteed notes payable	6,216	6,211
Total borrowings	45,605	41,041

At 31 December 2019, the Group had net borrowings of HK$22,981 million (2018: HK$23,115 million) and improved its net gearing ratio to 45.1% (2018: 53.7%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2019, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK$50,083 million.

(d) Cash Flows Analysis

As more infrastructure project are operated in PPP model, the buy-back period of PPP project is comparatively longer than that of traditional Build-transfer model, the net cash used in operating activities for the year was HK$2,704 million (2018: HK$1,925 million), included the net expenditure for infrastructure project amounting HK$3,013 million (2018: HK$4,475 million). The net cash outflow in investing activities was HK$3,090 million (2018: HK$6,954 million), and the net cash inflow from financing activities was HK$10,507 million (2018: HK$9,581 million).

Management Policies for Financial Risk

1. Interest Rate Risk

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

2. Credit Risk

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

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

3. Foreign Exchange Risk

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

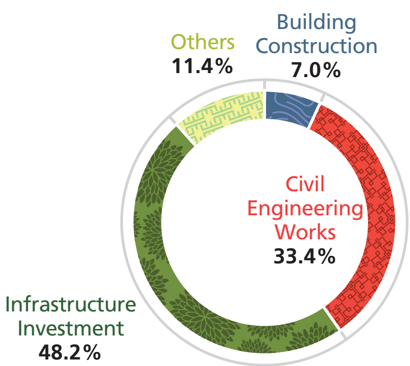
Business Review

At the end of 2019, the Group has 248 projects in progress with an aggregated attributable contract value of 396.57 HK$billion.

Major Completed Projects in 2019

No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
	Building Construction			
1	Main Contract Works for Redevelopment of University Heights at No. 42–44 Kotewall Road			•
2	Main Contract for Proposed Composite Development at No. 450–456G, Queen's Road West			•
3	Road Traffic and Waiting Area Improvement Project of Underground Public Passenger Terminal, Barrier Gate Plaza	•		
	Civil Engineering Works			
1	Phase Two of Infrastructure Project in the south of Hong Kong's Port of Hong Kong-Zhuhai-Macao Bridge	•		
2	Advance Works of Northern Commercial District in Hong Kong International Airport		•	
3	Expansion of Tai Po Water Treatment Works and Water Transfer Facilities	•		
4	Three Runway System Project — Deep Cement Mixing Works (Package 1)		•	
	Infrastructure Investment			
1	Infrastructure Investment Projects, Zhengzhou, Henan Province	•		
2	Wuhan Yangtze River Avenue	•		
3	Investment and Construction Project of Industrial Park, Western District of Tianfu New District, Chengdu, Sichuan Province	•		
4	China State Construction Industrial Park Project (Zone A, B), Hefei, Anhui Province	•		
5	Investment and Construction Project of Relocation housing, New District Garden, Huaian, Jiangsu Province	•		
6	Resettlement Project of Changgang Primary School, Airport Zone and Water Source Protection Zone (Section 2), Hefei, Anhui Province	•		
7	Infrastructure PPP Project, Quanzhou, Fujian Province	•		
8	Reconstruction and Expansion Project of Huanglu Normal School, Hefei, Anhui Province	•		

By Categories



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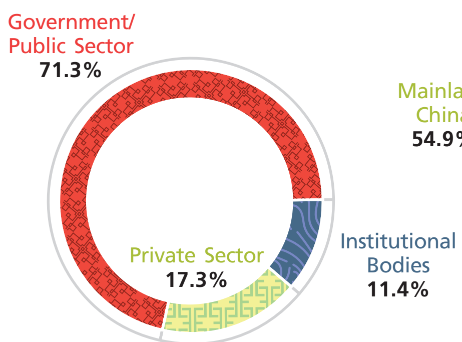

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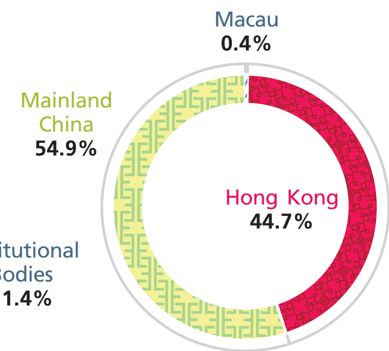
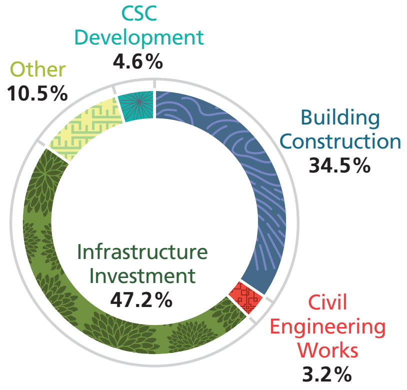


New Projects Awarded in 2019

Summary for the year

- 96 new projects awarded
- Attributable contract value for new projects awarded was HK$110.62 billion

By Categories



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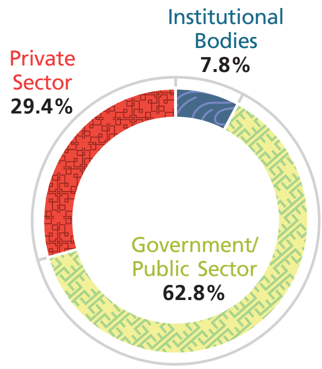

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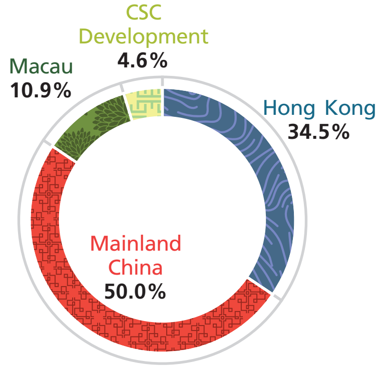


Projects in Progress in 2019

		31 December 2019	
	No.	Attributable contract value HK$'Million	Value of incompleted contract HK$'Million
Mainland China	157	263,283	157,428
Hong Kong	80	87,077	52,182
Macau	11	31,071	9,608
CSC Development		15,139	7,848
Total	**248**	**396,570**	**227,066**

Major Projects in Progress — Hong Kong & Macau

Major Projects in Progress — Hong Kong

No.	Project Name
	Building Construction
1	Construction of Redevelopment of Kwong Wah Hospital (Phase 1)
2	Residential Development at Shan Tong Road, Lai Chi Shan, Tai Po
3	Lohas Park Package 7A & B Residential and Commercial Development Project, Tseung Kwan O
4	Residential Redevelopment at 1–11 Au Pui Wan Street, Fo Tan
5	The Chinese University of Hong Kong Medical Centre
6	Construction of Hopewell Centre II Development
7	Lohas Park Package 10 Residential Development Project, Tseung Kwan O
8	Construction of Public Housing Development at Tuen Mun Area 54 Sites 3 & 4 (East)
9	Construction of The Hong Kong Palace Museum

Construction of The Hong Kong Palace Museum

Construction of Redevelopment of Kwong Wah Hospital (Phase 1)

Residential Redevelopment at 1–11 Au Pui Wan Street, Fo Tan

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

No.	Project Name
	Civil Engineering Works
1	Tseung Kwan O — Lam Tin Tunnel and Related Projects
2	APM and BHS Tunnels on Existing Airport Island
3	Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link
4	Organic Waste Treatment Facilities Phase 2
5	Hong Kong International Airport — Sky Bridge Connecting Terminal 1 with North Satellite Concourse

Hong Kong International Airport — Sky Bridge Connecting Terminal 1 with North Satellite Concourse

Tseung Kwan O — Lam Tin Tunnel and Related Projects

Organic Waste Treatment Facilities Phase 2

Major Projects in Progress — Macau

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

The Residential Development Project at C Section, John Street, Fai Chi Kei

C340B-Main Works for Barra Station, Macao LRT

Plot A03 Development Project, Service Zone of Hengqin Port, Zhuhai, Guangdong Province

Major Projects in Progress — Mainland China

Major Projects in Progress — Mainland China

No.	Project Name
	Major Infrastructure Investment Project in Progress
1	Government Targeted Repurchase Project (Plot E-25b), Lucheng District, Wenzhou, Zhejiang Province
2	Government Targeted Repurchase Project (Plot E-28a), Lucheng District, Wenzhou, Zhejiang Province
3	Government Targeted Repurchase + Commercial Housing Project, Wenzhou, Zhejiang Province
4	BT Contract of Affordable Housing Construction, Lucheng District, Wenzhou, Zhejiang Province (Phase I, II, III)
5	Relocation Housing BT Project, Pingyang, Wenzhou, Zhejiang Province
6	Shanty Town Redevelopment Project, Ouhai District, Wenzhou, Zhejiang Province
7	Zhejiang West International Centre PPP Project, Hangzhou, Zhejiang Province (Phase I)
8	Jiande Meicheng Urbanization PPP Project, Hangzhou, Zhejiang Province (Phase I)
9	Government Public Works PPP Project, Hangzhou, Zhejiang Province
10	Unit Sports Centre, Niutian, Hangzhou, Zhejiang Province
11	Wuxing District People's Hospital and Infrastructure PPP Project, Huzhou, Zhejiang Province
12	Infrastructure of High-speed Railway New Town PPP Project, Huzhou, Zhejiang Province
13	Public Housing, Industrial Plant and Infrastructure PPP Project, Huzhou, Zhejiang Province (Phase I)
14	High-speed Railway New Town Project, Huzhou, Zhejiang Province
15	Affordable Housing BT Project, Huangyan District, Taizhou, Zhejiang Province
16	Relocation Housing PPP Project, Taizhou, Zhejiang Province
17	Municipal Road PPP Project of South Extension of Laodong Road, Taizhou, Zhejiang Province
18	Government Targeted Repurchase Project, Taizhou, Zhejiang Province
19	Affordable Housing and Infrastructure Project, Jiaxing, Zhejiang Province
20	Relocation Housing BT Project in Pinghu, Jiaxing, Zhejiang Province (Phase I, II)

Infrastructure of High-speed Railway New Town PPP Project, Huzhou, Zhejiang Province

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

No.	Project Name
	Major Infrastructure Investment Project in Progress
21	Hushan Sports Park PPP Project, Jiangshan, Quzhou, Zhejiang Province
22	Building Industrialization Project of Digital Technology Industrial Park, Hefei, Anhui Province
23	Investment and Construction Project of Maternity and Child Healthcare Hospital, Hefei, Anhui Province
24	Construction Industrialization Project, Reservoir Water Conservation District, Hefei, Anhui Province
25	Investment and Construction Project of Shanty Town Redevelopment, Hefei, Anhui Province
26	CSCI Engineering Headquarter Project, Hefei, Anhui Province
27	Talent Apartment EPC Project, Hefei, Anhui Province
28	Relocation Housing Project, Hefei, Anhui Province
29	Residential Industrialization Project, Hefei, Anhui Province
30	ShantyTown Relocation Housing Project, Hefei, Anhui Province
31	Lakeside Financial New Town Startup Project (Plot A), Hefei, Anhui Province
32	Kick-off Project of Green Home Industrial New Town Project Lu'an, Anhui Province (Phase 2A)
33	Hotel Project of Green Home Industrial New Town Project Lu'an, Anhui Province (Phase II)
34	Innovation City PPP Project Chuzhou, Anhui Province (Phase I)
35	Shanty Town Relocation Project, Xuancheng, Anhui Province
36	Highway Project, Bengbu, Anhui Province
37	Underground Integrated Corridor and Other Infrastructure Investment Project, Zibo, Shandong Province
38	Investment and Construction Project of Municipal Infrastructure, Zibo, Shandong Province
39	The Infrastructure of Transportation, Hengtai Country, Zibo, Shandong Province
40	Investment and Construction Project of ShantyTown Redevelopment, Jining, Shandong Province

CSCI Engineering Headquarter Project, Hefei, Anhui Province

Lakeside Financial New Town Startup Project (Plot A), Hefei, Anhui Province

No.	Project Name
	Major Infrastructure Investment Project in Progress
41	Luyuan New Village Project, Qufu, Jining, Shandong Province
42	Affordable Housing Project in Chengyang District, Qingdao, Shandong Province
43	Public Construction and Infrastructure PPP Project, Qingdao, Shandong Province
44	Integrated Development Project Of Cultural Tourism Town, Nishan, Qufu, Shandong Province (Phase I)
45	Shanty Town Redevelopment EPC Project, Yantai, Shandong Province
46	Integrated Medical Service Centre PPP Project, Jinan, Shandong Province
47	The Airport Highway PPP Project, Shiyan, Hubei Province
48	Industrial Park for Poverty Alleviation PPP Project, Shiyan, Hubei Province
49	Industrial Park and Infrastructure PPP Project, Shiyan, Hubei Province
50	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan, Hubei Province
51	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province
52	Five Infrastructure Projects including Binjiang Avenue in Wuhan, Hubei Province
53	Science and Technology Park PPP Project, High-tech District, Xiangyang, Hubei Province (Phase 1)
54	Municipal Infrastructure Project, Huanggang, Hubei Province
55	Art Town Of Succulent Plants PPP Project, Suizhou, Hubei Province
56	Investment and Construction Project of Relocation Housing, Xuzhou, Jiangsu Province
57	Integrated Underground Tunnels PPP Project, Xuzhou, Jiangsu Province
58	Core Area of Biomedical Science and Technology Service Platform Project, Xuzhou, Jiangsu Province
59	Public Facilities and Relocation Housing PPP Project, Huaian, Jiangsu Province
60	Public Health Service Centre Project, Huaian, Jiangsu Province

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

Underground Integrated Corridor and Other Infrastructure Investment Project, Zibo, Shandong Province

Art Town Of Succulent Plants PPP Project, Suizhou, Hubei Province

No.	Project Name
	Major Infrastructure Investment Project in Progress
61	Head Office Building and Labour Apartment of High Technology Industrial Park EPC Project, Nanjing, Jiangsu Province
62	Relocation Housing and Hospital PPP Project, Zhenjiang, Jiangsu Province
63	Xinyefang Industrial Park Investment Project, Hongkou, Shanghai
64	The Hongyong Garden Relocation Housing Project, Chengdu, Sichuan Province
65	North First Line and Underground Integrated Corridor EPC General Contraction Project, Chengdu, Sichuan Province
66	Airport South Line and Underground Integrated Corridor EPC General Contracting Project, Chengdu, Sichuan Province (Phase I)
67	Municipal Road EPC General Contracting Project, Qibu District, Chengdu, Sichuan Province (Phase III)
68	Medicine, Medical and Pharmaceutical Innovation Centre of Medical City (Phase 4) Infrastructure Investment +EPC Project, Chengdu, Sichuan Province
69	Ring Road PPP Project, Dazhou, Sichuan Province (Phase Two)
70	BT Project for Rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou, Fujian Province
71	Relocation Commodity Housing Project, Fuzhou, Fujian Province
72	Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province
73	Shanty Town Redevelopment Government Procurement Services Project, Baisha, Quanzhou, Fujian Province
74	Infrastructure PPP Project, Zhangzhou, Fujian Province
75	Railway Station E-Commerce Park Project, Putian, Fujian Province (Phase I)

The Hongyong Garden Relocation Housing Project, Chengdu, Sichuan Province

Railway Station E-Commerce Park Project, Putian, Fujian Province (Phase I)

Core Area of Biomedical Science and Technology Service Platform Project, Xuzhou, Jiangsu Province

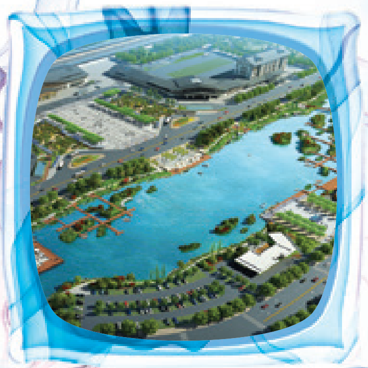
No.	Project Name
	Major Infrastructure Investment Project in Progress
76	Infrastructure PPP Project, Wangcheng New District, Nanchang, Jiangxi Province
77	Cultural Tourism Character Town Construction PPP Project, Nanchang, Jiangxi Province
78	Xingfuhe Community PPP Project, Nanchang, Jiangxi Province
79	High Speed Connection Line PPP Project, Jingdezhen, Jiangxi Province
80	Infrastructure PPP Project, Ji'an, Jiangxi Province
81	Rongjiang Community Shanty Town Relocation EPC Project, Ganzhou, Jiangxi Province
82	Urban Comprehensive Development PPP Project, Foshan, Guangdong Province
83	International Convention and Exhibition Center (Tanzhou) Project, Foshan, Guangdong Province (Phase 2)
84	Xijiao Industrial Park Renovation Project, Ronggui, Foshan, Guangdong Province
85	Guotong Square Industrial Park Investment Project, Foshan, Guangdong Province
86	Industrial Park Infrastructure PPP Project, Jiangmen, Guangdong Province
87	Shanty Town Redevelopment Project, Pingdingshan, Henan Province
88	Da'an to Pailu Main Line Redevelopment PPP Project, Luoyang, Henan Province
89	Shanty Town Redevelopment Project, Liangyuan District, Shangqiu, Henan Province
90	Shanty Town Redevelopment Government Procurement Services Project, Shangqiu, Henan Province

Shanty Town Redevelopment Project, Pingdingshan, Henan Province

Urban Comprehensive Development PPP Project, Foshan, Guangdong Province

High Speed Connection Line PPP Project, Jingdezhen, Jiangxi Province

No.	Project Name
	Major Infrastructure Investment Project in Progress
91	Infrastructure PPP Project, Bonded Area, Changsha, Hunan Province
92	University and Science & Technology City PPP Project, Yuelu Mountain, Changsha, Hunan Province
93	Infrastructure PPP Project of Xiangxi Tujia and Miao Autonomous Prefecture, Hunan Province
94	Leishan-Rongjiang Expressway PPP Project, Qiandongnan, Guizhou Province
95	Highway PPP Project from Yinjiang, Guizhou Province to Xiushan, Chongqing
96	Zheng'an-Xishui Expressway PPP Project, Zunyi, Guizhou Province
97	Municipal Infrastructure PPP Project, Ankang, Shaanxi Province
98	Infrastructure Project Phase II in Qujiang New District, Xi'an, Shaanxi Province
99	Road Network PPP Project, Handan, Hebei Province



Infrastructure PPP Project of Xiangxi Tujia and Miao Autonomous Prefecture, Hunan Province

Leishan-Rongjiang Expressway PPP Project, Qiandongnan, Guizhou Province

Municipal Infrastructure PPP Project, Ankang, Shaanxi Province

No.	Project Name
	Infrastructure Management Project
100	Nanjing No. 2 Yangtze River Bridge
101	Laizhou Port
	Prefabricated Construction Industrialization Base
102	Shenzhen Hailong Construction Products Plant
103	Anhui Hailong Construction Products Plant
104	Shandong Hailong Construction Products Plant
105	Zhuhai Hailong Construction Products Plant

Major Awards and Accolades 2019

Comprehensive strength, corporate governance, branding category

Award	Unit	Organisation
FTSE4Good Constituent	China State Construction International Holdings Limited	FTSE Russell
Carboncare ESG Label	China State Construction International Holdings Limited	CarbonCare Innolab
中央企業先進集體模範	China Construction Engineering (Macau) Company Limited	Ministry of Human Resources and Social Security of the PRC, State-owned Assets Supervision and Administration Commission of the State Council
Guangdong Provincial Prefabricated Building Industry Base	China State Construction International Investments (China) Ltd.	Guangdong Provincial Department of Housing and Urban-Rural Development
Five Star Enterprise ("五星級企業")	深圳海龍建築科技有限公司	Shenzhen Construction Industrialisation Association
深圳市外商投資企業突出貢獻獎	China State Construction International Investments (China) Ltd.	深圳市商務局

CSR category

Award	Unit	Organisation
Diplomas de Referência Elogiosa aos Cidadãos (好市民獎)	China Construction Engineering (Macau) Company Limited	Corpo de Polícia de Segurança Pública (澳門治安警察局)

Environmental protection category

Award	Unit	Organisation
Safety Performance Award	P561 — North Commercial District Enabling Works	Occupational Safety and Health Council
Safety Award Contractor's Representative — Diamond Award	APM and BHS Tunnel on Existing Airport Island	Airport Authority Hong Kong
Safety Project Team — Champion Award	APM and BHS Tunnel on Existing Airport Island	Lighthouse Club Hong Kong
Best Container Contractor — Diamond Award	APM and BHS Tunnel on Existing Airport Island	Airport Authority Hong Kong
最佳職安健地盤 — 酒店娛樂場渡假村金獎	Theme Park Resort Hotel Complex Development Project, Macau	澳門勞工事務局
全國建設工程項目施工安全生產標準化工地	Plot A03 Development Project, Service Zone of Hengqin Port	中國建築業協會，建築安全與機械分會
珠海市房屋市政工程安全生產文明施工示範工地	Plot A03 Development Project, Service Zone of Hengqin Port	珠海市建築安全協會
Healthy Workplace Best Practices Award (Enterprise/ Organisation Category) — Grand Award, (Enterprise/ Organisation Category) — Innovative Measures Award	Hiram's Highway Improvement Stage 1 – between Clear Water Bay Road and Marina Road	Occupational Safety and Health Council and other

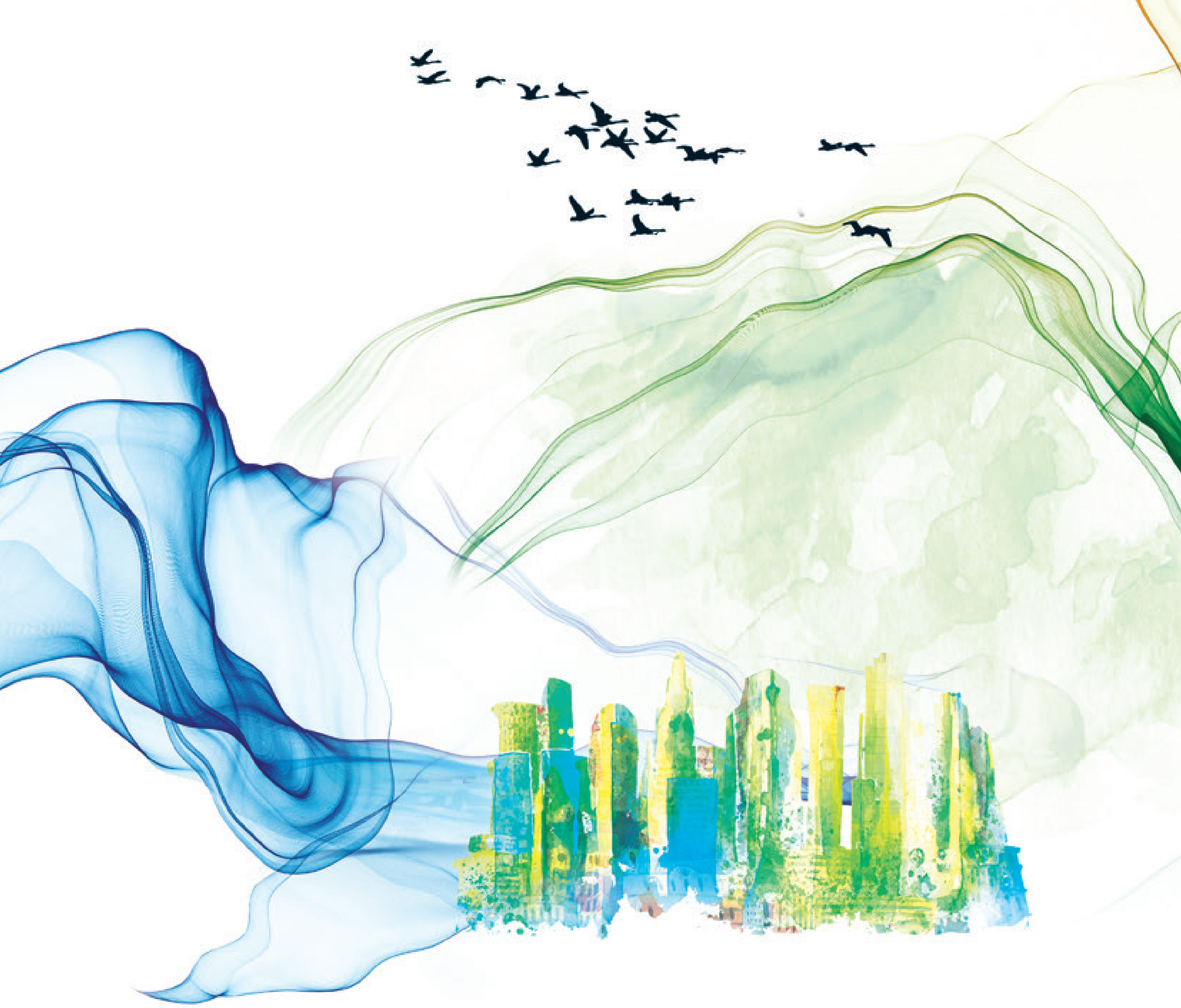
Major Awards and Accolades 2019 (continued)

Award	Unit	Organisation
Healthy Workplace Best Practices Award (Branch/Small and Medium Enterprise (SME) Category) — Grand Award, (Enterprise/Organisation Category) — Innovative Measures Award	Proposed Residential Redevelopment at Nos 1–11 Au Pui Wan Street	Occupational Safety and Health Council and other
Prevention of Pneumoconiosis Best Practices Award — Innovative Improvement Measures Award, Excellence Award	P575 North Commercial District Main Infrastructure Works	Occupational Safety and Health Council and other
Prevention of Pneumoconiosis Best Practices Award — Excellence Award	Proposed Residential Redevelopment at Nos 1–11 Au Pui Wan Street	Occupational Safety and Health Council and other
Building Site — Private Sector (Gold)	Proposed Residential Redevelopment at Nos 1–11 Au Pui Wan Street	Labour Department of Hong Kong and other
Civil Engineering Site (Gold)	Hiram's Highway Improvement Stage 1 – between Clear Water Bay Road and Marina Road	Labour Department of Hong Kong and other
Safety Contractor Award (Gold)	Penta-Ocean-China State Joint Venture Contract 1121	MTR
Considerate Contractors Site Award (Gold)	Proposed Residential Redevelopment at Nos 1–11 Au Pui Wan Street	Development Bureau and other
Best Safety Culture Site — Gold Award	Proposed Residential Redevelopment at Nos 1–11 Au Pui Wan Street	Occupational Safety & Health Council, Labour Department of Hong Kong and other
Gold Stakeholder Engagement Award	Leighton-China State Joint Venture Contract 1123	MTR
HKCA Proactive Safety Contractor Award	CSHK	Hong Kong Construction Association
Green Management Award — Project Management (Large Corporation) Gold	Hong Kong Palace Museum	Green Council
Good Housekeeping Award (Construction) (Gold)	Hong Kong Palace Museum	Occupational Safety & Health Council/ Construction Industry Council

Quality and technology category

Award	Unit	Organisation
國際級科技成果評價國際領先水平	China State Construction Engineering (Hong Kong) Limited	中科合創（北京）科技成果評價中心
中國建築卓越項目獎（承包類）	Causeway Bay Typhoon Shelter Tunnel Project, Central — Wan Chai Bypass	China State Construction Engineering Corporation (中國建築集團有限公司)
Science and Technology Award 2019	China State Construction Engineering (Hong Kong) Limited	China State Construction Engineering Corporation (中國建築集團有限公司)
Professional Excellence in Building Awards	Tuen Mun Area 48 Castle Peak Bay TMTL423 Residential Project	The Australian Institute of Building (AIB)
中國鋼結構金獎	Industrial Park Project, Zibo, Shandong Province	China Steel Construction Society
第九屆中國建築技術交流會優秀論文一等獎	Zheng'an-Xishui Expressway PPP Project	China State Construction Engineering Corporation (中國建築股份有限公司)
2018–2019年度國家優質工程獎	China State Construction Development Holdings Limited	China Association of Construction Enterprise Management
中國鋼結構金獎工程	China State Construction Development Holdings Limited	China Construction Metal Structure Association

Corporate Citizenship



For a successful construction project,

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

As a socially responsible contractor,

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

As a socially responsible enterprise,

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

Staff Development and Personal Growth

The Group values the well-being of our employees as a first priority and has persisted in its core thought of "human resources and culture are the most precious wealth" and combines the establishment of a talent team with the creation of a corporate culture. Besides, by adhering to "striker-oriented" and inheriting the "people first" principle, it has placed the emphasis of the human resources work on "selecting, cultivating and using people" so as to provide its staff with simple and harmonious human relationship, challenging jobs, vast development opportunities and benefits satisfactory to staff.

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. As of end of 2019, the Group had a total of 14,411 employees, of which, 6,298 persons were in Hong Kong and Macau, 7,720 of them were in Mainland China, and 393 were working overseas.

Staff Recruitment Programme

Besides getting seasoned professionals from the open market and increased the efforts to recruit high-end talents in the industry, the Group also organised campus recruitment programmes to grasp young engineers from 4 universities in Hong Kong. Not least, hiring graduates with top caliber from well-known universities in Mainland China through the "Son of the Sea Programme", enabled the Group to recruit outstanding young talents in an effective manner.

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self-enhancement. The Group has put aside capital to set up the "Staff Education Fund" and the "Education Subsidy and Examination Leave" to facilitate staff training. In line with the diversified business development on an international scale and the organization expansion, the Group hammers out training programmes for different professions and different levels of staff according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 24,000 participants took part in a total of 936 trainings during the period.

By implementing its all-rounded "Talent Pool Scheme (人才庫計劃)", "Graduate Engineer Training Programme" and its "Apprenticeship Scheme" and optimising nurturing and management system for middle to senior management, the Group forms multiple paths for comprehensive development and provides opportunities for its staff for widening their exposure, which help to enhance the overall integrated capabilities of its staff and to provide a reserve of capable people for its teams. Meanwhile, the Group makes contribution to build up the technical taskforce in the industry by actively involving in the "Construction Cooperative Skilled Workers Training Scheme". The Group has also made use of its advantage in operation in multiple regions to hammer out the efficient system of exchange of people and rotation, so as to broaden their international perspective, as well as nurture their cross-cultural operation and management abilities. A total of 179 employees were benefited from the scheme in four years.

Incentive Mechanism

The Group fully recognises that the effectiveness of a system depends on its implementation. Rewards systems are designed and strictly executed to ensure that company compensation and benefits are competitive and allocated on the basis of merit. With the implementation of the "System of Operation and Management Objectives and Responsibilities" and the "Site Contracting Responsibility System", all the departments of the Group have to determine their key performance indicators according to the annual operation and management objectives as the key basis for their respective performance assessment. Differentiated performance incentive policies are implemented consistently. Various incentive mechanisms including "Integrated Site Management Award" and "Technology Achievement Award" are implemented to extend our recognition towards remarkable staff contribution. To maintain a competitive remuneration position within the marketplace and set reasonable pay level to its staff, the Group carries out salary survey and benefit policy review from time to time so as to strike a balance between corporate development and staff satisfaction. During the year, the Group fully optimized the employee benefits policies, implemented measures such as enhancing the benefits for dispatched work and adding paid birthday leave and blissful leave (幸福假) in Hong Kong and Macau.

Relationship with Employees

The Group endeavors to build a harmonious relationship with employees and tries to collect and adopt opinions and recommendation from staff through various communication channels such as employee opinion survey, performance communication, staff seminars, workshops, clubs and team building activities. It continues to improve the operation standards and optimize internal management in order to create a good working atmosphere.

Environmental Policy

It is the Group's policy to protect the environment.

The Group is committed to:

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

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

Environmental Risks and Control Measures

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

In order to prevent project sites violating the environmental laws, all projects have to identify project related significant environmental aspects through conducting compliance obligation and risk assessment at project commencement then follow strictly the operating procedures stipulated in the Group's Standard Operating Procedures Manual to operate the project.

The Group's Safety and Environmental Protection Department (S&EP Department) responsible for providing technical supports as well as monitoring the sites ensuring all sites are complying with statutory requirements. For management of noise issue which is our top priority concern, in addition to our Restricted Hours Permit-to-Work System implementing on site, we require all project management to provide weekly restricted hours' work schedules to our S&EP department in advance to facilitate our planning of surprise checks. For tackling air pollution issues associated with construction activities, Task Force Site Inspection will be conducted regularly for sites with extensive dusty processes. Should any deficiencies found during the Task Force Site Inspection, the site will be required to provide photos on carrying out dust suppression on the deficiencies spotted to S&EP Department on a daily basis until situation improved. Regarding sites with deficiencies in wastewater treatment system, technical assistances with be jointly provided by S&EP Department and Plants Department. The sites concerned will be required to provide photos on proper operation of wastewater treatment plant as well as the conditions of the discharge point on a daily basis to S&EP Department until situation improved to ensure that no substandard discharge from sites. In addition to the control measures mentioned, S&EP Department issues "Environmental Alert" regularly to alert all construction sites be vigilant on potential environmental issues and take proactive action to avoid deviating from statutory requirements. In order to further enhance the compliance obligation and risk management, the companies' Environmental Management System has been updated and certified to comply with ISO14001:2015 requirements in 2016. There was no non- compliance or Area for Improvement (AFI) raised during the system external audit conducted in 2019.

Environmental Protection and Promotion

As a socially responsible contractor, the Group always champions green management in construction planning in order to create a pleasant environment to our society. The Group has adopted technologically innovative measures and green practices to reduce carbon footprint and help avert global warming, take up our corporate responsibility to improve the environment. China State Construction Engineering (Hong Kong) Limited and China Overseas Building Construction Limited updated and granted the ISO50001:2018 Energy Management Systems certification in 2019. China State Foundation Engineering Limited also granted the ISO50001:2018 certification in 2019. There was no non-compliance or Area for Improvement (AFI) raised during the system external audit conducted in 2019.

In line with the rising concern of the community on building environmental performance and expectation of clients on green building construction, China State Construction Engineering (Hong Kong) Limited joint the Hong Kong Green Building Council as an Institutional Member since 2015 to actively promote green construction in Hong Kong. The Group encouraged and sponsored its staff to participate in BEAM Pro Training and gain the BEAM Pro status to provide endless professional inputs to project management. Currently, nearly forty staff members have acquired the BEAM Pro qualification.

With the concerted efforts of the Group, the results were remarkable. Our Main Contract Package A&B Lohas Park Package Seven Project and the Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities — Design and Build of New Stream II Project won the Outstanding Environmental Management and Performance Award (Merit Award) in the 25th Considerate Contractors Site Award Scheme. Our Hong Kong Palace Museum Project and the Construction of Public Housing Development at Tuen Mun Area 54 Sites 3&4 (East) Project won the Green Management Award -Project Management (Large Corporation) — Gold and Silver Award respectively in the Hong Kong Green Awards 2019. Besides, China State Construction Engineering (Hong Kong) Ltd won the Hong Kong Construction Environmental Awards — Environmental Merit Award organized by the Hong Kong Construction Association. Those awards fully recognize our efforts in promoting green construction in Hong Kong.

Same as previous years, the Group is actively committed to environmental promotional activities. In the yearly "China State Environmental Protection Day", the Group organized a guided tour to visit the T.PARK where sewage sludge was incinerated to produce electricity. Through the guided tour, staff acquired the knowledge of "Waste-to-energy" and appreciated the cutting edge green building technology applied in the T.PARK. All the Group's construction sites participated the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable material.

The Group also required all subcontractors to comply with our environmental policies. Regular site meetings were held with subcontractors to discuss environmental protection related issues. Moreover, the Group also organised training on environmental management systems for its staff and subcontractors to arouse their awareness on environmental protection. Our staff were also encouraged to explore and adopt low carbon and innovative construction methods to save energy and resources throughout the execution of the construction project, thereby achieving sustainable development.

Safety and Health

The Group's commitment to protecting the safety and health of employees of the company and its subcontractors prompts us to continual review and provide sufficient resources to continual optimize and improve the company's safety management system. The Group also actively promote safety culture to improve our Safety management level. The company's safety management system was successfully converted from OHSAS 18001: 2007 to ISO 45001: 2018 in September 2019, which is one of the first companies in the industry to obtain ISO 45001: 2018 certification.

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

The Group actively introduces innovative technologies, and has launched the "Behavioral Safety Star" mobile app and virtual reality (VR) safety experience in 2019 to further intensify employees' safety awareness and thinking.

With the joint efforts of all divisions in the group, our construction sites have won multiple awards from the industry and clients, including 2 Gold and 2 Silver awards for the Construction Industry Safety Award Scheme 2018/2019, and 1 Gold and 1 Silver award in the 25th Considerate Contractors Site Award Scheme (New Works), Outstanding Innovation Team Champion in The MTRC Workplace Hygiene Competition 2019, 2018/19 HKIA Airport Safety Recognition Scheme Safety Excellence — Bronze Award, Good Housekeeping Competition Gold Award, etc. This shows that the Group's safety and health management policies and implementation have been widely recognized by the industry.

The Group and Community

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

Caring for the Community, Participation in the Society

In order to fulfill the mission of "building our society, prospering Hong Kong and Macau", China State Construction International Voluntary Services Sub-committee (中國建築國際義工分會 ("3311 Voluntary Service Sub-committee" in brief)) was established in early 2019 and is under the "Caring for the Society" Voluntary Services Federation of COHL (「關愛社會」義工總會). Focusing on the social key issues and combining professional strengths, the Group established a unique volunteer work system and actively cooperated with local social welfare institutions. The Sub-committee is committed to serving the community, actively participating in charitable activities, fulfilling its corporate social responsibility and establishing a good corporate image.

In the past year, the 3311 Voluntary Services Sub-committee organized a total of 30 activities, including community services and training. Such activities attracted 938 times of participation, and the participants accumulated over 3,000 hours of voluntary services.

Corporate Citizenship (continued)

Dragon Boat Festival Rice Dumpling Giving Activities — Caring for the Elderly living alone (「端陽暖萬心」關愛獨居長者派粽義工活動)

On Dragon Boat Festival, the volunteers visited 300 elderly residents living alone or with another elderly in Wang Tau Hom Estate with a gift package of "Caring Rice Dumpling" and a gift package of China Shipping, giving care and blessings to the elderly. The event was organized by the H.K.S.K.H. Chuk Yuen Canon Martin District Elderly Community Centre and undertook by the Voluntary Services Federation of COHL.

The Opening Ceremony cum Carnival of the Jockey Club "Water Sports 4 All Programme"

On 14 July, 43 volunteers to organize a water sports carnival which brought a special experience for members of the community during the summer. Mr. Hung Cheung Shew, chairperson of 3311 Voluntary Service Sub-committee, also attended the carnival in person to show his support and awarded a certificate of appreciation by the organiser. It was a sunny and breezy day, citizens of different age and occupation came to enjoy the fun of playing water sports. Our volunteers who stationed at the booths explained the rules and cautions in detail patiently. They also managed well the crowd and ensured that all activities conduct in a safe and orderly manner. The passion and quality of the volunteers received a unanimous compliment from the organiser.

"Rice Giving Scheme" and Visits by Volunteers (「送米助人」上門探訪義工活動)

On 27 July, 31 volunteers visited low-income families in Shatin and brought them rice. Through this activity, on one hand, we could send our blessings to the underprivileged in society, and on the other hand, our volunteers could improve their understanding and be more interested about joining voluntary work, thus promoting the spirit of selflessness in voluntary services.

Prior to this activity, the volunteers had received training from registered social workers of the Hong Kong Federation of Youth Groups, who explained the flow of the activity and the points to note relating to home visits. Then, the volunteers collected bags of rice and visited those recipient families. After the visits, the volunteers reported to the social workers on the family status of those visited and highlighted matters for follow-up actions. They also shared their feelings and reflected that they benefited a lot from such an activity. The Hong Kong Federation of Youth Groups expressed a high commendation for the work of care and love done by the and Sub-committee for our Hong Kong society.

"The Scheme of Domestic Repairs with Love and Care" Voluntary Activity (「關愛本地家庭修繕計劃」義工活動)

The Scheme carried out domestic repair services in phases to assist those families in repairing small household appliances, simple household furniture and hardware, which were well received by the assisted families. The main service items include internal staff of the Company, various types of estate houses, public areas and offices of various public welfare organizations. The focus is on the repairing of doors and windows, which mainly includes reinforcement of window frames for aluminum window, repairing window leakage, filling sealant for window, repairing water pipe leakage, and repairing a hole or chip in tile, etc.

Training Management Staff to be Volunteers — A New Trend of Voluntary Work (「高管義工培訓」義務工作新趨勢)

On 17 September, a total of 20 management staff of the Company attended a training session arranged by the 3311 3311 Voluntary Service Sub-committee, the purpose of which was to keep them abreast of the international trend of voluntary services in order to promote it for the fulfilment of corporate social responsibilities.

On that day, Mr. Hung Cheung Shew introduced the structure and service objectives of the 3311 Voluntary Service Sub-committee as its chairperson. He also invited Po Leung Kuk's Assistant Principal Social Services Secretary, Mr. Mok Hon Fai James, to be our training lecturer. Through case study of international voluntary work in Hong Kong, management staff of our Company have learnt the new trend of international voluntary work and in a better position to devise development strategies for voluntary work of the Company. They have also become enthusiastic in promoting voluntary work and fulfilling corporate social responsibilities to give back to our society.

Watersports Day (「水上活動競技日」義工服務活動)

On 2 November, 32 volunteers participated in the volunteer service of the Jockey Club "Water Sports 4 All" Program — Water Activity Competition Day at the Cafeteria Old Beach in Tuen Mun organised by the Hong Kong Playground Association. The event aims to enrich citizens' leisure life and experience the joy of water activities by assisting the Hong Kong Playground Association to carry out on-site management.

All volunteers assisted in the registration and sign in of various fun games, and assisted professional coaches with patience and meticulous explanation on the activity rules and precautions to ensure that all activities were carried out in a safe and orderly manner. The volunteers showed their passion in serving others and good quality of services and received unanimous praise from the general public.

Drinking Tea with the Elderly (飲茶敬老愛可滿蔭) 長者關懷義工服務活動

On 26 October, the 3311 Voluntary Service Sub-committee organized an elderly care volunteer service activity for the Ho Yam Care and Attention Home for the Elderly in Wong Tai Sin, to accompany the elderly to visit and drink tea, delivering joy to them. The volunteers showed their professional quality and good manner and were highly appraised by the responsible persons of the care and attention homes and the leaders of the Company present.

Teaching Minority Ethnic Youth Chinese (少數族裔少年中文教學義工服務)

From April to August 2019, the 3311 Voluntary Service Sub-committee organized volunteers to commenced Chinese learning courses for ethnic minority youth. With 5 months of volunteer service, a group of ethnic minority youth gained preliminary knowledge on Putonghua and Cantonese, so as to better integrate into the Hong Kong society.

A Seminar for Understanding the Needs of Persons with Visual or Hearing Impairment (認識視聽障人士的需要及介紹講座)

On 30 August, the 3311 Voluntary Service Sub-committee received an invitation to the Volunteer Service Seminar organized by the Steering Committee on Promotion of Volunteer Service — to understand the needs of audio-visual impaired people and introduce the "Audio-visual Disabled Person Translation Service" to attend the seminar at Shek Kip Mei. The seminar was conducted by the training lecturer of the Resource Centre for the Deafblind under the Hong Kong Society for the Blind, which aimed to help voluntary organizations to master the latest information and service skills of voluntary service. Meanwhile, the participating organizations can also take this opportunity to exchange voluntary work experience with each other to improve the quality of their volunteer teams.

Investor Relations

In order to achieve healthy and sustainable development, the Group attaches great importance to the concerns and expectations of shareholders and investors, and is always committed to maintaining smooth communication with shareholders and investors. The professional team for investor relations constantly study, promote and improve relevant works. Management of the Group also participated directly to respond to the questions and requests of shareholders and investors, listened to their concerns and expectations as important considerations to be taken into account in the formulation of the development strategies of the Group.

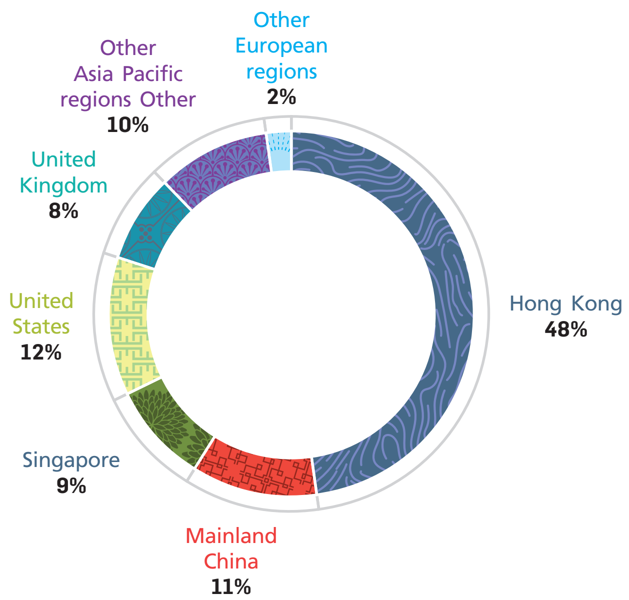
The Group actively establishes a "transparent, efficient, proactive and comprehensive" investor communication channel. In addition to the text channels such as announcements via the Stock Exchange and the Company's website, the Group also proactively maintained mutual communication with shareholders and investors through results presentations, post-results roadshows, reverse roadshows, investors' meeting and corporate days, in-house interviews and telephone conferences.

Corporate Citizenship (continued)

For important communication activities such as annual and interim results analyst meetings, the Group set up various channels, such as on-site meetings, online video interactive live broadcast, telephone audio interactive live broadcast, which greatly facilitated the simultaneous participation of investors from all over the world and was widely recognized by investors. The number of participants remained top among the industry. After results announcement, the Company also actively organized roadshows, including management communication and project visits, deepening investor communication.

In 2019, the Group participated in a number of investor presentations, strategy conferences or corporate days organized by investment banks. More than 130 meetings with investors were held in one-to-one and group meetings, and more than 200 meetings with investors were held in face to face meeting in offices or via phone conference. In total, the Group communicated with over 800 investors in different types of meetings during the year. The Group shared the interpretation of the market, industry and policies with investors in a timely manner, introduced the Group's business strategy, business development, financial situation and management experience, providing high-quality information services to shareholders and investors.

Distribution of meetings with shareholders and investors of the Group by region



Major Investor Relations Activities in 2019

JANUARY

- Morgan Stanley China Cyclicals Corporate Day 2019
- UBS 19th Greater China Conference
- Deutsche Bank 2019 Annual China Conference
- Daiwa Securities Investment Conference

MARCH

- The 22nd Credit Suisse Asian Investment Conference
- 2018 Annual Results Investors and Analysts Briefing
- Post-annual results roadshows in Hong Kong

APRIL

- Post-annual results roadshows in Singapore
- Investor Telephone Conference for Q1 Results

MAY

- HSBC Broking Securities 6th Annual China Investment Conference

JUNE

- Credit Suisse 2019 HK and China Commodities, Industrials and Property Corporate Day
- J.P. Morgan Asia Infrastructure, Industrials and Transportation 1X1 Forum
- Daiwa Auto and Industrials Leaders Conference 2019

AUGUST

- 2019 Interim Results Investors and Analysts Briefing
- Post-interim results roadshows in Hong Kong

SEPTEMBER

- Post-interim results roadshows in Singapore and Europe
- 26th CLSA Investors' Forum

OCTOBER

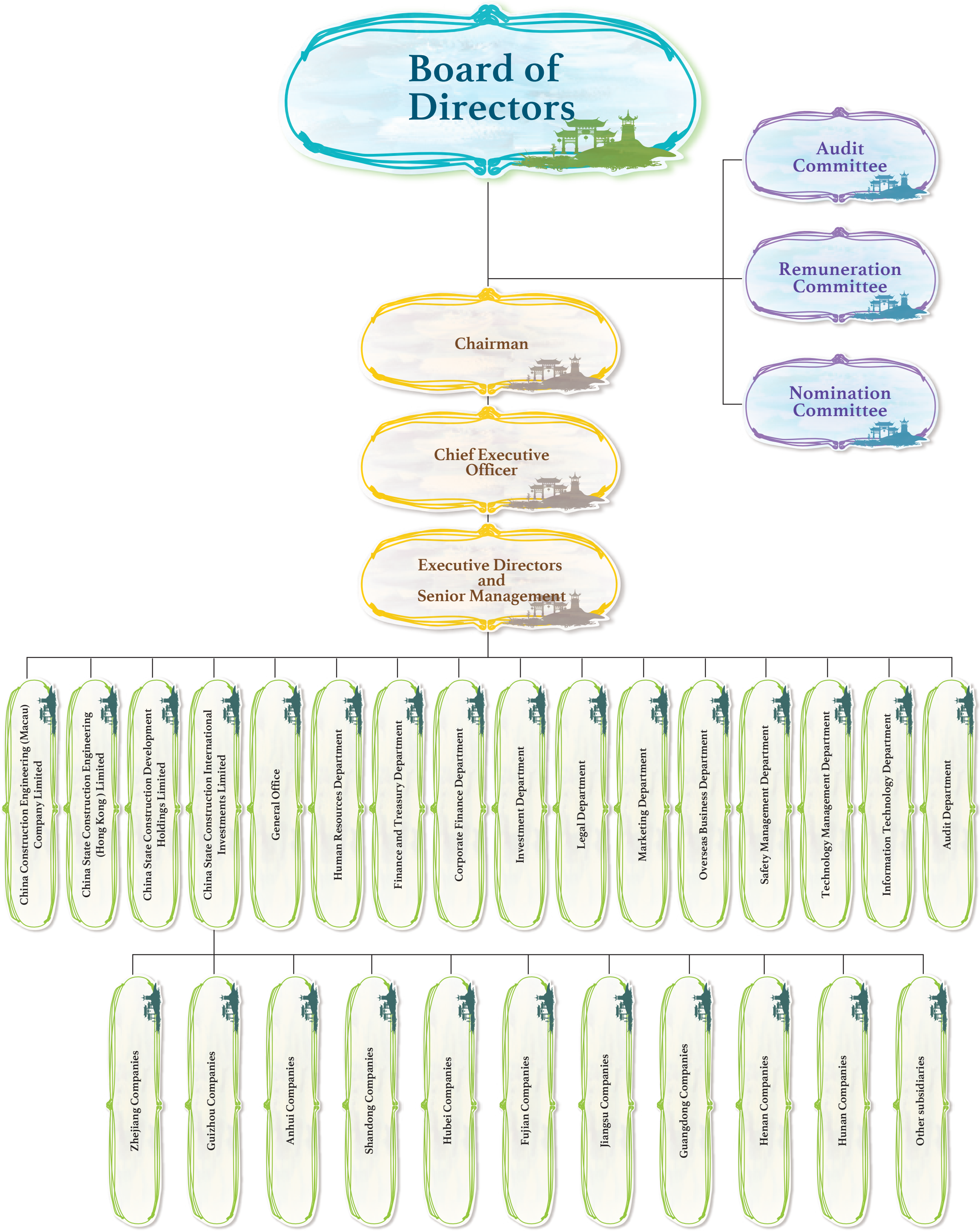
- Post-interim results roadshows in Mainland China
- Investor Telephone Conference for Q3 Results

NOVEMBER

- Goldman Sachs China Conference 2019
- 10th Credit Suisse China Investment Conference
- CICC Investment Forum 2019
- Bank of America Merrill Lynch 2019 China Conference
- Citibank China Investor Conference 2019

Directors and Organisation

1. Mr. Yan Jianguo
2. Mr. Zhang Haipeng
3. Mr. Tian Shuchen
4. Mr. Zhou Hancheng
5. Mr. Hung Cheung Shew


Board of Directors
Audit Committee
Remuneration Committee
Nomination Committee
Chairman
Chief Executive Officer
Executive Directors and Senior Management
China Construction Engineering (Macau) Company Limited
China State Construction Engineering (Hong Kong) Limited
China State Construction Development Holdings Limited
China State Construction International Investments Limited
General Office
Human Resources Department
Finance and Treasury Department
Corporate Finance Department
Investment Department
Legal Department
Marketing Department
Overseas Business Department
Safety Management Department
Technology Management Department
Information Technology Department
Audit Department
Zhejiang Companies
Guizhou Companies
Anhui Companies
Shandong Companies
Hubei Companies
Fujian Companies
Jiangsu Companies
Guangdong Companies
Henan Companies
Hunan Companies
Other subsidiaries

Board of Directors

Mr. YAN Jianguo

Chairman and Non-executive Director

Aged 53, was appointed as a Chairman and Non-executive Director of the Company on 22 March 2019. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained a MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined 中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC") in 1989 and had been seconded to China Overseas Land & Investment Ltd. ("COLI") twice. During the year from 1990 to 1992, Mr. Yan had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and department head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (listed in Hong Kong) in June 2014 and resigned on 5 December 2016. During the period, Mr. Yan had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed as Executive Director and Chief Executive Officer of COLI from 1 January 2017, has become Chairman of COLI and continues to serve as Chief Executive Officer of COLI from 13 June 2017, and cease to act concurrently as Chief Executive Officer from 11 February 2020. Besides acting as the Executive Director and Chairman of COLI, Mr. Yan is currently Chairman and President of China Overseas Holdings Limited ("COHL") and a director of certain of its subsidiaries, an Non-executive Director of China Overseas Grand Oceans Group Limited, and also a director of certain subsidiaries of COLI. During June 2017 to February 2020, Mr. Yan had served as the Chairman and Non-executive Director of China Overseas Property Holdings Limited and the Chairman of China Overseas Grand Oceans Group Limited. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Yan has about 30 years' experience in construction business, real estate investment and management.

* English or Chinese translation, as the case may be, is for identification only.

Mr. ZHANG Haipeng

Executive Director and Chief Executive Officer

Aged 44, was appointed as an Executive Director of the Company on 13 July 2017 and was appointed as the Chief Executive Officer of the Company on 21 August 2018. Mr. Zhang graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined CSCEC in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Currently, Mr. Zhang is Chairman and Non-executive Director of China State Construction Development Holdings Limited ("CSC Development", a subsidiary of the Company and listed in Hong Kong). Mr. Zhang has over 20 years' experience in construction engineering management.

Mr. TIAN Shuchen

Executive Director, Vice President

Aged 54, was appointed as an Executive Director of the Company on 12 August 2010. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 32 years' experience in construction engineering and project management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 50, was appointed as a Director of the Company on 21 April 2004 and was subsequently designated as an Executive Director of the Company on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics and obtained a degree of Master of Business Administration from The University of Sheffield (UK). He is a Fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 28 years' experience in corporate finance, financial accounting and investment management.

Mr. HUNG Cheung Shew

Executive Director, Vice President

Aged 61, was appointed as an Executive Director of the Company on 8 June 2011. Mr. Hung graduated from Plymouth Polytechnic (UK). He is a member of The Hong Kong Institution of Engineers and The Institution of Structural Engineers (UK). Mr. Hung joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2000. Currently, Mr. Hung is a vice president of The Hong Kong Construction Association, Limited and a director of The Hong Kong Construction Association Charity Fund Limited. Mr. Hung has over 38 years' experience in construction management and planning.

Mr. Adrian David LI Man Kiu JP

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

Aged 46, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited. He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. Mr. Li is Chairman of The Chinese Banks' Association, Vice President of The Hong Kong Institute of Bankers' Council and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is a board member of The Community Chest of Hong Kong and serves on its Executive Committee, a member of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, and a Trustee of The University of Hong Kong's occupational retirement schemes. Furthermore, he serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 13th National People's Congress. He also sits on the Judging Panel of the BAI Global Innovation Awards. Mr. Li is currently an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and COSCO SHIPPING Ports Limited, and is a Non-executive Director of The Berkeley Group Holdings plc (listed in London). He is also a member of the Asia Pacific Advisory Board of Mastercard (listed in various countries). Mr. Li was previously an Independent Non-executive Director of Sino Hotels (Holdings) Limited. The aforesaid companies are all listed in Hong Kong, unless stated otherwise.

Dr. Raymond LEUNG Hai Ming

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

Aged 65, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from The Chinese University of Hong Kong, a Bachelor of Applied Science degree in Civil Engineering and a Master degree in Applied Science in Construction Management. Dr. Leung is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society of Civil Engineers and Institution of Civil Engineers (UK) and a Senior Member of Institute of Electrical and Electronics Engineers. He has more than 43 years of experience in engineering, investment, construction and project management. Dr. Leung was previously an independent non-executive director of Elec & Eltek International Company Limited (listed in Hong Kong and Singapore). He is a director of various private companies in Hong Kong. Dr. Leung is also the Chairman and Chief Executive Officer of C & L Holdings Ltd. engaging in investment and dispute resolution.

Mr. LEE Shing See GBS, OBE, JP

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

Aged 77, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee is an Engineer by profession, being a Fellow of both The Hong Kong Institution of Engineers and Institution of Civil Engineers (UK). After his graduation from The University of Hong Kong with a Bachelor of Science (Engineering) degree, Mr. Lee joined the civil service. He worked through different ranks and different departments. He was appointed as Director of Territory Department in 1994, and the Secretary for Works in 1999. After his retirement, Mr. Lee remained very active with public services, including Construction Industry Council, Hong Kong Science and Technology Parks Corporation, Hong Kong Design Centre, Development Committee of the West Kowloon Cultural District Authority, Hong Kong Cyberport Management Company Limited, Hong Kong Airport Authority, Youth Education, Employment and Training Task Force of Commission on Poverty, CreateSmart Initiative Vetting Committee, Aviation Security Company Limited, etc. Mr. Lee has over 54 years' experience in engineering and construction.

Senior Management

Mr. ZHAO Xiaoqi
Vice President

Aged 46, graduated from Tsing Hua University and obtained a degree of Master of Business Administration from Renmin University of China. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 23 years' experience in human resources management and personnel administration.

Mr. YANG Weidong
Vice President

Aged 50, graduated from Anhui Jianzhu University, and obtained a degree of Master of Business Administration from University of South Australia and was awarded the title of Senior Engineer. Mr. Yang joined the Group in 1999. He has been a director of certain subsidiaries of the Group since 2007. Mr. Yang has over 30 years' experience in construction engineering and management.

Mr. ZHOU Wenbin
Vice President

Aged 53, graduated from Zhongnan University of Economics and Law, and obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 31 years' experience in corporate finance, accounting and investment management.

Mr. JIANG Shaojie
Vice President

Aged 56, graduated from Shenyang Jianzhu University (formerly known as Shenyang Architectural and Civil Engineering University) and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 37 years' experience in construction engineering and project management.

Mr. LUO Haichuan
Assistant President

Aged 40, graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and was awarded the title of Senior Engineer. Mr. Luo joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2011. Mr. Luo acted as an executive director of CSC Development Group from September 2015 to August 2018. He has over 17 years' experience in investment and financing; and human resources management.

Mr. HUANG Jiang
Assistant President

Aged 45, graduated from Chongqing Jianzhu University, and obtained a degree of Master in Project Management from Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Currently, Mr. Huang is a non-executive director of CSC Development. He has over 23 years' experience in contract and project management.

Mr. WANG Xiaoguang
Assistant President

Aged 37, graduated from Tongji University, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Engineer. Mr. Wang joined the Group in 2005. He has been a director of certain subsidiaries of the Group since 2015. Mr. Wang has over 15 years' experience in construction engineering and management.

Mr. WANG Yi
Assistant President

Aged 37, graduated from Xi'an University of Architecture and Technology, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Engineer. Mr. Wang joined the Group in 2004. He has been a director of certain subsidiaries of the Group since 2016. Mr. Wang has over 16 years' experience in construction engineering and management.

Mr. ZHANG Ming

Assistant President

Aged 37, graduated from Harbin Institute of Technology, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Engineer. Mr. Zhang joined CSCEC in 2006 and was seconded to the Group in 2010. He has been a director of certain subsidiaries of the Group since 2016. Mr. Zhang has over 14 years' experience in construction engineering, administration and human resources management.

Mr. ZHOU Yuguang

Assistant President

Aged 55, graduated from the Central South University, and obtained a Master degree from Zhongnan University, a degree of Master of Business Administration from the University of South Australia and a Doctorate degree from Hong Kong Polytechnic University and was awarded the title of professor level Senior Engineer. Mr. Zhou is a member of China Civil Engineering Society. Mr. Zhou joined COHL Group in 1995 and was seconded to the Group in 2014. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhou has over 32 years' experience in information technology management and project management.

Mr. WONG Wing Yuk

Assistant President

Aged 62, graduated from the Plymouth Polytechnic (UK) and obtained a degree of Master of Business Administration from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 33 years' experience in construction engineering and contract management.

Mr. LAU Wing Shing

Assistant President

Aged 60, graduated from the University of Warwick (UK), and City University of Hong Kong and obtained a Master degree of Science and a Master degree of Laws. Mr. Lau is a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Engineers, a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed a vice chairman (strategy) of Building Committee by the Hong Kong Construction Association. Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 38 years' experience in contract and project management. He assists in managing the Group's building construction and joint venture projects in Hong Kong, and pre-contract works for mega size infrastructure projects. Mr. Lau is also appointed as the Chief Engineer and Quality Director of China State Construction Engineering (Hong Kong) Limited, and the General Manager of Quality and Technology Department, he manages the quality assurance system and technology for the Group.

Mr. ZHOU Zhike

Assistant President

Aged 36, graduated from Huazhong University of Science and Technology and University of Nottingham in UK and obtained a degree of Master of Management. He is a CFA (Chartered Financial Analyst) charterholder and a regular member of HKSFA (Hong Kong Society of Financial Analysts). Mr. Zhou joined COHL Group in 2007 and was seconded to the Group in 2014. He has been a director of certain subsidiaries of the Group since 2019. Mr. Zhou has over 12 years' experience in capital market, corporate finance and corporate strategy. He had been awarded as "Best Investor Relations Professionals" in All-Asia Executive Team Poll (Industrial Sector) by Institutional Investors for 6 consecutive years.

Corporate Governance Report

Corporate Governance Practices

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

Throughout the year ended 31 December 2019, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Board of Directors

The Company and its subsidiaries (the "Group") is governed by the Board. The Board is responsible for overall management of the Group's business. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group. Executive Directors and Senior Management are responsible for the day-to-day operations of the Group.

The composition of the Board and the individual attendance (Board Meetings, 2019 annual general meeting ("AGM") and extraordinary general meeting ("EGM")) of each director are set out below:

		Attended/Eligible to Attend		
Name		**Board Meetings**	**2019 AGM**	**EGM**
Chairman and Non-executive Director				
Yan Jianguo	*(appointed on 22 March 2019)*	9/9	1/1	1/1
Executive Directors				
Zhang Haipeng	*(Chief Executive Officer)*	12/12	1/1	1/1
Tian Shuchen		12/12	1/1	1/1
Zhou Hancheng		12/12	1/1	1/1
Hung Cheung Shew		11/12	1/1	1/1
Independent Non-executive Directors				
Raymond Ho Chung Tai	*(retired on 3 June 2019)*	7/7	1/1	—
Adrian David Li Man Kiu		12/12	1/1	1/1
Raymond Leung Hai Ming		12/12	1/1	1/1
Lee Shing See		12/12	1/1	1/1

* Mr. Zhou Yong was Chairman and Executive Director from 1 January 2019 to 22 March 2019 and resigned as Chairman and Executive Director on 22 March 2019.

Biographical information of the directors are set out in "Directors and Organisation" section of the Company's 2019 Annual Report. An updated list of directors containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company. The Company has also maintained an updated list of directors and their role and function on the websites of Hong Kong Exchanges and Clearing Limited (the "HKEx") and the Company.

During the year, twelve Board meetings were held. Board meetings were held to approve the Company's annual, interim and quarterly results; to consider the payment of final dividends and to approve the payment of interim dividends; to consider and approve the reports submitted; to consider and approve significant and connected transactions; to discuss the operational performance of the Company; to discuss the principal business risks faced by the Company; and to discuss the business strategies of the Company. Throughout the year, directors also participate in the consideration and approval of non-routine issues of the Company by way of circulated resolutions with supporting explanatory write-up. Senior management at all times answered the non-routine issues enquiries made by the Board.

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

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

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

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

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

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

Other than non-executive directors, all executive directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All directors are required to discharge their responsibilities as directors of the Company and their common law duties as directors. More than one-third of the Board is independent non-executive directors. The Board/its Nomination Committee will review the Board composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company will give an appropriate introduction about the Group's businesses and operations to each newly appointed director.

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

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

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

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

Chairman and Chief Executive Officer

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

During the year, Mr. Zhou Yong served as the Chairman and Executive Director of the Company from 1 January 2019 to 22 March 2019. Following the resignation of Mr. Zhou, Mr. Yan Jianguo was appointed as the Chairman and Non-executive Director of the Company on 22 March 2019. The chairman is responsible for leading the Board and ensures all directors are provided with appropriate and sufficient information before Board meetings so that the Board can operate effectively and perform its duties. The chairman promotes culture of openness and encourages directors to voice their views. The chairman also meets independent non-executive directors without the executive directors present and ensures good corporate governance practices and procedures of the Company.

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

Non-executive Directors

Non-executive directors are appointed on a term of three years. Pursuant to the Articles of Association of the Company, all directors (including non-executive directors) appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All directors shall be subject to retirement by rotation at least once every three years and the retiring director shall be eligible for re-election.

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules. Non-executive directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive directors comply with the independence guideline under Rule 3.13 of the Listing Rules and have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent. Independent non-executive directors are able to provide their independent judgment in respect of matters such as the Group's strategy, policy and performance in Board and Board committee meetings, making significant contribution to the affairs of the Group.

Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See served the Board for more than nine years. The Board considered that long service will not affect their exercise of independent judgement. They have the required integrity to exercise independent judgement and provide objective challenges to the management. There is also no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See remain independent, notwithstanding the length of their tenure.

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

Remuneration Committee

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

During the year, two Remuneration Committee meetings were held to review and discuss the remuneration policy and annual bonus policy of the Company, to consider the salary increase of the executive directors and senior management of the Company; and to review the emoluments of Mr. Yan Jianguo, the Chairman and Non-executive Director, under his appointment letter. The individual attendance of each director is set out below:

Name		Attended/ Eligible to Attend
Adrian David Li Man Kiu	*(Chairman)*	2/2
Raymond Ho Chung Tai	*(retired on 3 June 2019)*	2/2
Raymond Leung Hai Ming		2/2
Lee Shing See		2/2

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

The remuneration payable to directors and members of senior management by band are set out in the notes to the consolidated financial statements of the Company's 2019 Annual Report.

Nomination Committee

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

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

Name		Attended/ Eligible to Attend
Lee Shing See	*(Chairman)*	1/1
Raymond Ho Chung Tai	*(retired on 3 June 2019)*	1/1
Adrian David Li Man Kiu		1/1
Raymond Leung Hai Ming		1/1

During the year, the Nomination Committee reviewed the size, composition and structure of the Board and Board Committees, reviewed the independence of the independent non-executive directors, consider the resignation of Mr. Zhou Yong as the Chairman and Executive Director, the appointment of Mr. Yan Jianguo as the Chairman and Non-executive Director and the retirement of Dr. Raymond Ho Chung Tai as an independent non-executive director of the Company.

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

As at 31 December 2019, the Board comprises 8 directors. All of the directors are male. Three directors are under the age group of 41 to 50; two are under the age group of 51 to 60; and three are over 60. Two directors has served the Board below 5 years; two have served the Board between 5 to 10 years; and four have served the Board between 11 to 15 years.

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

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

Corporate Governance Functions

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

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

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

Audit Committee

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

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

Name		Attended/ Eligible to Attend
Raymond Ho Chung Tai	*(retired as Director and Chairman of the Audit Committee on 3 June 2019)*	2/2
Adrian David Li Man Kiu		4/4
Raymond Leung Hai Ming		4/4
Lee Shing See	*(appointed as Chairman of the Audit Committee on 3 June 2019)*	4/4

During the meetings, the Audit Committee reviewed and considered the Group's audited accounts for the year ended 31 December 2018; the Audit Committee Report for the year ended 31 December 2018; the connected transactions report; the internal audit report; the Group's 2019 unaudited first quarter results; the Group's unaudited accounts for the six months ended 30 June 2019; and the Group's 2019 unaudited third quarter results. The external auditor was invited to attend 2018 final results meeting and 2019 unaudited third quarter results meeting. During the meetings, the external auditor discussed various accounting issues and findings with the Audit Committee and the audit strategy and plan for 2019 Group results.

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

Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC"). For the financial year ended 31 December 2019, the fees paid or payable to PwC and other firms of the worldwide network of PwC in respect of services provided to the Group amounted to approximately HK$12,270,000, including audit services fee of the Group of approximately HK$9,167,000 and non-audit services fee of approximately HK$3,103,000. The non-audit fees included tax services and other services for ad hoc projects.

Directors' Securities Transactions

The Company has adopted a model code for securities transactions by directors and relevant employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Directors and senior management of the Company are required to comply with the Securities Code. Reminders are sent to directors and senior management that they should not deal in the shares of the Company during the "black-out-period" specified in the Model Code and before publishing any inside information announcement. Directors and senior management are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company's securities. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the year.

Accountability and Audit

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

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

The directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2019, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of PwC, the external auditor of the Company, are stated in the Independent Auditor's Report of the Company's 2019 Annual Report.

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

Company Secretary

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

During the year, Mr. Ko Hiu Fung was appointed as the company secretary in place of Ms. Tse Sui Ha on 10 August 2019. Both Ms. Tse and Mr. Ko attended sufficient professional training as required under Rule 3.29 of the Listing Rules.

Internal Control and Risk Management

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

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

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

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

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

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

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

During the year, the Audit Department inspected, investigated and assessed one subsidiary of the Group. It reviewed and assessed its system on cost control and integrated management; operation flow; internal control; financial; contracting; quality control; work monitoring and control; safety control; environment control; and analyzed its profitable and unprofitable factors. It issues independent and objective internal audit report with recommendation to chief executive officer and relevant business segments to improve the deficiencies. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified. In order to further improving and monitoring the quality of the Company's internal control system, one subsidiary has conducted internal control testings during the year. The tests plan included 174 test items and focused on the areas of contracting management, income management, funding management, cost management and cost audit, etc. The Audit Department also reviewed the Group's continuing connected transactions for the year ended 31 December 2019 and confirmed that the transactions conducted in accordance with the pricing policies and framework agreements; and on normal and commercial terms. A continuing connected transactions report was prepared by the Audit Department and reported to the Audit Committee.

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

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

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

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

Procedures for Directing Shareholders' Enquiries to the Board

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

Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

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

Communication with Shareholders

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

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

General meeting is a main channel of communication between directors and shareholders. The Company held two general meetings during 2019. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

An annual general meeting was held on 3 June 2019. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution was proposed by the chairman in respect of each substantially separate issue and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

An extraordinary general meeting was held on 9 August 2019. The notice of meeting and the circular containing information on the proposed resolution was sent to shareholders more than 10 clear business days prior to the meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at the meeting. At the meeting, the resolution was proposed by the chairman of the meeting and voting on resolution was conducted by poll. The result of the poll was posted on the websites of the Company and the HKEx on the same day of the meeting.

Investor Relations

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

There are no change to the Company's Memorandum and Articles of Association during the financial year 2019. A copy of the latest version of the Company's Memorandum and Articles of Association is posted on the websites of the Company and the HKEx.

Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal Activities and Geographical Analysis of Operations

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

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

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the audited consolidated financial statements.

An interim dividend of HK16 cents per share amounting to approximately HK$807,865,000 was paid to the shareholders during the year. The Board recommended the payment of a final dividend of HK16 cents per share to the shareholders whose names appear on the register of members on 17 June 2020, amounting to approximately HK$807,865,000.

Dividend Policy

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

Business Review and Performance

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

The environmental and social matters of the Group for the year ended 31 December 2019 are set out in the Company's Sustainability Report 2019, which will be published in July 2020. The Company complied with all the provisions set out in the Environmental, Social and Governance Reporting Guide.

Major Risk Management

Under the Group's internal control and risk management framework, the Risk Management Control Committee identifies major risks in each operation segment, assesses its likely impact and evaluates the risk in order to develop effective control activities to mitigate the risks. In 2019, the Group established a more detailed project risk rating system, and discussed and supervised implementation at regular monthly management meetings to ensure that operational risks are within controllable limits. Other than the financial risk management policies of the Group set out in the section headed "Management Discussion and Analysis" of the Company's 2019 Annual Report, the Group was also exposed to major risk factors including construction risk, infrastructure investment risk, overseas business risk and compliance risk.

(1) Construction risk

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

(2) Infrastructure investment risk

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

(3) Overseas business risk

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

(4) Compliance risk

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

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$88,000 (2018: HK$50,604).

Investment Properties

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

Share Issued in the Year

The Company's total issued share capital as at 31 December 2019 was 5,049,156,668 ordinary shares of HK$0.025 each.

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

Share Premium and Reserves

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

Distributable Reserves

Distributable reserves of the Company at 31 December 2019 amounted to HK$20,800,009,000 (2018: HK$20,808,521,000).

Equity-linked Agreement

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

Pre-emptive Rights

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

Tax Relief and Exemption

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

Financial Summary

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

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2019 and up to the date of its report.

On 3 December 2019, China State Construction Finance (Cayman) III Limited, a wholly-owned subsidiary of the Company, issued US$500,000,000 4.0% subordinated guaranteed perpetual capital securities. The subordinated guaranteed perpetual capital securities are listed on The Stock Exchange of Hong Kong Limited.

Directors' Report (continued)

Directors

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

Chairman & Non-executive Director

Mr. Yan Jianguo *(Appointed on 22 March 2019)*

Executive Directors

Mr. Zhang Haipeng *(Chief Executive Officer)*
Mr. Tian Shuchen
Mr. Zhou Hancheng
Mr. Hung Cheung Shew

Independent Non-executive Directors

Dr. Raymond Ho Chung Tai *(Retired on 3 June 2019)*
Mr. Adrian David Li Man Kiu
Dr. Raymond Leung Hai Ming
Mr. Lee Shing See

Note:

Mr. Zhou Yong was Chairman and Executive Director from 1 January 2019 to 22 March 2019 and resigned as Chairman and Executive Director on 22 March 2019.

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu and Mr. Lee Shing See, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

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

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

With effect from 1 January 2020, the directors' fee for each and every Independent Non-executive Director was changed from HK$250,000 to HK$300,000 per year. With effect from 1 February 2020, the monthly salary of Mr. Hung Cheung Shew was changed from HK$249,800 to HK$259,800. The directors' fees of other directors and the fee to Director who acts as chairman of each and all of the Board committees remain unchanged.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and still considers such directors are independent.

Directors' Service Contracts

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

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director 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.

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

As at 31 December 2019, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) As at 31 December 2019, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 shares of the Company, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of shares in issue of the Company. All the shares held by the directors are being personal interest, in long positions and in the capacity of beneficial owners.

(b) As at 31 December 2019, Mr. Yan Jianguo held 700,000 share options (representing 0.006% shares in issue) in China Overseas Land & Investment Ltd ("COLI", an associated corporation of the Company). All the share options held by the director are being personal interest, in long positions and in the capacity of beneficial owner.

(c) As at 31 December 2019, Mr. Zhang Haipeng held 3,078,000 shares (representing 0.143% shares in issue) in China State Construction Development Holdings Limited ("CSC Development", a non-wholly owned subsidiary of the Company). All the shares held by the director are being personal interest, in long positions and in the capacity of beneficial owner.

(d) As at 31 December 2019, Mr. Hung Cheung Shew held 7,095 shares (representing 0.000% shares in issue) in COLI; 30,000 shares (representing 0.001% shares in issue) in CSC Development; and 2,365 shares (representing 0.000% shares in issue) in China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the director are in being personal interest, in long positions and in the capacity of beneficial owner.

(e) As at 31 December 2019, Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng, respectively held 774,000; 284,000; and 684,000 shares in China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company), representing 0.002%; 0.001%; and 0.002% of shares in issue in CSCECL. All the shares held by the directors are being personal interests, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Save as disclosed above, at no time during the year ended 31 December 2019 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, at no time during the year ended 31 December 2019, none of the directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporation (within the meaning of Part XV of the SFO), or had exercised any such rights.

Interests and Short Positions of Substantial Shareholders/Other Persons

As at 31 December 2019, substantial shareholders (as defined in the Listing Rule) of the Company and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as follows:

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

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares held	% of shares in issue[1]
China Overseas Holdings Limited[2] ("COHL")	Long position	Beneficial owner	3,264,976,136	64.66
China State Construction Engineering Corporation Limited[3] ("CSCECL")	Long position	Interest of a controlled corporation/beneficial owner	3,264,976,136	64.66
中國建築集團有限公司 (China State Construction Engineering Corporation*)[4] ("CSCEC")	Long position	Interest of a controlled corporation/beneficial owner	3,264,976,136	64.66

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

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares held	% of shares in issue[1]
Citigroup Inc.	Long position	Note 5	305,585,051	6.05
	Short position	Note 5	1,915,185	0.03
	Lending pool	Note 5	302,135,663	5.98
GIC Private Limited	Long position	Investment manager	253,305,313	5.02

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

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2019 (i.e. 5,049,156,668 Shares).

2. Amongst the total number of 3,264,976,136 Shares held by COHL, 3,146,188,492 Shares was held as beneficial owner while the balance of 118,787,644 Shares were interests of its controlled corporation.

3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 3,264,976,136 Shares directly and indirectly owned by COHL.

4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,264,976,136 Shares indirectly owned by CSCECL.

5. Citigroup Inc. held the interests in the following capacities:

   (i) Interest of corporation controlled in long position is 3,449,388 Shares.

   (ii) Interest of corporation controlled in short position is 1,915,185 Shares.

   (iii) Approved lending agent in long position is 302,135,663 Shares.

Save as disclosed above, as at 31 December 2019, there was no other person who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Management Contracts

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

Major Customers and Suppliers

The percentages of cost and revenue for the year attributable to the Group's major suppliers and customers are as follows:

Cost

—	the largest supplier	4.3% (2018: 10.95%)
—	five largest suppliers in aggregate	9.5% (2018: 19.3%)

Revenue

—	the largest customer	3.7% (2018: 7.5%)
—	five largest customers in aggregate	17.5% (2018: 23.4%)

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

Connected and Related Party Transactions

Details of connected transactions are set out in the section headed "Connected Transactions" of the Company's 2019 Annual Report. The related party transactions are disclosed in the audited consolidated financial statements.

Public Float

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

Directors' Interest in Competing Business

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

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

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2019, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies and the Group's attributable interest in those affiliated companies as at 31 December 2019 is set out below:

	Combined statement of financial position HK$'000	Group's attributable interests HK$'000
Non-current assets	9,963,941	6,437,270
Current assets	4,077,175	2,575,157
Non-current liabilities	(5,868,589)	(3,782,525)
Current liabilities	(5,605,595)	(3,718,430)
Net Assets	2,566,932	1,511,472

Permitted Indemnity Provisions

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

Emolument Policy

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

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

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under these schemes. During the year, the Group made contribution to the retirement schemes amounting to approximately HK$210 million. No forfeited contributions under these schemes is available to reduce the contribution payable in future years.

Auditor

Messrs. PricewaterhouseCoopers has acted as auditor of the Company for the past three years and will retire at the forthcoming annual general meeting of the Company.

A resolution to appoint Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 25 March 2020

Connected Transactions

A. Connected Transactions under the Listing Rules

A.1 Amendment Agreement relating to formation of a joint venture for the purpose of a project in Liupanshui District, Guizhou Province ("Liupanshui JV")

On 18 March 2019, 中建國際投資(中國)有限公司 (China State Construction International Investments (China) Limited) ("CSCIICL", a wholly-owned subsidiary of the Company) and 中國建築第二工程局有限公司 (China Construction Second Engineering Bureau Ltd.) ("CCSEB", a subsidiary of 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL", an intermediate holding company of the Company)) entered into a restated and amended cooperation agreement (the "Amendment Agreement") to amend and restate the cooperation agreement dated 9 December 2016 (the "Cooperation Agreement") whereby the financial institution (the "FI", a government recognized financial institution in the PRC) agreed to transfer its entire 50% equity interest in Liupanshui JV to CSCIICL as to 10% equity interest, CCSEB as to 10% equity interest and a new financial institution (the "New FI", a new government recognized financial institution in the PRC) as to 30% equity interest. Liupanshui JV was formed and held as to 15%, 15%, 20% and 50% by CSCIICL, CCSEB, 六盤水市交通投資開發有限責任公司 (Liupanshui Transportation Investment Development Co., Ltd.) ("Liupanshui Transportation") and the FI respectively.

Pursuant to the Amendment Agreement, CSCIICL, CCSEB, Liupanshui Transportation and the New FI shall hold 25%, 25%, 20% and 30% equity interest in Liupanshui JV, respectively. CSCIICL shall contribute RMB25,000,000 (among which, RMB15,000,000 has been paid up pursuant to the Cooperation Agreement prior to the equity transfer), being 25% of the registered capital amount, and shall contribute RMB333,772,500 (among which, RMB15,000,000 has been paid up pursuant to the Cooperation Agreement prior to the equity transfer), being 25% of the total investment amount, of Liupanshui JV. The contribution to the registered capital and the total investment amount of Liupanshui JV was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Liupanshui Highway Project and the parties' interest in Liupanshui JV.

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

Details of the transaction were disclosed in an announcement dated 18 March 2019.

A.2 Formation of Joint Venture with China Overseas Property Limited in relation to land in Kai Tak

On 20 March 2019, the Company, China Overseas Land & Investment Limited ("COLI", an associate of the Company) and Macfull Limited ("Macfull", the joint venture company and an indirect wholly-owned subsidiary of COLI) entered into a joint venture agreement ("JV Agreement") whereby the Company agreed to procure Perfect Castle Limited ("PCL", an indirect wholly-owned subsidiary of the Company) to subscribe for, and Macfull agreed to allot and issue, two hundred and fifty (250) ordinary shares in the share capital of Macfull ("JV Shares") at a subscription price of HK$1 per JV Share. The registered capital of Macfull was HK$1,000 and the subscription price was determined based on the amount paid up or regarded as paid up. Following completion, Macfull was owned as to 80% and 20% by China Overseas Property Limited ("COPL", an indirect wholly-owned subsidiary of COLI) and PCL, respectively for the purpose of the development project of a parcel of land situated at New Kowloon Inland Lot No. 6575, Kai Tak Area 4B, Site 2, Kai Tak, Kowloon (the "Land").

Pursuant to the JV Agreement, the Company shall also pay, or procure a member of the Group to pay, to Chung Hoi Finance Limited ("COLI Finance", a wholly-owned subsidiary of COLI) a sum equivalent to 20% of HK$8,033,880,000 (an inter-company loan's principal amount advanced by COLI Finance to Macfull before the subscription for acquisition of the Land). As a result, Macfull shall become indebted to the Group and COLI group in the proportion of 80:20. The aggregate working capital contributed by COLI group and the Group to Macfull shall not exceed HK$10,000,000,000 (which comprises the above loan). Any additional working capital requirements of Macfull shall be funded from other financing sources.

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

Details of the transaction were disclosed in an announcement dated 20 March 2019.

A.3 Formation of Joint Venture with 中國建築股份有限公司 in relation to the provision of construction services for Contract No. DC/2018/05 Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction

On 28 March 2019, China State Construction Engineering (Hong Kong) Limited ("CSCEL", a direct wholly-owned subsidiary of the Company) and CSCECL entered into a joint venture agreement ("JV Agreement") whereby CSCEL and CSCECL agreed to form a joint venture ("China State JV") for the purpose of provision of construction services for Contract No. DC/2018/05 Relocation of Sha Tin Sewage Treatment Works to Caverns — Site Preparation and Access Tunnel Construction (the "Contract"). CSCEL and CSCECL shall hold 60% and 40% equity interest in China State JV respectively (the "Proportionate Share").

The total contract sum under the Contract is approximately HK$811,000,000. The initial and additional working capital of China State JV shall be contributed by CSCEL and CSCECL in accordance with their Proportionate Share. Any contribution made or to be made by CSCEL and CSCECL to China State JV was determined after arm's length negotiations between the parties with reference to their respective Proportionate Share.

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

Details of the transaction were disclosed in an announcement dated 28 March 2019.

A.4 Formation of Joint Venture with 中國建築西南設計研究院有限公司 (China Southwest Architectural Design and Research Institute Corp., Ltd.*) for the Jiangmen Project

On 9 April 2019, CSCIICL, 中建國際工程有限公司 (China State Construction International Engineering Limited*) ("CSCIE", a wholly-owned subsidiary of the Company) and 中國建築西南設計研究院有限公司 (China Southwest Architectural Design and Research Institute Corp., Ltd.*) ("CSADRI", a subsidiary of CSCECL) entered into a cooperation agreement (the "JV Agreement") whereby CSCIICL, CSCIE and CSADRI agreed to form a joint venture ("Jiangmen JV") for the purpose of investing into a Public-Private-Partnership (PPP) project relating to the construction, operation and establishment of infrastructure facilities in the Siqian Park (Pilot Zone) of the Equipment Manufacturing Park in Xinhui, Jiangmen Municipality, Guangdong Province, the PRC (the "Jiangmen Project"). CSCIICL, CSCIE and CSADRI shall hold 89.99%, 10% and 0.01% equity interest in Jiangmen JV respectively.

Jiangmen JV shall have a registered capital of RMB100,000,000 to which CSCIICL and CSCIE shall contribute RMB89,990,000 and RMB10,000,000 respectively. The project capital (exclusive of the registered capital) of Jiangmen JV shall be RMB400,140,000 to which CSCIICL and CSCIE shall contribute RMB360,090,000 and RMB40,010,000 respectively. Pursuant to the JV Agreement, CSCIICL (for itself and CSCIE) shall also provide a performance bond for construction in the sum of RMB29,997,000 to 新會區司前鎮人民政府 (the People's Government of Siqian Town, Xinhui District*). Any additional funding requirements of the Jiangmen Project (other than the registered capital and the project capital) shall be arranged by Jiangmen JV with banks or financial institutions. The respective contribution to the registered capital and the project capital of Jiangmen JV was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Jiangmen Project and the parties' interests in Jiangmen JV.

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

Details of the transaction were disclosed in an announcement dated 9 April 2019.

A.5 Formation of Joint Venture with 中國建築第五工程局有限公司 (China Construction Fifth Engineering Division Corp. Ltd.*) for the Zhejiang Project

On 27 September 2019, CSCIICL and 中國建築第五工程局有限公司 (China Construction Fifth Engineering Division Corp. Ltd.*) ("CCFED", a subsidiary of CSCECL) entered into a cooperation agreement ("JV Agreement") whereby CSCIICL and CCFED agreed to form a joint venture ("Zhejiang JV") with 南寧市國達體育文化有限公司 (Nanning Guoda Sports and Culture Co., Ltd.*) ("Nanning Guoda") for the purpose of investing into a Public-Private-Partnership (PPP) project relating to the construction, operation and establishment of a sports park in Hu Shan, Jiang Shan, Quzhou, Zhejiang, the PRC (中國浙江衢州江山虎山運動公園項目) (the "Zhejiang Project"). CSCIICL, CCFED and Nanning Guoda shall hold 98.9%, 0.1% and 1% equity interest in Zhejiang JV respectively.

The amount of the social capital investment of Zhejiang JV was tentatively fixed at RMB1,031,910,000, 20% of which was the project capital (inclusive of the registered capital of Zhejiang JV). The project capital of Zhejiang JV was tentatively fixed at RMB207,000,000 to which CSCIICL shall contribute RMB204,723,000. The contribution to the project capital of Zhejiang JV is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Zhejiang Project and the parties' interests in Zhejiang JV. Any additional funding requirements of the Zhejiang Project (other than the registered capital and the project capital) shall be arranged by Zhejiang JV with banks or financial institutions.

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

Details of the transaction were disclosed in an announcement dated 27 September 2019.

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

B. Continuing Connected Transactions under the Listing Rules

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

(1 January 2018 to 31 December 2020)

On 6 October 2017, the Company and CSCECL entered into a CSCECL Sub-construction Engagement Agreement, whereby (i) the Company and its subsidiaries (the "Group") may engage CSCECL and its subsidiaries (the "CSCECL Group") as contractors for a term of three years commencing from 1 January 2018 and ending on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2020 shall not exceed RMB55,000 million ("the CSCECL Sub-construction Engagement Cap"); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commencing from 1 January 2018 and ending on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed RMB25,000 million (the "CSC Sub-construction Engagement Cap").

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

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

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

For the year ended 31 December 2019, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement was RMB13,868,256,079.62 and the total contract sum awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement was RMB10,659,425,009.34.

B.2 Master CSC Group Engagement Agreement (dated 6 October 2017)

(1 January 2018 to 31 December 2020)

On 6 October 2017, COLI and the Company entered into a Master CSC Group Engagement Agreement whereby COLI and its subsidiaries (the "COLI Group") may engage the Company and its subsidiaries (the "Group") as contractors for a term of three years commencing from 1 January 2018 and ending on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed HK$7,000 million (the "COLI Works Annual Cap").

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

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

A circular dated 6 November 2017 containing details of the Master CSC Group Engagement Agreement was despatched to the shareholders of the Company. The Master CSC Group Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 November 2017.

For the year ended 31 December 2019, the total contract sum awarded by the COLI Group to the Group under the Master CSC Group Engagement Agreement was HK$2,896,900,830.38.

B.3 CSCIHL Master Connection Services Agreement (dated 19 December 2018)

(1 January 2019 to 31 December 2021)

On 19 December 2018, COLI and the Company entered into a Master Connection Services Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021 whereby the COLI Group may invite the Group and, in particular, Shenyang Huanggu Thermoelectricity Company Limited 瀋陽皇姑熱電有限公司 ("SHTCL", a wholly owned subsidiary of the Company) to participate in the provision of connection services for heating pipes for the real estate project(s) located in Shenyang and developed by the COLI Group from time to time. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three years ending 31 December 2021 shall not exceed HK$80 million (the "Connection Services Cap").

In determining the pricing terms, the Group will take into account the coverage services to be provided, any other comparable services providers, the location, size, development status and cost of the connection.

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

An announcement containing details of the Master Connection Services Agreement was made on 19 December 2018.

On 30 December 2019, China State Construction Development Holdings Limited ("CSC Development", a listed subsidiary of the Company) completed the acquisition of China Overseas Public Utility Investment Limited (the then wholly owned subsidiary of the Company and the holding company of SHTCL which engaged in connection services). As a result of the completion of the acquisition, no transaction would be made under the Master Connection Services Agreement.

For the year ended 31 December 2019, the total contract sum awarded by the COLI Group to the Group under the Master Connection Services Agreement was HK$49,591,939.30.

B.4 FE-CSCECL Sub-construction Engagement Agreement (dated 11 October 2017)

(1 January 2018 to 31 December 2020)

On 11 October 2017, CSCECL and CSC Development entered into a FE-CSCECL Sub-construction Engagement Agreement whereby the CSCECL Group may engage CSC Development and its subsidiaries (the "CSC Development Group") as its subcontractor for provision of exterior façade works to the CSCECL Group's construction works for a term of three years commencing from 1 January 2018 and ending on 31 December 2020. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group for each of the three financial years ending 31 December 2020 shall not exceed HK$1,000 million (the "CSCECL Works Cap").

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

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

An announcement containing details of the FE-CSCECL Sub-construction Engagement Agreement was made on 11 October 2017.

For the year ended 31 December 2019, the total contract sum awarded by the CSCECL Group to the CSC Development Group under the FE-CSCECL Sub-construction Engagement Agreement was HK$164,185,993.11.

B.5 COGO Framework Agreement (dated 26 June 2018)

(1 July 2018 to 30 June 2021)

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

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

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

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

For the year ended 31 December 2019, there was no contract awarded under the COGO Framework Agreement.

B.6 COLI Works Framework Agreement (dated 26 June 2018)

(20 August 2018 to 30 June 2021)

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

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

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

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

For the year ended 31 December 2019, the total contract sum awarded by the COLI Group to the CSC Development Group under the COLI Works Framework Agreement was HK$174,182,237.80.

B.7 CSCECL Framework Agreement (dated 4 June 2019)

(4 June 2019 to 31 December 2021)

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

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

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

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

During the period from 4 June 2019 to 31 December 2019, there was no contract awarded under the CSCECL Framework Agreement.

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

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

(ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(3) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual cap during the financial year ended 31 December 2019; and

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

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

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

Independent Auditor's Report

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 193, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from construction works
- Recoverability of trade receivables
- Impairment of concession operating rights

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction works	
Refer to notes 4.25, 6.1 and 7 to the consolidated financial statements. For the year ended 31 December 2019, the Group recognised revenue from construction works of HK$57,346 million, including revenue from construction contracts, infrastructure investment projects and façade contracting business. Most construction works take several years to complete and the scope of work may change during that time. Management estimate the revenue and budgeted costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue, budgeted costs as well as the progress of related construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. For this reason, we identified revenue recognition from construction works as a key audit matter.	We understood, evaluated and validated on a sample basis the internal controls relating to the contract budgeting and management process. The measurement of revenue recognition requires management's estimates in respect of revenue, budgeted costs as well as the progress of related construction works. In our testing of the revenue recognition for the reporting period, we selected construction works on a sample basis and: • discussed with management and the respective project teams about the progress of the projects and relevant contract terms; • assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence among the Group, customers, subcontractors and suppliers; • tested on a sample basis the actual costs incurred on construction works during the reporting period; • recalculated the revised estimate of the progress of the construction works based on the latest budgeted final costs and the total actual costs incurred; and • recalculated the revenue recognised based on the revised estimate of the progress of the construction works. We considered management's estimates used to determine the revenue and budgeted costs and the progress of the construction works for the reporting period as well as the revenue recognised to be supportable based on the evidence available.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to notes 4.9(iv), 4.15, 6.3 and 30 to the consolidated financial statements. As at 31 December 2019, the Group recognised trade receivables of HK$66,108 million, which was the most significant asset of the Group as of the year end, representing 41% of the total assets. In assessing the recoverability of trade receivables, management exercised significant judgements to evaluate the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, the probability that they will enter bankruptcy, aging analysis and forecast of future events and economic conditions which may impact the recoverability of trade receivables, and if applicable, the fair value of collateral provided by customers. The judgements applied by management have a significant impact on the level of provision required for trade receivables.	We performed the following procedures to assess the recoverability of trade receivables: • We understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables; • We tested on a sample basis the aging of trade receivables at year end; • We tested on a sample basis subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • In respect of material trade receivables balances, we inspected relevant contracts and correspondence with the customers, and assessed their creditworthiness with reference to publicly available information, where applicable; • In respect of material trade receivables balances which are past due, additional procedures were performed to evaluate their historical progress payment records, assess whether the customers are experiencing financial difficulties, default or delinquency in interest or principal payments, and assess the probability that the customers will enter bankruptcy with reference to publicly available information, where applicable; • We compared, if applicable, the fair value of collateral provided by customers to available market information; and • We evaluated the level of provisions made by management for trade receivables using forward-looking and historical information. We considered the judgements applied by management in assessing the recoverability of and determining the level of provision for trade receivables to be supportable based on the evidence available.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of concession operating rights	
Refer to notes 4.8(c), 4.11, 6.5 and 23 to the consolidated financial statements. The Group's concession operating rights represent the rights to operate, and charge for usage of, toll expressways in the Mainland China and were recognised as non-current assets with a net carrying amount of approximately HK$3,838 million as at 31 December 2019. Management perform an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist, for example, the actual traffic flow is less than that budgeted. The recoverable amount of concession operating rights is the higher of the value determined based on value-in-use calculations and fair value less costs of disposal. The impairment assessment based on recoverable amount involves significant judgements and assumptions, including management's expectations of future traffic volumes, expected future toll fee levels, length of operating rights, maintenance costs and discount rates. Independent external valuers were also involved in the impairment assessment. As the impairment assessment involves significant judgements and estimates, we regarded this as a key audit matter.	We performed the following procedures to assess the impairment of concession operating rights: • We evaluated the competence, capabilities and objectivity of the independent external valuers; • We involved our internal valuation experts to assess the valuation methodology and discount rates applied by management, and benchmarked the discount rates applied to other comparable companies in the same industry; and • We assessed the key assumptions adopted by management in the calculation of value-in-use, including the expected future traffic volumes, toll fee level projections, length of operating rights, maintenance costs and discount rates by comparing them with economic and industry forecasts. We considered the judgements and assumptions applied by management to determine the recoverable amount of the concession operating rights to be supportable based on the evidence available.

Independent Auditor's Report (continued)

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	7	**61,669,678**	55,626,304
Costs of sales		**(52,433,975)**	(46,929,883)
Gross profit		**9,235,703**	8,696,421
Investment income, other income and other gains/(losses), net	9	**636,756**	(360,250)
Administrative, selling and other operating expenses		**(1,681,800)**	(1,396,594)
Share of profits of			
Joint ventures		**452,654**	705,024
Associates		**920,143**	342,621
Finance costs	10	**(2,278,985)**	(1,781,717)
Profit before tax		**7,284,471**	6,205,505
Income tax expenses, net	13	**(1,560,891)**	(1,648,872)
Profit for the year	14	**5,723,580**	4,556,633
Profit for the year attributable to:			
Owners of the Company		**5,413,208**	4,500,148
Holders of perpetual capital securities		**260,166**	17,000
Non-controlling interests		**50,206**	39,485
		5,723,580	4,556,633
Earnings per share (HK cents)	16		
Basic		**107.21**	89.13
Diluted		**107.21**	89.13

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**5,723,580**	4,556,633
Other comprehensive income/(loss)		
Items that may be reclassified to consolidated income statement		
Gain/(loss) on fair value changes of debt securities at fair value through other comprehensive income, net of tax	**24,990**	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	**9,376**	(109)
Exchange differences on translation of subsidiaries	**(256,901)**	(1,765,725)
Exchange differences on translation of joint ventures	**(101,074)**	(608,912)
Exchange differences on translation of associates	**(5,827)**	(9,527)
Items that will not be reclassified to consolidated income statement		
Gain on fair value change of equity securities at fair value through other comprehensive income, net of tax	**492**	14,429
Other comprehensive loss for the year, net of tax	**(328,944)**	(2,382,724)
Total comprehensive income for the year, net of tax	**5,394,636**	2,173,909
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,090,668**	2,143,514
Holders of perpetual capital securities	**260,166**	17,000
Non-controlling interests	**43,802**	13,395
	5,394,636	2,173,909

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	At 31 December 2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment	17(a)	**4,726,378**	4,149,806
Investment properties	18	**5,067,333**	4,680,776
Interests in infrastructure project investments	19	**4,747,131**	3,680,414
Prepaid lease payments	20	**—**	367,032
Interests in joint ventures	21	**14,012,737**	11,709,355
Interests in associates	22	**6,300,683**	5,654,865
Concession operating rights	23	**3,837,846**	4,154,800
Deferred tax assets	41	**157,833**	198,830
Trademark, project backlogs and licences	24	**289,117**	308,535
Goodwill	24	**577,664**	577,664
Financial assets at fair value through other comprehensive income	25	**658,355**	505,416
Amounts due from investee companies	26	**211,806**	211,806
Trade and other receivables	30	**44,317,072**	38,047,727
Loans to joint ventures	32	**1,020,307**	1,612,397
		85,924,262	75,859,423
Current Assets			
Interests in infrastructure project investments	19	**52,053**	45,811
Inventories	27	**259,811**	280,204
Properties under development	28	**1,810,383**	2,349,510
Properties held for sale		**1,716,919**	710,275
Contract assets	29	**12,115,947**	9,081,810
Trade and other receivables	30	**30,601,279**	25,321,390
Deposits and prepayments		**500,604**	265,530
Loans to joint ventures	32	**327,883**	338,024
Amounts due from joint ventures	32	**5,105,117**	3,781,326
Amounts due from associates	31	**373,897**	105,179
Tax recoverable		**12,127**	57,901
Bank balances and cash	34	**22,623,621**	17,925,708
		75,499,641	60,262,668

Consolidated Statement of Financial Position (continued)

As at 31 December 2019

	Note	At 31 December 2019 HK$'000	2018 HK$'000
Current Liabilities			
Contract liabilities	29	**7,830,567**	9,027,486
Trade payables, other payables and accruals	35	**44,699,248**	36,714,715
Deposits received		**34,352**	38,802
Amounts due to joint ventures	32	**1,353,803**	1,064,099
Amounts due to associates	31	**86**	102,645
Current tax payables		**4,781,892**	3,885,617
Borrowings	36	**10,040,968**	2,795,832
Loan from a fellow subsidiary	33	**2,340,000**	—
Lease liabilities	17(b)	**24,854**	—
Obligations under finance leases		**—**	793
		71,105,770	53,629,989
Net current assets		**4,393,871**	6,632,679
Total assets less current liabilities		**90,318,133**	82,492,102
Capital and Reserves			
Share capital	37	**126,229**	126,229
Share premium and reserves	38	**42,021,941**	38,328,139
Equity attributable to owners of the Company		**42,148,170**	38,454,368
Perpetual capital securities	39	**7,781,962**	3,878,468
Non-controlling interests		**977,433**	745,414
		50,907,565	43,078,250
Non-current Liabilities			
Borrowings	36	**29,347,618**	32,033,950
Guaranteed notes payables	40	**6,216,049**	6,210,963
Contract liabilities	29	**688,210**	740,010
Deferred tax liabilities	41	**403,675**	427,087
Loan from a joint venture	42	**2,711,864**	—
Lease liabilities	17(b)	**43,152**	—
Obligations under finance leases		**—**	1,842
		39,410,568	39,413,852
		90,318,133	82,492,102

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 37)	Share premium and reserves HK$'000 (Note 38)	Total HK$'000	Perpetual capital securities HK$'000 (Note 39)	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	126,229	37,961,400	38,087,629	—	375,282	38,462,911
Profit for the year	—	4,500,148	4,500,148	17,000	39,485	4,556,633
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	(12,880)	(12,880)	—	—	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	(109)	(109)	—	—	(109)
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	—	14,429	14,429	—	—	14,429
Exchange differences on translation of subsidiaries	—	(1,739,635)	(1,739,635)	—	(26,090)	(1,765,725)
Exchange differences on translation of joint ventures	—	(608,912)	(608,912)	—	—	(608,912)
Exchange differences on translation of associates	—	(9,527)	(9,527)	—	—	(9,527)
Total comprehensive income for the year	—	2,143,514	2,143,514	17,000	13,395	2,173,909
Issuance of perpetual capital securities	—	—	—	3,861,468	—	3,861,468
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	16,419	16,419	—	—	16,419
Contribution from non-controlling interests of subsidiaries	—	—	—	—	341,945	341,945
Dividend paid to non-controlling shareholders	—	—	—	—	(11,183)	(11,183)
Deemed disposal of interests in a subsidiary	—	(25,975)	(25,975)	—	25,975	—
Acquisition of additional interest of a subsidiary	—	(14)	(14)	—	—	(14)
2017 final dividend paid	—	(1,009,831)	(1,009,831)	—	—	(1,009,831)
2018 interim dividend paid	—	(757,374)	(757,374)	—	—	(757,374)
Total transactions with owners, recognised directly in equity	—	(1,776,775)	(1,776,775)	3,861,468	356,737	2,441,430
At 31 December 2018	126,229	38,328,139	38,454,368	3,878,468	745,414	43,078,250

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 37)	Share premium and reserves HK$'000 (Note 38)	Total HK$'000	Perpetual capital securities HK$'000 (Note 39)	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	126,229	38,328,139	38,454,368	3,878,468	745,414	43,078,250
Profit for the year	—	5,413,208	5,413,208	260,166	50,206	5,723,580
Gain on fair value changes of debt securities at fair value through other comprehensive income, net of tax	—	24,990	24,990	—	—	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	—	9,376	9,376	—	—	9,376
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	—	492	492	—	—	492
Exchange differences on translation of subsidiaries	—	(250,497)	(250,497)	—	(6,404)	(256,901)
Exchange differences on translation of joint ventures	—	(101,074)	(101,074)	—	—	(101,074)
Exchange differences on translation of associates	—	(5,827)	(5,827)	—	—	(5,827)
Total comprehensive income for the year	—	5,090,668	5,090,668	260,166	43,802	5,394,636
Issuance of perpetual capital securities	—	—	—	3,877,328	—	3,877,328
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	16,898	16,898	—	—	16,898
Contribution from non-controlling interests of subsidiaries	—	—	—	—	202,482	202,482
Distribution paid on perpetual capital securities	—	—	—	(234,000)	—	(234,000)
Dividend paid to non-controlling shareholders	—	—	—	—	(14,265)	(14,265)
2018 final dividend paid	—	(605,899)	(605,899)	—	—	(605,899)
2019 interim dividend paid	—	(807,865)	(807,865)	—	—	(807,865)
Total transactions with owners, recognised directly in equity	—	(1,396,866)	(1,396,866)	3,643,328	188,217	2,434,679
At 31 December 2019	126,229	42,021,941	42,148,170	7,781,962	977,433	50,907,565

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before tax	**7,284,471**	6,205,505
Adjustments for:		
Finance costs	**2,278,985**	1,781,717
Interest income	**(444,036)**	(260,745)
Dividend income	**(31,154)**	(27,138)
Gain on disposal of debt securities at fair value through other comprehensive income, net of tax	**(7,376)**	(113)
Loss on fair value changes of investment properties	**—**	6,828
Gain on disposal of property, plant and equipment	**(9,138)**	(669)
Gain on disposal of investment properties	**(4,028)**	—
Impairment loss on concession operation rights	**—**	817,000
Share of profits of joint ventures	**(452,654)**	(705,024)
Share of profits of associates	**(920,143)**	(342,621)
Exchange loss/(gain)	**45,256**	(30,408)
Depreciation of property, plant and equipment	**193,262**	144,910
Amortisation of concession operating rights	**270,065**	211,879
Amortisation of trademark and licences	**17,598**	17,848
Amortisation of prepaid lease payments	**—**	7,399
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	**914**	(7,083)
Operating cash flows before working capital changes	**8,222,022**	7,819,285
Decrease in income receivables from infrastructure project investments	**31,230**	430,569
Decrease/(increase) in inventories	**17,572**	(66,165)
Decrease/(increase) in properties under development	**532,028**	(1,549,510)
Increase in properties held for sale	**(1,026,590)**	(296,020)
Changes in net balances in net contract assets/liabilities	**(4,253,464)**	5,171,038
Increase in trade and other receivables	**(13,565,721)**	(16,220,149)
(Increase)/decrease in deposits and prepayments	**(236,706)**	26,846
Increase in trade payables, other payables and accruals	**8,101,855**	4,791,972
Decrease/(increase) in deposits received	**4,521**	(1,221,609)
Net cash used in operations	**(2,173,253)**	(1,113,743)
Income taxes paid	**(560,570)**	(834,746)
Income taxes refunded	**29,474**	23,894
Net cash used in operating activities (Note)	**(2,704,349)**	(1,924,595)

	Note	**2019** **HK$'000**	2018 HK$'000
Investing activities			
Interest received		**249,323**	150,958
Purchases of property, plant and equipment		**(502,777)**	(805,876)
Payments for prepaid leases payments		**—**	(2,601)
Proceeds from disposal of property, plant and equipment		**14,722**	93,734
Proceeds from disposal of investment properties		**7,101**	—
Net movement of current accounts with joint ventures		**(1,090,448)**	(1,254,436)
Net movement of loans to joint ventures		**685,127**	(1,886,317)
Investments in joint ventures		**(2,221,952)**	(1,950,197)
Dividends received from joint ventures		**269,688**	293,065
Net movement of current accounts with associates		**(377,302)**	31,436
Investments in associates		**(1,475,294)**	(1,152,179)
Dividends received from associates		**1,841,937**	335,263
Dividends received from equity securities at fair value through other comprehensive income		**31,154**	27,138
Acquisition of debt securities at fair value through other comprehensive income		**(402,407)**	(93,331)
Proceeds from disposal of equity securities at fair value through other comprehensive income		**291,658**	39,389
Acquisition of investment properties		**(388,824)**	(840)
Acquisition of subsidiaries	46	**—**	(800,000)
(Increase)/decrease in pledged bank deposits and deposits with financial institutions		**(21,747)**	20,824
Net cash used in investing activities		**(3,090,041)**	(6,953,970)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Financing activities			
Finance costs paid		**(1,966,621)**	(1,757,784)
Dividends paid to owners of the Company		**(1,413,764)**	(1,767,205)
Dividends paid to non-controlling shareholders		**(14,265)**	(11,183)
Contribution from non-controlling interests		**202,482**	341,945
Issue of perpetual capital securities, net		**3,877,328**	3,861,468
Distribution paid on perpetual capital securities		**(234,000)**	—
New bank loans raised	44	**27,137,450**	21,775,393
Repayment of bank loans	44	**(22,166,065)**	(8,960,494)
Loan from a joint venture	44	**2,781,600**	—
Loan from a fellow subsidiary	44	**2,340,000**	—
Principal elements of lease payments	44	**(37,518)**	—
Repayment of finance leases	44	**—**	(1,026)
Repayment of guaranteed notes payables		**—**	(3,900,000)
Net cash from financing activities		**10,506,627**	9,581,114
Increase in cash and cash equivalents		**4,712,237**	702,549
Cash and cash equivalents at the beginning of the year		**17,924,196**	17,570,868
Effect of foreign exchange rate changes		**(36,071)**	(349,221)
Cash and cash equivalents at the end of the year		**22,600,362**	17,924,196
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**22,623,621**	17,925,708
Less: Pledged bank deposits and deposits with financial institutions		**(23,259)**	(1,512)
		22,600,362	17,924,196

Note:

During the year, the Group has undertaken a number of infrastructure investment projects. The net expenditure for infrastructure investment projects (ie. the difference between the cash generated from and used in the construction of infrastructure investment projects) has decreased from HK$4.5 billion in 2018 to HK$3.0 billion in 2019.

1 General information

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

The principal activities of the Company and its subsidiaries (together, the "Group") are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and façade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 52, 21 and 22, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$'000"), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2020.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

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

2 Basis of preparation (continued)

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

In the current year, the Group has applied the following new standards, amendments and improvements to existing Hong Kong Accounting Standards ("HKAS(s)"), and interpretation ("Int") (hereinafter collectively referenced to as the "new HKFRSs") issued by the HKICPA.

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the above new HKFRSs in the current year has had no material impact on the Group's results and financial position, except HKFRS 16 "Leases". As a result of adopting the standard, the Group had to change its accounting policies. The impact of adoption is disclosed in note 3.

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

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The mandatory effective date will be determined

3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different from those applied in prior years.

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. HKFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset for the lease term) and a lease liability (representing the obligation to pay rentals) are recognised for all leases. The lessor accounting largely remains unchanged.

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Applied the recognition exemption for leases of low value assets
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether* an *Arrangement contains a Lease*.

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases (mainly land and buildings and motor vehicles) from property, plant and equipment and prepaid lease payments under operating leases to right-of-use assets and the liabilities under obligations under finance leases to lease liabilities for presentation purpose.

3 Changes in accounting policies (continued)

HKFRS 16 "Leases" (continued)

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**145,629**
Discounted using the lessee's incremental borrowing rate of at the date of initial application*	**140,595**
Add: finance lease liabilities recognised as at 31 December 2018	**2,635**
Less: adjustments as a result of a different treatment of extension and termination options	**(51,880)**
Lease liabilities recognised as at 1 January 2019	**91,350**
Of which are:	
Current lease liabilities	**7,176**
Non-current lease liabilities	**84,174**
	91,350

* The weighted average incremental borrowing rate was 4.81% for Mainland China and 3.68% for the rest of the regions.

The table below summarises the impact on the adoption of HKFRS 16:

Consolidated statement of financial position (extract)	At 31 December 2018 (as reported) HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	**At 1 January 2019 (as adjusted) HK$'000**
Non-current assets			
Property, plant and equipment			
— Right-of-use assets	—	489,238	**489,238**
Property, plant and equipment			
— land and buildings and motor vehicles	33,491	(33,491)	**—**
Prepaid lease payments	367,032	(367,032)	**—**
Total assets	400,523	88,715	**489,238**
Non-current liabilities			
Obligations under finance leases	1,842	(1,842)	**—**
Lease liabilities	—	84,174	**84,174**
Current liabilities			
Obligations under finance leases	793	(793)	**—**
Lease liabilities	—	7,176	**7,176**
Total liabilities	2,635	88,715	**91,350**
Net assets	397,888	—	**397,888**

3 Changes in accounting policies (continued)

HKFRS 16 "Leases" (continued)

Consolidated income statement for the year ended 31 December 2019 (extract)	As originally presented HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	Restated HK$'000
Administrative, selling and other operating expenses	(1,682,347)	547	(1,681,800)
Finance costs	(2,276,261)	(2,724)	(2,278,985)
Profit before income tax	7,286,648	(2,177)	7,284,471
Income tax expenses, net	(1,560,891)	—	(1,560,891)
Profit for the year	5,725,757	(2,177)	5,723,580
Profit attributable to:			
Owners of the Company	5,415,372	(2,164)	5,413,208
Holders of perpetual capital securities	260,166	—	260,166
Non-controlling interests	50,219	(13)	50,206
Profit for the year	5,725,757	(2,177)	5,723,580
Earnings per share (HK cents)			
Basic	107.25	(0.04)	107.21
Diluted	107.25	(0.04)	107.21

Consolidated statement of cash flows for the year ended 31 December 2019 (extract)	As originally presented HK$'000	Effects of adoption of HKFRS 16 (note 3) HK$'000	Restated HK$'000
Net cash (used in)/from operating activities	(2,741,956)	37,607	(2,704,349)
Finance costs paid	(1,963,897)	(2,724)	(1,966,621)
Principal elements of lease payments	(2,635)	(34,883)	(37,518)
Net cash from/(used in) in financing activities	10,544,234	(37,607)	10,506,627
Increase in cash and cash equivalents	4,712,237	—	4,712,237

4 Principal accounting policies

4.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2019.

(a) Subsidiaries

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

Business combinations — common control combinations

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

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

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

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

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

Business combinations — acquisition method

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

Acquisition-related costs are expensed as incurred.

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(a) Subsidiaries (continued)

Business combinations — acquisition method (continued)

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Separate financial statements

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

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

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(b) Associates

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

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

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

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

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

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

4 Principal accounting policies (continued)

4.1 Consolidation (continued)

(c) Joint arrangements

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

Joint ventures

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

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

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

Joint operations

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

4.2 Segment reporting

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

4.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$'000"), which is the Company's functional and the Group's presentation currency.

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "Investment income, other income and other gains/(losses), net".

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

(c) Group companies

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

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

(ii) income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in OCI.

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

(d) Disposal of foreign operation and partial disposal

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

4 Principal accounting policies (continued)

4.3 Foreign currency translation (continued)

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

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

4.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

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

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

4 Principal accounting policies (continued)

4.5 Leases

As explained in note 3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 3.

Accounting policies applied until 31 December 2018

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "Prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

(b) The Group as lessee

(i) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4 Principal accounting policies (continued)

4.5 Leases (continued)

Accounting policies applied from 1 January 2019

Leases

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

4 Principal accounting policies (continued)

4.5 Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

Leases (continued)

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revaluates its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

4 Principal accounting policies (continued)

4.6 Investment properties

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

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

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

4.7 Interests in infrastructure project investments

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

The Group's interests in the infrastructure project investments are classified as loans and receivables and amortised cost in accordance with HKAS 39 and HKFRS 9 respectively and are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

4 Principal accounting policies (continued)

4.8 Intangible assets

(a) Goodwill

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

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

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

(b) Trademark, project backlogs and licences

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

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

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

(c) Concession operating rights

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

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

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

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

4 Principal accounting policies (continued)

4.9 Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt securities

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses) together with foreign exchange gains and losses or finance income/(cost).

4 Principal accounting policies (continued)

4.9 Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt securities (continued)

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

Equity securities

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

Impairment losses (and reversal of impairment losses) on equity securities measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt securities carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 30 for further details.

As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

4.10 Offsetting financial instruments

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

4 Principal accounting policies (continued)

4.11 Impairment of non-financial assets

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

4.12 Inventories

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

4.13 Properties held for sale

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

4.14 Property under development

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

4 Principal accounting policies (continued)

4.15 Trade and other receivables

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

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

4.16 Cash and cash equivalents

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

4.17 Share capital

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

4.18 Trade payables, other payables and accruals

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

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

4.19 Borrowings

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

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

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

4 Principal accounting policies (continued)

4.20 Borrowing costs

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

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

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

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

4.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis difference

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

4 Principal accounting policies (continued)

4.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis difference (continued)

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

Outside basis difference

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

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

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

(c) Offsetting

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

4.22 Provisions

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

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

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

4 Principal accounting policies (continued)

4.23 Employee benefits

(a) Retirement benefits

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

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

(b) Employee leave entitlements

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

4.24 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

(b) Share-based payment transactions among group entities

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

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

4 Principal accounting policies (continued)

4.25 Revenue recognition

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

(a) Provides all of the benefits received and consumed simultaneously by the customer;

(b) Creates or enhances an asset that the customer control as the Group performs; or

(c) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

(a) Direct measurements of the value transferred by the Group to the customer; or

(b) The Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs ("input method").

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

4 Principal accounting policies (continued)

4.25 Revenue recognition (continued)

(a) Revenue from contracts with customers

(i) Revenue from construction contracts

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

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

(ii) Project consultancy contracts

Income from project consultancy contract is recognised on an accrual basis over time for the period of providing project consultancy services.

(iii) Thermoelectricity business

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

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

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

(iv) Toll revenue

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

(v) Sales of goods

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

(vi) Services income

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

4 Principal accounting policies (continued)

4.25 Revenue recognition (continued)

(b) Revenue from other sources

(i) Income from interests in infrastructure investment projects

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

(ii) Lease of machinery

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

(iii) Insurance income

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

(iv) Interest income generated from Public-Private-Partnership ("PPP") projects (previously known as "Build — Transfer" and "Build — Operation — Transfer" projects)

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

(v) Interest income

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

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

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

(vi) Dividend income

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

(vii) Rental income

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

4 Principal accounting policies (continued)

4.26 Government grant

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

4.27 Contingent liabilities and contingent assets

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

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

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

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

4.28 Insurance contracts

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

4.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

4 Principal accounting policies (continued)

4.30 Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the consolidated income statement.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

4.31 Perpetual capital securities

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

5 Financial risk management

5.1 Financial instruments by category

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	**4,799,184**	3,726,225
Amounts due from investee companies	**211,806**	211,806
Loans to joint ventures	**1,348,190**	1,950,421
Amounts due from joint ventures	**5,105,117**	3,781,326
Amounts due from associates	**373,897**	105,179
Trade and other receivables	**74,918,351**	63,369,117
Deposits	**36,919**	58,547
Bank balances and cash	**22,623,621**	17,925,708
Financial assets at FVOCI	**658,355**	505,416
	110,075,440	91,633,745
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	**44,500,757**	35,212,621
Amounts due to joint ventures	**1,353,803**	1,064,099
Amounts due to associates	**86**	102,645
Borrowings	**39,388,586**	34,829,782
Deposits received	**34,352**	38,802
Loan from a fellow subsidiary	**2,340,000**	—
Loan from a joint venture	**2,711,864**	—
Lease liabilities	**68,006**	—
Obligations under finance leases	**—**	2,635
Guaranteed notes payables	**6,216,049**	6,210,963
	96,613,503	77,461,547

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

5 Financial risk management (continued)

5.2 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2019, if HK$ had weakened/strengthened 5% against RMB with all other variables held constant, the consolidated profit before tax for the year would have been HK$62,000 lower/higher (2018: HK$406,000 higher/lower).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from its variable-rate borrowings, London Interbank Offered Rate ("LIBOR") arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings and trade and other receivables. Please see notes 25, 30 and 36 for details of debt securities, trade and other receivables and borrowings.

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

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2018: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 (2018: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2019 would decrease/increase by HK$59,844,000 (2018: decrease/increase by HK$62,032,000).

(b) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in Mainland China.

The credit risk on amounts due from investee companies, joint ventures and associates is limited because the counterparties, which are engaged in property development and investment in Mainland China and Macau, have strong financial positions.

The credit risk on interests in infrastructure project investments, contract assets and trade receivables is limited because the counterparties are mainly PRC government-related entities and are covered by collateral, where applicable. The Group assessed the credit losses against contract assets and trade receivables and the lifetime expected credit loss rate is below 1%.

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

5 Financial risk management (continued)

5.2 Financial risk factors (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The Group						
At 31 December 2019						
Trade payables, other payables and accruals	**41,457,458**	**1,030,431**	**1,111,014**	**842,873**	**58,982**	**44,500,758**
Deposits received	**34,352**	**—**	**—**	**—**	**—**	**34,352**
Amounts due to joint ventures	**1,353,803**	**—**	**—**	**—**	**—**	**1,353,803**
Amounts due to associates	**86**	**—**	**—**	**—**	**—**	**86**
Borrowings	**5,587,655**	**6,013,964**	**6,319,374**	**15,809,577**	**11,592,819**	**45,323,389**
Loan from a fellow subsidiary	**2,340,000**	**—**	**—**	**—**	**—**	**2,340,000**
Loan from a joint venture	**92,203**	**92,203**	**184,407**	**3,104,424**	**—**	**3,473,237**
Guaranteed notes payables	**110,175**	**110,175**	**220,350**	**4,793,172**	**2,245,418**	**7,479,290**
Lease liabilities	**12,427**	**12,427**	**17,969**	**16,760**	**8,899**	**68,482**
	50,988,159	**7,259,200**	**7,853,114**	**24,566,806**	**13,906,118**	**104,573,397**
At 31 December 2018						
Trade payables, other payables and accruals	30,685,456	436,891	3,028,638	1,037,638	23,998	35,212,621
Deposits received	38,802	—	—	—	—	38,802
Amounts due to joint ventures	1,064,099	—	—	—	—	1,064,099
Amount due to an associate	102,645	—	—	—	—	102,645
Borrowings	1,825,848	2,327,377	13,084,144	14,807,110	7,420,406	39,464,885
Guaranteed notes payables	110,175	110,175	220,350	4,777,485	2,163,338	7,381,523
Obligations under finance leases	409	409	819	1,294	—	2,931
	33,827,434	2,874,852	16,333,951	20,623,527	9,607,742	83,267,506

5 Financial risk management (continued)

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, redeem guarantee notes payable, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company, perpetual capital securities and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 45.1% as at 31 December 2019 (2018: 53.7%). The decrease was mainly caused by profit for the year and the increase in total equity from perpetual securities issued.

5.4 Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

	31 December 2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Debt and equity securities at FVOCI				
Listed debt securities	**528,944**	**—**	**—**	**528,994**
Unlisted equity securities	**—**	**—**	**129,361**	**129,361**
	528,944	**—**	**129,361**	**658,355**

	31 December 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Debt and equity securities at FVOCI				
Listed debt securities	375,628	—	—	375,628
Unlisted equity securities	—	—	129,788	129,788
	375,628	—	129,788	505,416

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

There were no transfers between the levels during the year.

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	Equity securities at FVOCI HK$'000
At 1 January 2018	116,056
Exchange adjustments	(697)
Change in fair value	14,429
At 31 December 2018	129,788
Exchange adjustments	**(919)**
Change in fair value	**492**
At 31 December 2019	**129,361**

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

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

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

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

Specific valuation techniques used to value financial instruments include:

- Market value provided by the issuers as their best estimate of the fair value of the investment.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

5 Financial risk management (continued)

5.4 Fair value estimation (continued)

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

— Interests in infrastructure project investments

— Trade and other receivables and deposits

— Bank balances and cash

— Loans from/(to) joint ventures, associates and a fellow subsidiary

— Amounts due from/(to) joint ventures, associates and investee companies

— Trade payables, other payables and accruals and deposits received

— Borrowings

— Guaranteed notes payables

— Lease liabilities

6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

6.1 Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works. The progress is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

6.2 Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major sub-contractors/suppliers/vendors involved and experience of management. A foreseeable losses is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

6 Critical accounting estimates and judgements (continued)

6.3 Recoverability of receivables and amounts due from related parties

The provision for receivables and amounts due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6.4 Impairment of property, plant and equipment, trademark, project backlogs and licences, and goodwill

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests annually for impairment for those intangible assets that have an indefinite useful life, i.e. goodwill. The recoverable amounts have been determined based on the higher of the fair value less costs to sell and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

6.5 Impairment of concession operating rights

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

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

6.6 Estimate of fair value of equity securities and investment properties

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various equity securities at FVOCI that are not traded in active markets.

The fair values of investment properties involve certain assumptions of market rent, market price and capitalisation rate. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement.

6.7 Income and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

7 Revenue

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

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

	2019 **HK$'000**	2018 HK$'000
Revenue from construction contracts	**26,286,314**	22,000,707
Revenue from infrastructure investment projects (note (a))	**31,031,737**	29,311,340
Revenue from façade contracting business	**2,678,001**	2,909,636
Revenue from infrastructure operation (note (b))	**834,113**	849,358
Others (note (c))	**839,513**	555,263
	61,669,678	55,626,304

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers (note (d))		
Timing of revenue recognition		
— Over time	**58,245,355**	53,015,800
— At a point in time	**572,790**	404,142
	58,818,145	53,419,942
Revenue from other sources		
— Interest income generated from PPP projects	**2,372,168**	1,844,441
— Others (note (c))	**479,365**	361,921
	2,851,533	2,206,362
	61,669,678	55,626,304

Note:

(a) Revenue from infrastructure investment projects mainly comprise of revenue generated from the provision of construction services under PPP model, previously known as "Build — Transfer" model and the corresponding interest income.

(b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.

(c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties, of which revenue from machinery leasing, insurance contracts and rental income from investment properties are included in revenue from other sources.

(d) The revenue recognised for the years ended 31 December 2019 and 2018 are recognised over time, except for toll road operation and sales of building materials of approximately HK$166,099,000 (2018: HK$204,873,000) and HK$406,691,000 (2018: HK$199,269,000) respectively which were recognised at a point in time.

8 Segment information

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates and India).

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

Segment revenue and results for the years ended 31 December 2019 and 2018 are as follows:

	Segment revenue		Gross profit		Segment result	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Reportable segment						
Mainland China	**31,935,556**	30,620,785	**6,832,238**	6,384,059	**6,307,058**	5,998,575
Hong Kong and Macau	**26,114,820**	21,899,770	**1,794,256**	1,958,819	**1,825,626**	1,907,084
Hong Kong	**21,421,172**	14,875,260	**1,307,090**	1,206,249	**1,352,802**	1,170,897
Macau	**4,693,648**	7,024,510	**487,166**	752,570	**472,824**	736,187
Overseas	**—**	—	**—**	—	**(14,209)**	(8,374)
CSC Development Group	**3,619,302**	3,105,749	**609,209**	353,543	**384,308**	167,664
	61,669,678	55,626,304	**9,235,703**	8,696,421	**8,502,783**	8,064,949
Share of revenue/results of joint ventures	**1,721,811**	4,519,203			**452,654**	705,024
Total	**63,391,489**	60,145,507			**8,955,437**	8,769,973
Unallocated corporate expenses					**(312,124)**	(1,125,372)
Share of profits of associates					**920,143**	342,621
Finance costs					**(2,278,985)**	(1,781,717)
Profit before tax					**7,284,471**	6,205,505

Due to restructuring of infrastructure operation business and thermoelectricity business in April 2019 and December 2019 respectively, the segment revenue and results attributable to these business for the year have been re-allocated from Mainland China segment to CSC Development Group accordingly. The comparative information has not been restated.

8 Segment information (continued)

Measurement

Performance is measured based on segment result that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from infrastructure investment projects, toll-road operation, sales of building materials and logistics services.

Segment revenue of the CSC Development Group represents revenue from façade contracting business, project consultancy services, general contracting business, thermoelectricity business and operations management derived from Hong Kong, Macau, Mainland China and overseas operations.

The revenue, gross profit and results of the Group are allocated based on operations of the segments. Taxation is not allocated to reportable segments.

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of joint ventures and associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Mainland China		Hong Kong		Macau		Overseas		CSC Development Group		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Allowance for doubtful debts on trade and other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**914**	–	**914**	–
Reversal of allowance for doubtful debt on trade and other receivables	**–**	(7,083)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(7,083)
Impairment loss on concession operating rights	**–**	817,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	817,000
Depreciation and amortisation	**298,871**	332,098	**43,244**	30,734	**813**	1,503	**–**	–	**137,997**	17,701	**480,925**	382,036
Net gain/(loss) on disposal of property, plant and equipment	**348**	101	**9,213**	607	**–**	–	**–**	–	**(423)**	(39)	**9,138**	669

8 Segment information (continued)

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**7,848,009**	7,668,040	**344,629**	582,551
Hong Kong	**5,918,877**	5,881,938	**112,115**	90,107
Macau	**372,141**	372,675	**7,940**	16,639
Overseas	**359,311**	315,960	**38,093**	116,579
	14,498,338	14,238,613	**502,777**	805,876

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

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

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

Segment assets and liabilities

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

Major customers' information

In 2018 and 2019, none of the customers individually represents more than 10 percent of the Group's total revenue.

9 Investment income, other income and other gains/(losses), net

	2019 HK$'000	2018 HK$'000
Interest income on:		
Bank deposits	**225,704**	136,629
Debt securities at FVOCI	**22,820**	14,329
Imputed interest on amounts due from investee companies	**—**	7,745
Loans to joint ventures	**83,179**	66,699
Loans to associates	**112,333**	35,343
Dividend income from:		
Equity securities at FVOCI	**31,154**	27,138
Gain on disposal of:		
Debt securities at FVOCI, net of tax	**7,376**	113
Property, plant and equipment, net	**9,138**	669
Investment properties	**4,028**	—
Loss on fair value changes of investment properties	**—**	(6,828)
Impairment loss on concession operating rights	**—**	(817,000)
Service income	**65,241**	52,586
Exchange gain	**—**	30,408
Others	**75,783**	91,919
	636,756	(360,250)

10 Finance costs

	2019 HK$'000	2018 HK$'000
Interest on bank loans	**1,810,332**	1,482,198
Interest on guaranteed notes payables	**225,329**	252,974
Interest on loan from a joint venture	**179,823**	—
Interest on loan from an immediate holding company	**4,080**	—
Interest on loan from a fellow subsidiary	**1,502**	—
Interest on lease liabilities	**3,020**	—
Finance lease charges	**—**	182
Others	**54,899**	46,363
	2,278,985	1,781,717

11 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the ten (2018: eleven) directors were as follows:

For the year ended 31 December 2019

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

For the year ended 31 December 2018

	Zhou Yong HK$'000 (Note (a))	Zhang Haipeng HK$'000 (Note (c))	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Hung Cheung Shew HK$'000	Pan Shujie HK$'000 (Note (d))	Wu Mingqing HK$'000 (Note (d))	Raymond Ho Chung Tai HK$'000 (Note (e))	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2018 HK$'000
Fees	–	–	–	–	–	–	–	360	360	250	360	1,330
Other emoluments:												
Salaries and allowances	2,760	2,209	1,742	2,112	3,345	787	1,187	–	–	–	–	14,142
Contributions to retirement benefit schemes	18	9	18	18	18	12	12	–	–	–	–	105
Performance related incentive payments (Note (f))	–	3,409	2,879	2,159	2,600	1,797	1,400	–	–	–	–	14,244
Total emoluments	2,778	5,627	4,639	4,289	5,963	2,596	2,599	360	360	250	360	29,821

Notes:

(a) Mr. Zhou Yong resigned as the executive director and Chairman of the Company with effect from 22 March 2019.

(b) Mr. Yan Jianguo was appointed as the Chairman and non-executive director of the Company with effect from 22 March 2019.

(c) Mr. Zhang Haipeng was appointed as the Chief Executive Officer of the Company with effect from 21 August 2018.

(d) Mr. Pan Shujie and Mr. Wu Mingqing resigned as the executive directors of the Company with effect from 21 August 2018.

(e) Mr. Raymond Ho Chung Tai resigned as the independent non-executive director of the Company with effect from 3 June 2019.

(f) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

11 Benefits and interests of directors (continued)

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

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the year ended 31 December 2019 and 2018.

Of the five individuals with the highest emoluments, four (2018: four) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining one highest paid employee who is neither a director nor chief executive of the Group is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**2,395**	2,530
Contributions to retirement benefit schemes	**18**	18
Performance related incentive payments	**3,282**	1,800
	5,695	4,348

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

12 Senior management emoluments

The emoluments of the senior management for the years ended 31 December 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**53,322**	37,736
Contributions to retirement benefit schemes	**234**	216
	53,556	37,952

The emoluments of the senior management for 2019 and 2018 were within the following bands:

	2019 **No. of** **employees**	2018 No. of employees
HK$2,000,001 to HK$2,500,000	**—**	2
HK$2,500,001 to HK$3,000,000	**1**	3
HK$3,000,001 to HK$3,500,000	**3**	4
HK$3,500,001 to HK$4,000,000	**2**	1
HK$4,000,001 to HK$4,500,000	**2**	2
HK$4,500,001 to HK$5,000,000	**3**	—
HK$5,000,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**1**	—
	13	12

13 Income tax expenses, net

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**195,459**	262,366
Other jurisdictions	**1,489,586**	1,394,639
	1,685,045	1,657,005
Overprovision in prior years:		
Hong Kong	**(91,855)**	(25,540)
Other jurisdictions	**(51,022)**	(356)
	(142,877)	(25,896)
	1,542,168	1,631,109
Deferred tax, net (Note 41)	**18,723**	17,763
Income tax expenses for the year	**1,560,891**	1,648,872

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

Income taxes arising in other jurisdictions, mainly Mainland China, are calculated at the rates prevailing in the relevant jurisdictions.

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

	2019 HK$'000	2018 HK$'000
Profit before tax	**7,284,471**	6,205,505
Share of profits of		
Joint ventures	**(452,654)**	(705,024)
Associates	**(920,143)**	(342,621)
	5,911,674	5,157,860
Tax at domestic income tax rate of 16.5% (2018: 16.5%)	**975,426**	851,047
Effect of different tax rates of profit arising from other jurisdictions	**293,876**	246,864
Tax effect of expenses not deductible for tax purpose	**227,706**	203,792
Tax effect of income not taxable for tax purpose	**(35,500)**	(59,396)
Tax effect of tax losses not recognised	**287,859**	451,523
Tax effect of utilisation of previously unrecognised tax losses	**(28,655)**	(23,864)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 41)	**(15,007)**	2,969
Overprovision in prior years	**(142,877)**	(25,896)
Others	**(1,937)**	1,833
Tax charge for the year	**1,560,891**	1,648,872

14 Profit for the year

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging/(crediting)		
Contracts assets costs recognised as expense	**51,577,565**	46,037,852
Cost of inventories sold	**393,101**	298,723
Cost of supply of heat, steam and electricity	**254,931**	276,288
Employee benefits expense including directors' emoluments:		
Staff costs	**4,354,331**	4,238,719
Contributions to retirement benefit plans	**209,623**	170,232
	4,563,954	4,408,951
Less: Amounts capitalised in contract assets	**(3,468,909)**	(3,361,129)
	1,095,045	1,047,822
Depreciation of property, plant and equipment	**344,395**	296,931
Less: Amounts capitalised in contract assets	**(151,133)**	(152,021)
	193,262	144,910
Amortisation of concession operating rights (included in costs of sales)	**270,065**	211,879
Amortisation of trademark and licenses (included in Administrative, selling and other operating expenses)	**17,598**	17,848
Amortisation of prepaid lease payments (included in Administrative, selling and other operating expenses)	**—**	7,399
Auditor's remuneration:		
Audit services	**9,167**	8,129
Non-audit services	**3,103**	2,496
	12,270	10,625
Short-term lease expense/operating lease rentals in respect of:		
Plant and machinery	**359,119**	349,838
Land and buildings	**12,714**	42,209
	371,833	392,047
Less: Amounts capitalised in contract assets	**(370,373)**	(355,499)
	1,460	36,548
Rental income from investment properties, net of direct outgoings	**(101,756)**	(100,554)
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivable	**914**	(7,083)
Exchange loss	**45,256**	—

15 Dividends

	2019 HK$'000	2018 HK$'000
Dividends recognised as distributions during the year:		
2018 Final, paid — HK 12.00 cents (2018: 2017 Final, paid — HK 20.00 cents) per share	**605,899**	1,009,831
2019 Interim, paid — HK 16.00 cents (2018: 2018 Interim, paid — HK 15.00 cents) per share	**807,865**	757,374
	1,413,764	1,767,205

The final dividend of HK 16.00 cents (2018: HK 12.00 cents) per share amounting to approximately HK$807,865,000 (2018: HK$605,899,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,413,208**	4,500,148

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,049,157**	5,049,157

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

17 (a) Property, plant and equipment

	Land and buildings HK$'000	Heat and electricity supply facilities HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2018	2,334,812	2,005,251	1,132,978	243,149	124,686	387,041	6,227,917
Exchange adjustments	(75,806)	(101,781)	(11,308)	(6,055)	(3,640)	(17,753)	(216,343)
Additions	411,085	24,449	98,706	92,495	15,002	164,139	805,876
Reclassification upon the completion of construction	96,592	18,473	12,363	–	–	(127,428)	–
Transfer between property, plant and equipment and investment properties	56,649	–	–	–	–	–	56,649
Disposals	(52)	(21,592)	(10,449)	(78,558)	(12,856)	–	(123,507)
At 31 December 2018	2,823,280	1,924,800	1,222,290	251,031	123,192	405,999	6,750,592
Effect of change in accounting policy (note 3)	**(36,531)**	**—**	**(1,101)**	**—**	**—**	**—**	**(37,632)**
At 1 January 2019, as restated	**2,786,749**	**1,924,800**	**1,221,189**	**251,031**	**123,192**	**405,999**	**6,712,960**
Exchange adjustments	**(14,580)**	**(23,194)**	**(3,422)**	**(2,637)**	**(848)**	**(7,408)**	**(52,089)**
Additions	**39,400**	**22,772**	**31,440**	**41,688**	**10,144**	**357,333**	**502,777**
Reclassification upon the completion of construction	**83,012**	**—**	**22,710**	**319**	**(164)**	**(138,964)**	**(33,087)**
Transfer between property, plant and equipment and investment properties	**(11,305)**	**—**	**—**	**—**	**—**	**—**	**(11,305)**
Disposals	**(960)**	**(7,648)**	**(51,265)**	**(28,088)**	**(11,359)**	**—**	**(99,320)**
At 31 December 2019	**2,882,316**	**1,916,730**	**1,220,652**	**262,313**	**120,965**	**616,960**	**7,019,936**
Depreciation							
At 1 January 2018	419,897	828,634	913,543	157,975	89,062	–	2,409,111
Exchange adjustments	(17,871)	(44,589)	(6,009)	(3,539)	(2,688)	–	(74,696)
Charge for the year	85,085	76,730	84,379	37,935	12,802	–	296,931
Transfer between property, plant and equipment and investment properties	(118)	–	–	–	–	–	(118)
Disposals	(49)	(2,873)	(9,411)	(9,819)	(8,290)	–	(30,442)
At 31 December 2018	486,944	857,902	982,502	182,552	90,886	–	2,600,786
Effect of change in accounting policy (note 3)	**(3,853)**	**—**	**(288)**	**—**	**—**	**—**	**(4,141)**
At 1 January 2019, as restated	**483,091**	**857,902**	**982,214**	**182,552**	**90,886**	**—**	**2,596,645**
Exchange adjustments	**(7,785)**	**(10,119)**	**(2,196)**	**(422)**	**(478)**	**—**	**(21,000)**
Charge for the year	**99,587**	**69,585**	**68,003**	**51,206**	**10,048**	**—**	**298,429**
Transfer between property, plant and equipment and investment properties	**(775)**	**—**	**—**	**—**	**—**	**—**	**(775)**
Disposals	**(246)**	**(6,612)**	**(51,265)**	**(25,239)**	**(10,374)**	**—**	**(93,736)**
At 31 December 2019	**573,872**	**910,756**	**996,756**	**208,097**	**90,082**	**—**	**2,779,563**
Carrying values							
At 31 December 2019	**2,308,444**	**1,005,974**	**223,896**	**54,216**	**30,883**	**616,960**	**4,240,373**
At 31 December 2018	2,336,336	1,066,898	239,788	68,479	32,306	405,999	4,149,806

17 (a) Property, plant and equipment (continued)

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

	2019 HK$'000	2018 HK$'000
Located in:		
Property, plant and equipment	**4,240,373**	4,149,806
Right-of-use assets	**486,005**	—
	4,726,378	4,149,806

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

	2019 HK$'000	2018 HK$'000
Land and buildings in Hong Kong under medium-term leases	**857,170**	882,219
Heat and electricity plants in Mainland China under medium-term leases	**253,956**	272,114
Other premises in Mainland China under medium-term leases	**959,537**	940,938
Freehold land in Macau	**68,903**	70,622
Freehold land in Canada	**136,809**	133,912
Freehold land in the United States of America	**32,069**	36,531
	2,308,444	2,336,336

At 31 December 2019, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounting to approximately HK$17,016,000 (2018: HK$16,980,000).

At 31 December 2019, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK$32,662,000 (2018: HK$33,491,000).

From 1 January 2019, leased assets are presented as Right-of-use assets under property, plant and equipment in the consolidated statement of financial position, please refer to note 17(b). Details about the change in accounting policy are presented in note 3.

17 (b) Leases

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

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

	2019 HK$'000	1 January 2019* HK$'000
Right-of-use assets		
Prepaid land lease payment**	**387,080**	367,032
Land and buildings and motor vehicles	**32,662**	33,491
Others	**66,263**	88,715
	486,005	489,238
Lease liabilities		
Current	**24,854**	7,176
Non-current	**43,152**	84,174
	68,006	91,350

* In the previous years, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as obligation under finance lease. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 3.

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

Additions to the right-of-use assets during the 2019 financial year were HK$14,609,000.

17 (b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

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

	2019 HK$'000
Depreciation charge of right-of-use assets	
Prepaid land lease payment	8,076
Land and buildings and motor vehicles	829
Others	37,061
	45,966
Interest expense (included in finance costs)	3,020
Expense relating to short-term leases (included in cost of sales and administrative, selling and other operating expenses)	371,833
	374,853

The total cash outflow for leases in 2019 was HK$412,234,000.

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

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 year to 9 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

18 Investment properties

	2019 HK$'000	2018 HK$'000
At 1 January	**4,680,776**	4,750,265
Additions	**388,824**	840
Transfer between property, plant and equipment and investment properties	**10,530**	(56,767)
Disposal	**(3,073)**	—
Exchange adjustments	**(9,724)**	(6,734)
Change in fair value	**—**	(6,828)
At 31 December	**5,067,333**	4,680,776

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

	2019 HK$'000	2018 HK$'000
Rental income from operating lease	**119,927**	110,520
Direct operating expenses from property that generated rental income	**(18,171)**	(9,966)
Fair value loss recognised in investment income, other income and other gains/(losses), net	**—**	(6,828)

(ii) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Cushman & Wakefield Limited. It is an independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

(iii) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2019 and 2018.

18 Investment properties (continued)

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

Information about fair value measurements using significant unobservable inputs

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

Description	Fair value at 31 December 2018 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Property in Hong Kong	4,264,810	Income Capitalisation Approach	(1) capitalisation rate	2%–4%
			(2) market rent per square foot per month for retail portion	HK$59–HK$180
			(3) market price per square foot for office portion	HK$20,700–HK$25,600
Properties in Macau	209,000	Income Capitalisation Approach	(1) capitalisation rate	2.75%–3.5%
			(2) market rent per square foot per month	HK$10–HK$12
Properties in Mainland China	206,966	Direct Comparison Approach	(1) market price per square foot	RMB947–RMB2,862

Prevailing market rents are estimated based on management and independent valuers' view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by independent valuers and management based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

(iv) Leasing arrangements

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

For minimum lease payments receivable on leases of investment properties, refer to note 47.

19 Interests in infrastructure project investments

	2019 HK$'000	2018 HK$'000
Interests in infrastructure project investments	**4,799,184**	3,726,225
Less: Portion due within one year included in current assets	**(52,053)**	(45,811)
Portion due after one year	**4,747,131**	3,680,414

Interests in infrastructure project investments represent funding denominated in RMB advanced to joint ventures for PPP infrastructure projects located in Mainland China. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 6.6% to 18.93% (2018: 6.6% to 19.93%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2019 and 2018.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2019 and 2018 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

20 Prepaid lease payments

The Group's prepaid lease payments comprise of leasehold land located in Mainland China under medium-term leases.

From 1 January 2019, the Group classifies all its prepaid lease payments to right-of-use assets. Please refer to note 3 and 17(b) for details.

21 Interests in joint arrangements

Joint ventures

	2019 HK$'000	2018 HK$'000
Cost of investments, unlisted	**12,377,652**	10,080,165
Share of post-acquisition profits and other comprehensive income, net of dividends	**1,635,085**	1,629,190
	14,012,737	11,709,355

21 Interests in joint arrangements (continued)

Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

	2019 HK$'000	2018 HK$'000
Aggregate carrying value	**14,012,737**	11,709,355
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**452,654**	705,024
Other comprehensive loss	**(101,074)**	(608,912)
Total comprehensive income	**351,580**	96,112

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2019 and 2018. As at 31 December 2019, there are HK$5,160,890,000 (2018: HK$3,344,776,000) unpaid committed investments relating to the Group's interests in joint venture.

Joint operations

In addition to the construction projects undertaken by certain joint ventures as listed above, the Group has also established joint arrangements with other contractors to undertake construction and engineering projects in the form of joint operations.

Particulars regarding the principal joint operations as at 31 December 2019 and 2018 are as follows:

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2019 %	2018 %	Principal activities
Atal — Degremont — China State Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering works
China Overseas Building — Bordon Joint Venture	Unincorporated	Hong Kong	**—**	50	Building construction
China State — Atal Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering works
China State — Atal Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering works
China State — Build King Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering works
China State — Shui On Joint Venture	Unincorporated	Hong Kong	**60**	60	Building construction
Consorcio De Krueger — CSME	Unincorporated	Macau	**55**	55	Mechanical and electrical engineering works
Krueger — China State M & E Joint Venture	Unincorporated	Hong Kong	**50**	50	Mechanical and electrical engineering works
Leighton — China State — Van Oord Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering works
Leighton — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Maeda — China State Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering works
Penta Ocean — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
中建鋼構 — CSHK 合作經營	Unincorporated	Macau	**30**	30	Structural steel works
China State — Dong Ah Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering works
Leighton — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Penta-Ocean — China State — Dong Ah Joint Venture	Unincorporated	Hong Kong	**25**	25	Civil engineering works
Alchmex-Paul Y Joint Venture*	Unincorporated	Hong Kong	**55**	—	Civil engineering works
AJA Joint Venture*	Unincorporated	Hong Kong	**31.2**	—	Civil engineering works
China State Joint Venture*	Unincorporated	Hong Kong	**60**	—	Civil engineering works
AJC Joint Venture*	Unincorporated	Hong Kong	**30.5**	—	Civil engineering works

* Incorporated in 2019

22 Interests in associates

	2019 HK$'000	2018 HK$'000
Unlisted companies		
Cost of investments in associates	**3,334,126**	3,698,026
Share of post-acquisition profits and other comprehensive income, net of dividends	**627,318**	78,390
	3,961,444	3,776,416
Amount due from an associate	**95,552**	1,089,273
Loans to associates	**2,243,687**	789,176
	6,300,683	5,654,865

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2018: HK$494,000) arising from acquisitions of associates in prior years.

Amount due from an associate is unsecured, interest free and have no specific repayment terms, but is considered by the directors to be part of the long term interests in associates.

The loans to associates are unsecured, interest bearing range from 5.5% to 9.5% per annum (2018: from 5.5% to 6.0% per annum) and are not expected to be repaid within twelve months after the end of reporting period. The balance is denominated in HK$.

Set out below are the associates of the Group as at 31 December 2019 and 2018.

Name of entity	Form of business structure	Place of incorporation and operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group 2019 %	2018 %	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	**31.5**	31.5	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	**40.0**	40.0	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	**27.5**	27.5	Operation of slaughterhouse
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI	Non-voting class B#	**29.0**	29.0	Investment holding
Omar Property Development Company Limited##	Incorporated	Macau	Ordinary	**15.0**	15.0	Property development
安徽興泰融資租賃有限責任公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	Loan financing
澳門水泥廠有限公司	Incorporated	Macau	Ordinary	**31.34**	31.34	Manufacture and sale of ready-mixed concrete
深圳市毅駿房地產開發有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Property development
Trillion Vantage Investments limited	Incorporated	BVI	Ordinary	**20.0**	20.0	Investment holding
安徽福佑健康產業有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Infrastructure investment
六盤水董大公路投資開有限責任公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	Infrastructure investment
包頭市中海宏洋地產有限公司	Incorporated	Mainland China	Ordinary	**20.0**	20.0	Property development
安徽省岳黃高速公路有限責任公司##	Incorporated	Mainland China	Ordinary	**17.2**	17.2	Infrastructure investment
顯意國際有限公司	Incorporated	Hong Kong	Ordinary	**30.0**	30.0	Property development
合肥濱湖金融小鎮管理有限公司	Incorporated	Mainland China	Ordinary	**25.0**	25.0	Property development
中建(泉州)城市發展有限公司	Incorporated	Mainland China	Ordinary	**35.0**	35.0	Property development
福州海建地產有限公司*	Incorporated	Mainland China	Ordinary	**50.0**	–	Property development
煙臺芝罘灣文旅投資發展有限公司*	Incorporated	Mainland China	Ordinary	**29.0**	–	Property development
Macfull Limited*	Incorporated	Hong Kong	Ordinary	**20.0**	–	Property development

22 Interests in associates (continued)

* Incorporated in 2019

Holder of non-voting class B shares of Fast Shift, through Fast Shift's interest in Nova Taipa — Urbanizações, Limitada ("NTUL"), is entitled to 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

Significant influence is obtained by the Group through participation in the board of directors of the associate.

During the year, share of profits of associates amounted to HK$865,648,000 (2018: HK$233,017,000) was derived from Fast Shift, which has significant increase in post-tax profit from properties sold in the current year. Except for Fast Shift, no other associates that are individually material to the Group's result for the year or constitute significant part of net asset of the Group. Set out below is the aggregate financial information of the Group's associates:

	2019 HK$'000	2018 HK$'000
Aggregate carrying value	**3,961,444**	3,776,416
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**920,143**	342,621
Other comprehensive loss	**(5,827)**	(9,527)
Total comprehensive income	**914,316**	333,094

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2019 and 2018.

23 Concession operating rights

	HK$'000
Cost	
At 1 January 2018	6,756,084
Exchange adjustments	(305,785)
At 31 December 2018	6,450,299
Exchange adjustments	**(67,758)**
At 31 December 2019	**6,382,541**
Amortisation and impairment	
At 1 January 2018	1,341,802
Exchange adjustments	(75,182)
Charge for the year	211,879
Impairment (included in investment income, other income and other gains/(losses), net)	817,000
At 31 December 2018	2,295,499
Exchange adjustments	**(20,869)**
Charge for the year	**270,065**
At 31 December 2019	**2,544,695**
Carrying values	
At 31 December 2019	**3,837,846**
At 31 December 2018	4,154,800

23 Concession operating rights (continued)

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province with net carrying amounts of approximately HK$1,901,257,000 (2018: HK$2,014,851,000) and HK$1,936,589,000 (2018: HK$2,139,949,000), respectively, both of which are located in the Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in the Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and class 1 Highway from Yangquan to Niangziquan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2019 and 2018, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, maintenance costs and discount rates. An average revenue growth rate of 8% to 11% and a pre-tax discount rate of 12% (equivalent to a post-tax discount rate of 10%) have been used in the value-in-use calculation.

At 31 December 2019 and 2018, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK$1,901,257,000 (2018: HK$2,014,851,000) had been pledged to secure the bank loan with a carrying amount of approximately HK$1,694,915,000 (2018: HK$1,842,105,000) (Note 36).

24 Trademark, project backlogs, licences and goodwill

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
Cost					
At 1 January 2018	216,708	45,359	187,378	577,664	1,027,109
Exchange adjustments	—	—	(8,933)	—	(8,933)
At 31 December 2018	216,708	45,359	178,445	577,664	1,018,176
Exchange adjustments	**—**	**—**	**(2,094)**	**—**	**(2,094)**
At 31 December 2019	**216,708**	**45,359**	**176,351**	**577,664**	**1,016,082**
Amortisation					
At 1 January 2018	62,303	45,359	7,097	—	114,759
Charge for the year	10,835	—	7,013	—	17,848
Exchange adjustments	—	—	(630)	—	(630)
At 31 December 2018	73,138	45,359	13,480	—	131,977
Charge for the year	**10,835**	**—**	**6,763**	**—**	**17,598**
Exchange adjustments	**—**	**—**	**(274)**	**—**	**(274)**
At 31 December 2019	**83,973**	**45,359**	**19,969**	**—**	**149,301**
Carrying values					
At 31 December 2019	**132,735**	**—**	**156,382**	**577,664**	**866,781**
At 31 December 2018	143,570	—	164,965	577,664	886,199

The intangible assets include trademark, project backlogs, construction licences and goodwill recognised from various acquisitions of subsidiaries by the Group.

The estimated useful lives of trademark and project backlogs of 20 and 3 years respectively are based on the terms of existing contracts and historical data.

A Mainland China construction licence was acquired as part of a business combination. It is recognised at its fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life of 25 years. Its carrying amount is approximately HK$146,432,000 as at 31 December 2019 (2018: HK$155,015,000).

The construction licences with carrying amount of approximately HK$9,950,000 (2018: HK$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

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

Goodwill is allocated to the Group's CGU of the CSC Development Group. For impairment assessment of goodwill, the recoverable amount of the CSC Development Group is determined based on fair value less costs to sell by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considered that there is no impairment of the Group's construction licences and goodwill.

25 Financial assets at fair value through other comprehensive income

(i) Classification of debt and equity securities at FVOCI

Debt and equity securities at FVOCI comprise:

- Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers the classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Unlisted securities		
Equity securities (Note)	**129,361**	129,788

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

Note:

At 31 December 2019, an amount of HK$71,216,000 (2018: HK$70,724,000) included in the carrying amount of equity securities are those issued by subsidiaries of China Overseas Land & Investment Ltd. ("COLI"), a fellow subsidiary of the Group.

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

(iii) Debt securities at FVOCI

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Listed securities		
— Debt securities listed in Hong Kong with fixed interest of 3.88%–6.45% and maturity date in 2022–2042 (Note)	**63,337**	178,708
— Debt securities listed in Hong Kong with fixed interest of 4.75%–5.50% and maturity date in 2022–2027	**199,221**	—
— Debt securities listed in Hong Kong with fixed interest of 5.13%–7.25% and maturity date in 2021–2026	**214,034**	—
— Debt securities listed in overseas with fixed interest of 3.50%–5.13% and maturity date in 2022–2028	**52,402**	196,920
	528,994	375,628

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

Note:

At 31 December 2019, an amount of HK$63,337,170 (2018: HK$54,203,000) included in the carrying amount of debt securities listed in Hong Kong, represents debentures issued by a subsidiary of COLI, a fellow subsidiary of the Group.

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

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

	2019 HK$'000	2018 HK$'000
HK$	**74,246**	74,627
RMB	**3,635**	3,681
US$	**528,994**	375,628
Macao Pataca ("MOP")	**51,480**	51,480
	658,355	505,416

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

26 Amounts due from investee companies

Amounts due from investee companies are unsecured, interest-free and have no fixed repayment terms. No repayment is expected within next twelve months from the end of the reporting period.

The fair values of these amounts on initial recognition are determined based on effective interest rate ranging from 5.94% to 7.83% per annum (2018: 5.94% to 7.83% per annum) and the balances are denominated in RMB (2018: RMB).

At 31 December 2019, amounts due from investee companies including HK$192,178,000 (2018: HK$192,178,000) to subsidiaries of COLI, a fellow subsidiary of the Group.

27 Inventories

	2019 **HK$'000**	2018 HK$'000
Raw materials and consumables	**178,842**	194,071
Work in progress	**699**	516
Finished goods	**80,270**	85,617
	259,811	280,204

28 Properties under development

	2019 **HK$'000**	2018 HK$'000
Properties under development	**1,810,383**	2,349,510

Note:

Included in the amount are properties under development of HK$1,772,218,000 (2018: HK$1,409,252,000) not expected to be completed and ready for sale within twelve months from the end of the reporting period.

29 Contract assets and contract liabilities

The Group has recognised the following assets/(liabilities) related to contracts with customers:

	2019 **HK$'000**	2018 HK$'000
Contract assets related to construction services (note (i))	**12,115,947**	9,081,810
Contract liabilities related to (note (ii))		
— Construction services	**(7,476,139)**	(8,248,920)
— Thermoelectricity business	**(1,042,638)**	(1,518,576)
	(8,518,777)	(9,767,496)
Less: Portion classified as current liabilities	**(7,830,567)**	(9,027,486)
Non-current portion	**(688,210)**	(740,010)

Notes:

(i) Contract assets are related to construction services and consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(ii) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from construction services.

29 Contract assets and contract liabilities (continued)

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

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Construction services	**6,911,652**	6,021,654
— Thermoelectricity business	**535,474**	578,732
	7,447,126	6,600,386
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods		
— Construction services	**158,242**	(303,839)

The following table shows the amount of unsatisfied performance obligations:

	2019 HK$'000	2019 HK$'000
Expected to be recognised within one year	**64,098,167**	48,472,935
Expected to be recognised after one year	**64,593,520**	20,359,556
	128,691,687	68,832,491

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

30 Trade and other receivables

	2019 HK$'000	2018 HK$'000
Trade receivables and retention receivables	**70,304,793**	61,035,426
Less: allowance for doubtful debts	**(21,520)**	(19,817)
	70,283,273	61,015,609
Other receivables	**4,636,131**	2,355,121
Less: allowance for doubtful debts	**(1,053)**	(1,613)
	4,635,078	2,353,508
Trade and other receivables (Note (a))	**74,918,351**	63,369,117
Current portion	**(30,601,279)**	(25,321,390)
Non-current portion (Note (b))	**44,317,072**	38,047,727

30 Trade and other receivables (continued)

Notes:

(a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK$4,770,301,000 (2018: HK$2,903,460,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK$420,528,000 (2018: HK$374,400,000), which are unsecured, interest free and repayable on demand.

(b) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2021 to 2029, with approximately HK$25,209,728,000 in 2021, HK$8,450,453,000 in 2022, HK$4,633,963,000 in 2023 and HK$6,022,928,000 in 2024 to 2029. As a result, they are classified as non-current.

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

	2019 **HK$'000**	2018 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	**8,772,473**	7,160,723
31-90 days	**4,432,206**	4,287,398
Over 90 days	**52,903,487**	45,180,936
	66,108,166	56,629,057
Retention receivables	**4,175,107**	4,386,552
Other receivables	**4,635,078**	2,353,508
Trade and other receivables	**74,918,351**	63,369,117
Portion classified as current assets	**(30,601,279)**	(25,321,390)
Non-current portion	**44,317,072**	38,047,727

Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to HK$46,833,730,000 (2018: HK$42,066,594,000).

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2019, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,863,217,000 (2018: HK$2,970,715,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2018: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

30 Trade and other receivables (continued)

At 31 December 2019, trade receivables of approximately HK$33,404,459,000 (2018: HK$11,519,083,000) had been pledged to secure the bank loans with carrying amount of approximately HK$10,226,790,000 (2018: HK$5,247,140,000) (Note 36).

Movement in the allowance for doubtful debts

	2019 HK$'000	2018 HK$'000
1 January	**21,430**	30,025
Exchange adjustments	**229**	(1,512)
Reversed impairment losses recognised on receivables	**—**	(7,083)
Impairment losses recognised on receivables	**914**	—
31 December	**22,573**	21,430

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.

Trade and other receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**9,613,804**	6,468,815
RMB	**63,196,751**	54,299,210
MOP	**1,579,875**	2,411,533
US$	**219,477**	176,203
Others	**308,444**	13,356
	74,918,351	63,369,117

31 Amounts due from/(to) associates

Amounts due from/(to) associates are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

32 Amounts due from/(to) joint ventures and loans to joint ventures

Amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB.

Current portion of the loans to joint ventures is unsecured, carrying interest at 4.75% to 7.83% per annum and is expected to be repaid within twelve months after the end of the reporting period.

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

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

33 Loan from a fellow subsidiary

Loan from a fellow subsidiary is unsecured, carrying interest at 3.41% per annum and repayable on demand. The balance is mainly denominated in USD.

34 Bank balances and cash

	2019 **HK$'000**	2018 HK$'000
Pledged bank deposits	**23,150**	1,490
Deposits with financial institutions	**109**	22
Bank balances and cash	**22,600,362**	17,924,196
	22,623,621	17,925,708

Pledged bank deposits

At 31 December 2019, bank deposits amounting to approximately HK$23,150,000 (2018: HK$1,490,000) are pledged and earn interest at fixed rates ranging from 0.3% to 0.6% per annum (2018: 0.6% per annum).

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates of 1 month (2018: 1 month) earning interest at fixed rates of 0.01% per annum (2018: 0.01% to 0.172% per annum).

Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.1% to 3.7% per annum (2018: 0.125% to 3.7% per annum). Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

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

	2019 **HK$'000**	2018 HK$'000
HK$	**5,125,398**	5,145,574
RMB	**9,913,589**	8,984,103
MOP	**2,669,266**	2,090,352
US$	**4,808,652**	1,498,148
Others	**106,716**	207,531
	22,623,621	17,925,708

In respect of the balance denominated in RMB of the Group's subsidiaries incorporated in Mainland China, conversion into foreign currencies is subject to the Regulations of the People's Republic of China on the Management of Foreign Exchanges and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

35 Trade payables, other payables and accruals

An analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Trade payables, aged:		
0-30 days	**16,145,643**	12,472,392
31-90 days	**5,076,280**	2,912,983
Over 90 days	**14,047,633**	5,209,148
	35,269,556	20,594,523
Retention payables	**6,013,667**	12,551,670
Other payables and accruals	**3,416,025**	3,568,522
	44,699,248	36,714,715

Other payables and accruals comprise primarily staff cost, other tax and other operating expenses payables, and included balances with related companies amounting to approximately HK$350,385,000 (2018: HK$308,703,000), which were unsecured, interest free and repayable on demand.

Trade payables and retention payables included balances with related companies amounting to approximately HK$12,092,257,000 (2018: HK$6,259,531,000), which were unsecured, interest free and repayable in accordance with the terms of relevant agreements.

The average credit period on trade and construction cost payables is 60 days (2018: 60 days). At 31 December 2019, the amount of retention payables expected to be settled after more than one year was approximately HK$2,012,869,000 (2018: HK$4,090,277,000).

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

	2019 HK$'000	2018 HK$'000
HK$	**9,524,911**	8,597,073
RMB	**32,283,911**	24,969,195
MOP	**2,611,530**	2,853,730
US$	**46,259**	48,269
Others	**232,637**	246,448
	44,699,248	36,714,715

36 Borrowings

	2019 HK$'000	2018 HK$'000
Bank loans, secured	**10,239,022**	7,101,428
Bank loans, unsecured	**29,149,564**	27,728,354
	39,388,586	34,829,782
Less: Amount due within one year shown under current liabilities	**(10,040,968)**	(2,795,832)
Amount due after one year	**29,347,618**	32,033,950
Carrying amount repayable:		
Within one year	**10,040,968**	2,795,832
More than one year but not exceeding two years	**5,071,472**	12,073,222
More than two years but not more than five years	**13,553,622**	13,335,877
More than five years	**10,722,524**	6,624,851
	39,388,586	34,829,782

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

The secured bank loans are secured by property, plant and equipment, concession operating rights and trade receivables. The unsecured bank loans including the bank loans with financial undertaking is required to fulfill by the Group to the banks.

Borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**8,025,257**	10,270,915
RMB	**30,875,793**	24,119,792
Canadian Dollar ("CAD")	**175,536**	15,221
US$	**312,000**	423,854
	39,388,586	34,829,782

The effective interest rates of borrowings are as follows:

	2019				2018			
	HK$ %	RMB %	CAD %	US$ %	HK$ %	RMB %	CAD %	US$ %
Bank loans, secured	**—**	**5.07**	**4.24**	**—**	—	4.99	4.24	—
Bank loans, unsecured	**3.47**	**4.88**	**4.28**	**5.03**	3.06	4.91	4.45	5.02

37 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	**5,049,156,668**	**126,229**

38 Share premium and reserves

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2018	20,540,459	(6,592,503)	337	54,529	(374,178)	296,518	24,036,238	37,961,400
Profit for the year	–	–	–	–	–	–	4,500,148	4,500,148
Loss on fair value changes of debt securities at FVOCI through other comprehensive income, net of tax	–	–	–	(12,880)	–	–	–	(12,880)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	–	–	–	(109)	–	–	–	(109)
Gain on fair value changes of equity securities at FVOCI, net of tax	–	–	–	14,429	–	–	–	14,429
Exchange differences on translation of subsidiaries	–	–	–	–	(1,739,635)	–	–	(1,739,635)
Exchange differences on translation of joint ventures	–	–	–	–	(608,912)	–	–	(608,912)
Exchange differences on translation of associates	–	–	–	–	(9,527)	–	–	(9,527)
Total comprehensive income for the year	–	–	–	1,440	(2,358,074)	–	4,500,148	2,143,514
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	–	16,419	–	–	–	–	–	16,419
Deemed disposal of interest in a subsidiary	–	(25,975)	–	–	–	–	–	(25,975)
Acquisition of additional interests of subsidiaries	–	(14)	–	–	–	–	–	(14)
2017 final dividend paid	–	–	–	–	–	–	(1,009,831)	(1,009,831)
2018 interim dividend paid	–	–	–	–	–	–	(757,374)	(757,374)
Transfer to statutory reserve	–	–	–	–	–	248,311	(248,311)	–
Total transactions with owners, recognised directly in equity	–	(9,570)	–	–	–	248,311	(2,015,516)	(1,776,775)
At 31 December 2018	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139

38 Share premium and reserves (continued)

	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Capital redemption reserve HK$'000 (Note (b))	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (d))	Total HK$'000
At 1 January 2019	20,540,459	(6,602,073)	337	55,969	(2,732,252)	544,829	26,520,870	38,328,139
Profit for the year	—	—	—	—	—	—	5,413,208	5,413,208
Gain on fair value changes of debt securities at FVOCI, net of tax	—	—	—	24,990	—	—	—	24,990
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	—	—	—	9,376	—	—	—	9,376
Gain on fair value changes of equity securities at FVOCI, net of tax	—	—	—	492	—	—	—	492
Exchange differences on translation of subsidiaries	—	—	—	—	(250,497)	—	—	(250,497)
Exchange differences on translation of joint ventures	—	—	—	—	(101,074)	—	—	(101,074)
Exchange differences on translation of associates	—	—	—	—	(5,827)	—	—	(5,827)
Total comprehensive income for the year	—	—	—	34,858	(357,398)	—	5,413,208	5,090,668
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 43)	—	16,898	—	—	—	—	—	16,898
2018 final dividend paid	—	—	—	—	—	—	(605,899)	(605,899)
2019 interim dividend paid	—	—	—	—	—	—	(807,865)	(807,865)
Transfer to statutory reserve	—	—	—	—	—	43,284	(43,284)	—
Total transactions with owners, recognised directly in equity	—	16,898	—	—	—	43,284	(1,457,048)	(1,396,866)
At 31 December 2019	20,540,459	(6,585,175)	337	90,827	(3,089,650)	588,113	30,477,030	42,021,941

38 Share premium and reserves (continued)

Notes:

(a) Special reserve arose from:

(i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL"), China Overseas Port Investment Company and its subsidiaries under common control. In 2016, the Group acquired Precious Deluxe Global Limited and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.

(ii) During 2012, the Group obtained control over CSC Development which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of CSC Development at a price of HK$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK$57 million and the carrying amount of the attributable share of net assets of CSC Development of approximately HK$23 million, was credited to the special reserve.

(iii) During 2016, the CSC Development Group further acquired 36.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK$229,666,000 has been transferred from non-controlling interests to special reserve in equity.

(iv) During 2018, the Group disposed its wholly owned subsidiary, 中海監理有限公司 and its subsidiary to a subsidiary of CSC Development Group, resulted in an addition of 25.94% non-controlling interest. The net assets value of 中海監理有限公司 and its subsidiary of HK$25,975,000 has been transferred from special reserve in equity to non-controlling interests

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.

(c) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.

(d) Included in retained profits as at 31 December 2019 is the proposed 2019 final dividend of approximately HK$807,865,000 (2018: HK$605,899,000).

39 Perpetual capital securities

As at 3 December 2018, a subsidiary of the Group issued US$500 million 6.0% senior perpetual capital securities (the "Perpetual Capital Securities I"). The perpetual capital securities I do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities I at the distribution rates as defined in the subscription agreements.

As at 3 December 2019, a subsidiary of the Group issued US$500 million 4.0% subordinated perpetual capital securities (the "Perpetual Capital Securities II"). The perpetual capital securities II do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of Perpetual Capital Securities II at the distribution rates as defined in the subscription agreements.

40 Guaranteed notes payables

In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$550 million and US$250 million (equivalent to approximately HK$4,276 million and HK$1,938 million) (the "Notes") at the issue price of 99.982% and 99.688%. The Notes bear fixed interest at the rate of 3.375% and 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 29 November 2022 and 29 November 2027 at the principal amount. The fair value of the Notes at 31 December 2019 was estimated at approximately HK$4,337 million (2018: HK$4,158 million) and HK$2,001 million (2018: HK$1,842 million), which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

41 Deferred taxation

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets:		
To be recovered after more than twelve months	**109,277**	181,582
To be recovered within twelve months	**48,556**	17,248
	157,833	198,830
Deferred tax liabilities:		
To be recovered after more than twelve months	**394,897**	419,352
To be recovered within twelve months	**8,778**	7,735
	403,675	427,087

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	56,700	8,809	213,334	(10,063)	80,397	53,219	5,158	(180,736)	(2,743)	224,075
Exchange adjustments	(2,831)	–	(10,600)	605	–	(1,701)	–	946	–	(13,581)
Charged/(credited) to consolidated income statement (Note 13)	763	(9,583)	(7,247)	2,263	2,969	(6,872)	–	35,470	–	17,763
At 31 December 2018	54,632	(774)	195,487	(7,195)	83,366	44,646	5,158	(144,320)	(2,743)	228,257
At 1 January 2019	**54,632**	**(774)**	**195,487**	**(7,195)**	**83,366**	**44,646**	**5,158**	**(144,320)**	**(2,743)**	**228,257**
Exchange adjustments	**(656)**	**–**	**(2,142)**	**86**	**–**	**(141)**	**–**	**1,715**	**–**	**(1,138)**
Charged/(credited) to consolidated income statement (Note 13)	**761**	**(1,629)**	**(7,460)**	**471**	**(15,007)**	**(1,691)**	**–**	**43,278**	**–**	**18,723**
At 31 December 2019	**54,737**	**(2,403)**	**185,885**	**(6,638)**	**68,359**	**42,814**	**5,158**	**(99,327)**	**(2,743)**	**245,842**

41 Deferred taxation (continued)

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**157,833**	198,830
Deferred tax liabilities	**(403,675)**	(427,087)
	(245,842)	(228,257)

At the end of the reporting period, the Group has the following deductible temporary differences and unused tax losses not recognised in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Unused tax losses (Note)	**7,013,866**	5,442,930

Notes:

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of approximately HK$4,614,692,000 (2018: HK$3,830,329,000) that will expire within five years. Other losses may be carried forward indefinitely.

42 Loan from a joint venture

Loan from a joint venture is related to two sale and purchase agreements, which were entered by the Group on 11 March 2019, to dispose intra-group loans and loan to an associate with carrying amount of approximately HK$2,781,600,000 and HK$1,000,000,000 respectively to a joint venture company, with no material gain or loss from disposal is expected. The Group owns 50% issued share capital of the joint venture company and another shareholder entered into a Shareholder Facility Agreement with the joint venture company to provide a shareholder loan up to maximum limit of US$800,000,000 to the joint venture company. The Group also entered into a Standby Letter of Credit Facility Agreement with the joint venture company, to provide the joint venture company up to a maximum limit of US$800,000,000 to fund the joint venture company's purchase of financial assets, to pay any interest shortfall (but not any repayment of principal) under the Shareholder Facility Agreement, and to pay any joint venture company's operating expenses incurred by the joint venture company.

43 Share-based payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan (Phase II)") of CSCECL, an intermediate holding company of the Company, 10,485,000 incentive shares were granted to certain employees of the Company (including five directors and certain senior management) on 29 December 2016 (the "Grant Date (Phase II)") with an exercise price of RMB4.866 per share, subject to a lock-up period of two years' service from the Grant Date (Phase II) (the "Lock-Up Period (Phase II)"). During the Lock-Up Period (Phase II), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase II). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date (Phase II) determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date (Phase II), exercise price of RMB4.866 per share, share-based payments cap at 40% of the respective employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares on 3 May 2018, there was an increase in number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date (Phase II) remained RMB2.21 per share, the number of incentive shares granted on the Grant Date (Phase II) and the exercise price per share were adjusted to 14,679,000 shares and RMB3.476 per share respectively.

In 2018, except for 1,218,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were exercised or cancelled.

During the year, 4,487,000 incentive shares were exercised in accordance with the Incentive Plan (Phase II). Exercised incentive shares have become publicly traded in stock market since 14 February 2020. In addition, except for 658,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were cancelled.

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 18,870,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 26 December 2018 (the "Grant Date (Phase III)") with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the Grant Date (Phase III) (the "Lock-Up Period (Phase III)"). During the Lock-Up Period (Phase III), these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

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

During the year, except for 630,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other share options were exercised or cancelled.

44 Cash flow information

Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities										
	Guaranteed notes payable due within 1 year HK$'000	Guaranteed notes payable due after 1 year HK$'000	Finance leases due within 1 year HK$'000	Finance leases due after 1 year HK$'000	Lease Liabilities due within 1 year HK$'000	Lease Liabilities due after 1 year HK$'000	Loan from a fellow subsidiary due within 1 year HK$'000	Loan from a joint venture due after 1 year HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Total HK$'000
At 1 January 2018	3,898,357	6,206,053	865	2,499	–	–	–	–	2,580,590	20,592,443	33,280,807
Cash flows	(3,900,000)	–	(1,026)	–	–	–	–	–	442,842	12,372,057	8,913,873
Foreign exchange adjustments	–	–	–	–	–	–	–	–	(227,600)	(930,550)	(1,158,150)
Other non-cash movements	1,643	4,910	954	(657)	–	–	–	–	–	–	6,850
At 31 December 2018	–	6,210,963	793	1,842	–	–	–	–	2,795,832	32,033,950	41,043,380
Chang of accounting policies (Note 3)	**—**	**—**	**(793)**	**(1,842)**	**7,176**	**84,174**	**—**	**—**	**—**	**—**	**88,715**
At 1 January 2019	**—**	**6,210,963**	**—**	**—**	**7,176**	**84,174**	**—**	**—**	**2,795,832**	**32,033,950**	**41,132,095**
Cash flows	**—**	**—**	**—**	**—**	**(40,401)**	**—**	**2,340,000**	**2,781,600**	**7,341,409**	**(2,370,024)**	**10,052,584**
Foreign exchange adjustments	**—**	**—**	**—**	**—**	**(594)**	**—**	**—**	**(69,736)**	**(96,273)**	**(316,308)**	**(482,911)**
Other non-cash movements	**—**	**5,086**	**—**	**—**	**58,673**	**(41,022)**	**—**	**—**	**—**	**—**	**22,737**
At 31 December 2019	**—**	**6,216,049**	**—**	**—**	**24,854**	**43,152**	**2,340,000**	**2,711,864**	**10,040,968**	**29,347,618**	**50,724,505**

45 Contingent liabilities

As at 31 December 2019, the Group provided guarantees amounted to approximately HK$73,293,000 (2018: HK$50,852,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

46 Business Combination

In March 2018, the Group acquired 100% equity interest in Macau (Site 1) Limited ("SITE 1") at a consideration of MOP824,000,000 (equivalent to HK$800,000,000) from an independent third party. The principal activities of SITE 1 are property development and investment. It has prepared a blueprint of the redevelopment plan with the relevant Government authorities' approval being underway.

	HK$'000
Purchase consideration:	
Cash paid	800,000

Asset acquired at the date of acquisition is as follows:

	HK$'000
Asset acquired:	
Properties under development	800,000

Net cash outflow arising on acquisition of SITE 1:

	HK$'000
Cash consideration paid	800,000
Cash and cash equivalent balances acquired	—
	800,000

Since the acquisition, contribution to the Group's revenue and consolidated profit for the year ended 31 December 2019 by SITE 1's contribution is insignificant.

47 Operating lease arrangements

The Group as lessee

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

	2019 HK$'000	2018 HK$'000
Within one year	**1,570**	56,060
In the second to fifth year inclusive	**—**	89,569
	1,570	145,629

Leases in respect of land and buildings are negotiated and fixed for an average term of two years.

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

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term or low-value leases, see note 3 and note 17(b) for further information.

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$4,931,168,000 (2018: HK$4,304,333,000) were let out under operating leases.

Property rental income earned, net of direct outgoings, during the year was approximately HK$101,756,000 (2018: HK$100,554,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to seven years without termination options granted to tenants.

At 31 December 2019 and 2018, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK$'000	2018 HK$'000
Within one year	**113,895**	103,565
In the second to fifth year inclusive	**122,077**	119,479
Over five years	**1,920**	4,848
	237,892	227,892

48 Commitments

At 31 December 2019 and 2018, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2019 HK$'000	2018 HK$'000
Contracted but not provided for		
— construction in progress for property, plant and equipment	**43,685**	30,475

49 Related party transactions

Apart from the balances due from or to related parties set out in notes 22, 25, 26, 30, 31, 32, 33, 35 and 42, the Group had the following transactions with related parties during the year:

The Group had the following transactions with an immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the year:

Transactions

	2019 HK$'000	2018 HK$'000
Fellow subsidiaries		
Rental income	**4,233**	3,948
Rental expenses	**1,477**	1,498
Security service payment	**11,752**	7,807
Revenue from construction contracts	**487,879**	10,530,406
Project consultancy services income	**33,996**	37,209
Construction costs	**11,087,370**	14,835,285
Insurance premium income	**1,327**	894
Revenue from connection service	**23,187**	39,194
Interest expenses	**1,502**	—
Associates		
Purchase of construction materials	**132,755**	287,705
Revenue from construction contracts	**3,931,722**	2,116,215
Interest income	**112,333**	35,343
Management fee income	**43,379**	36,006
Joint ventures		
Revenue from construction contracts	**4,693,133**	7,587,335
Rental income from lease of machinery	**1,083**	835
Purchase of materials	**52,179**	108,649
Sales of building materials	**—**	1,837
Insurance premium income	**8,686**	11,490
Construction costs	**—**	332,956
Management fee income	**401**	—
Interest income	**83,179**	66,699
Interest expenses	**179,823**	—
Immediate holding company		
Revenue from construction contracts	**—**	12,314
Insurance premium income	**1,286**	1,103
Interest expenses	**4,080**	—
Intermediate holding company		
Revenue from construction contracts	**2,519,027**	105,594

49 Related party transactions (continued)

Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

Compensation of key management personnel

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

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**80,568**	67,452
Post-employment benefits	**306**	321
	80,874	67,773

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

50 Subsequent event

As the coronavirus disease (COVID-19) has spread across China and other countries during the first quarter in 2020, the business and economic activities have been affected. The Group will keep monitoring the situation, assess and react promptly to its impacts on the Group's business operations. Up to the date of approval of the consolidated financial statements, the related financial impact on the Group could not be reasonably estimated.

51 Company Statement of Financial Position and Reserve Movement

	2019 HK$'000	2018 HK$'000
Non-current Asset		
Interests in subsidiaries	**19,626,734**	20,252,731
Current Assets		
Deposits, prepayments and other receivables	**3,639**	383
Amounts due from subsidiaries	**4,605,129**	5,985,454
Tax recoverable	**621**	—
Bank balances and cash	**4,485,003**	1,463,924
	9,094,392	7,449,761
Current Liabilities		
Other payables	**19,957**	13,110
Borrowings	**3,698,593**	—
Loan from a fellow subsidiary	**2,340,000**	—
Tax payable	**—**	273
	6,058,550	13,383
Net Current Assets	**3,035,842**	7,436,378
Total Assets less Current Liabilities	**22,662,576**	27,689,109
Capital and Reserves		
Share capital	**126,229**	126,229
Share premium and reserves (Note)	**20,842,136**	20,834,680
	20,968,365	20,960,909
Non-current Liability		
Borrowings	**1,694,211**	6,728,200
	22,662,576	27,689,109

On behalf of the Board

Zhang Haipeng
Director

Zhou Hancheng
Director

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

Note:

	Share Premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	20,540,459	337	9,730	1,022,257	21,572,783
Profit and total comprehensive income for the year	—	—	—	1,013,010	1,013,010
Capital contribution relating to share-based payment borne by an intermediate holding company	—	—	16,092	—	16,092
2017 final dividend paid	—	—	—	(1,009,831)	(1,009,831)
2018 interim dividend paid	—	—	—	(757,374)	(757,374)
At 31 December 2018	20,540,459	337	25,822	268,062	20,834,680
Profit and total comprehensive income for the year	**—**	**—**	**—**	**1,405,252**	**1,405,252**
Capital contribution relating to share-based payment borne by an intermediate holding company	**—**	**—**	**15,968**	**—**	**15,968**
2018 final dividend paid	**—**	**—**	**—**	**(605,899)**	**(605,899)**
2019 interim dividend paid	**—**	**—**	**—**	**(807,865)**	**(807,865)**
At 31 December 2019	**20,540,459**	**337**	**41,790**	**259,550**	**20,842,136**

52 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK$300,000,000	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$150,000	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK$655,569,190 and 844,430,810 non-voting deferred shares of HK$844,430,810	**100**	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Zetson Enterprises Ltd	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
China State Construction International Investments Limited (Formerly known as: China State Grand Wealth Investments Limited)	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Indirectly held by the Company:					
China State Construction Finance (Cayman) II Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
China State Construction Finance (Cayman) III Limited (iv)	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	–	Issuance of guaranteed notes
China Overseas Building Construction Limited	Hong Kong	49,999,900 ordinary shares of HK$499,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK$50,000,000	**100**	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$19,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK$99,500,000 and 500,000 non-voting deferred shares of HK$500,000	**100**	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK$100,000,000	**100**	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary shares of HK$1	**100**	100	Holding of investment properties
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	1 ordinary shares of HK$1	**100**	100	Mechanical and electrical engineering works and project management
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of $90,000,000	**74.06**	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$2	**74.06**	74.06	Building construction
Transendence Company Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Sales and distribution of construction materials
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
China Overseas Public Utility Investment Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding
China Overseas Ports Investment Company Limited	BVI	US$64,100,000	**100**	100	Investment holding
China Overseas Technology Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Citycharm Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Hailong Construction Technology Company Limited (Formerly known as: China State Building Construction Limited)	Hong Kong	1 ordinary share of US$1	**100**	100	Manufacturing and sales of precast structures
Fuller Sky Enterprises Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	Attributable equity interest held 2018 %	Principal activities
Indirectly held by the Company: (continued)					
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Oceanic Empire Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Value Idea Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**74.06**	100	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Gamma Windows and Walls International, Inc.	Canada	100 common shares of CAD53,362.36 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China Construction Development Holdings Limited (Formerly known as: Far East Global Group Limited) (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK$0.01 each	**74.06**	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Far East Façade (UK) Limited	United Kingdom	1 ordinary share of GBP1	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	**100**	100	Building construction and civil engineering works, properties holding and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	**100**	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	**100**	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	**100**	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	**74.06**	74.06	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	**100**	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US$1	**69.34**	69.34	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	**69.34**	69.34	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI	1 ordinary share of US$1	**100**	100	Investment Holding
On Success Development Limited	Hong Kong	10,000 shares of HK$1 each	**100**	100	Property investment
Advocate Properties Limited	Hong Kong	10,000,000 share of HK$1 each	**100**	100	Investment Holding
中建(珠海)有限公司 (i)	Mainland China	HK$10,770,000	**100**	100	Property investment and management

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
濬陽皇姑熱電有限公司 (i)	Mainland China	RMB680,660,000	**74.06**	100	Generation and supply of heat and electricity and investment holding
深圳中海建築有限公司 (i)	Mainland China	RMB350,000,000	**100**	100	Building construction and investment holding
中海監理有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Provision of project consultant services
深圳海龍建築科技有限公司 (i)	Mainland China	RMB100,000,000	**100**	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	Mainland China	RMB202,000,000	**100**	100	Infrastructure construction and operation
深圳市中建宏達投資有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Investment holding
深圳市中海投資有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Investment holding
中海創業投資(深圳)有限公司 (i)	Mainland China	US$29,800,000	**100**	100	Investment holding
中建國際投資(中國)有限公司 (ii)	Mainland China	US$2,768,000,000 (2018: US$1,768,000,000)	**100**	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	Mainland China	US$48,000,000	**100**	100	Building investment
重慶海建投資有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Building investment
重慶海勝基礎設施開發有限公司 (ii)	Mainland China	RMB380,000,000	**100**	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	Mainland China	RMB460,000,000	**100**	100	Infrastructure investment
無錫海嘉建設有限公司 (ii)	Mainland China	Nil (2018: RMB150,000,000)	**—**	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
溫洲海嘉建設有限公司 (ii)	Mainland China	RMB900,000,000 (2018: RMB500,000,000)	**100**	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	Mainland China	RMB180,000,000	**100**	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	Mainland China	HK$50,000,000	**100**	100	Provision of logistic services and properties holding
深圳市中海港口物流有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	Mainland China	RMB10,000,000	**74.06**	74.06	Design, manufacture of curtain walls, aluminium windows and other related products
遠東幕牆製品(深圳)有限公司 (ii)	Mainland China	RMB20,000,000	**74.06**	74.06	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
中建國際投資(湖州) 有限公司 (ii)	Mainland China	RMB170,000,000	**100**	100	Infrastructure investment
中建國際投資(杭州) 有限公司 (ii)	Mainland China	RMB240,000,000	**100**	100	Infrastructure investment
中建國際投資(青島) 有限公司 (ii)	Mainland China	RMB140,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
中建國際投資(淮安) 有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(句容) 有限公司 (ii)	Mainland China	RMB200,000,000	**90**	90	Infrastructure investment
嘉興海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
資陽海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱州海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海嘉建設有限公司 (ii)	Mainland China	RMB438,000,000	**100**	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
深圳裕龍建築有限公司	Mainland China	RMB2,000,000	**100**	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Mainland China	RMB30,000,000	**100**	100	Manufacture and sales of precast structures
中建國際投資 (台州) 有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資 (合肥) 有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
杭州海榮建設有限公司 (ii)	Mainland China	RMB160,000,000	**90**	90	Infrastructure investment
淄博海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
鄭州海河建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
鄭州海欣建設工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
淄博海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淄博海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
淮安海悦建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
嘉興海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
嘉興海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
杭州海悦建設有限公司 (ii)	Mainland China	RMB140,000,000	**100**	100	Infrastructure investment
中建國際投資 (嘉興) 有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
成都海耀建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
西安海嘉建設發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
長沙海嘉建設有限公司 (ii)	Mainland China	RMB692,200,000	**90**	90	Infrastructure investment
句容海嘉建設有限公司 (ii)	Mainland China	RMB20,000,000	**90**	90	Infrastructure investment
平和海嘉建設有限公司 (ii)	Mainland China	RMB150,000,000	**80**	80	Infrastructure investment
濟寧海嘉建設有限公司 (ii)	Mainland China	RMB355,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
安康中建建設發展有限公司 (ii)	Mainland China	RMB150,000,000	**89**	89	Infrastructure investment
淄博海榮建設有限公司 (ii)	Mainland China	RMB200,000,000	**99**	99	Infrastructure investment
溫洲海耀建設有限公司 (ii)	Mainland China	RMB350,000,000 (2018: RMB292,000,000)	**100**	100	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
句容海悦建設有限公司 (ii)	Mainland China	RMB150,000,000	**90**	90	Infrastructure investment
南昌海博建設有限公司 (ii)	Mainland China	RMB100,000,000	**94**	94	Infrastructure investment
南昌海悦建設有限公司 (ii)	Mainland China	RMB167,000,000	**94**	94	Infrastructure investment
龍山海嘉建設有限公司 (ii)	Mainland China	RMB98,251,100	**79**	79	Infrastructure investment
成都海旭建設有限公司 (ii)	Mainland China	RMB50,000,000	**100**	100	Infrastructure investment
臨沂海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
汝陽縣海耀建設工程有限公司 (ii)	Mainland China	RMB58,000,000	**80**	80	Infrastructure investment
杭州海騰建設有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
徐州海嘉建設有限公司 (ii)	Mainland China	RMB120,000,000	**100**	100	Infrastructure investment
濟寧海耀建設有限公司 (ii)	Mainland China	RMB238,600,000 (2018: RMB100,000,000)	**99**	99	Infrastructure investment
貴州海投建設有限公司 (ii)	Mainland China	RMB250,000,000	**100**	100	Infrastructure investment
淄博海新建設有限公司 (ii)	Mainland China	RMB150,000,000 (2018: RMB100,000,000)	**100**	100	Infrastructure investment
商丘海嘉建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
宿州海龍建築科技有限公司 (ii)	Mainland China	RMB10,000,000	**100**	100	Manufacturing and sales of precast structure
商丘海河建築工程有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Infrastructure investment
武穴海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
溫州海騰建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
六安中建國際投資發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
濱洲中建國際建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
長葛海嘉建設工程有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(徐州)有限公司 (ii)	Mainland China	RMB361,500,000	**90**	90	Infrastructure investment
濟南海嘉建設有限公司 (ii)	Mainland China	RMB70,000,000	**100**	100	Infrastructure investment
湖州海榮建設有限公司 (ii)	Mainland China	RMB220,000,000 (2018: RMB170,000,000)	**80**	80	Infrastructure investment
杭州海旭建設有限公司 (ii)	Mainland China	RMB60,000,000	**100**	100	Infrastructure investment
中建國際工程有限公司 (ii)	Mainland China	RMB137,000,000	**100**	100	Building construction, civil engineering works, materials and investment holding
安徽中建國際投資置業有限公司 (ii)	Mainland China	RMB200,000,000	**100**	100	Property development
中建興業投資(湖南)有限公司 (ii)	Mainland China	RMB200,000,000	**74.06**	74.06	Infrastructure investment
湖南遠東力進建築工程有限公司 (ii)	Mainland China	RMB50,000,000	**74.06**	74.06	Construction and related engineering services
十堰海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
鄖西海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**75**	75	Infrastructure investment
永州海嘉建設有限公司 (ii)	Mainland China	Nil (2018: RMB80,000,000)	**—**	90	Infrastructure investment
龍山海耀建設有限公司 (ii)	Mainland China	Nil (2018: RMB16,204,000)	**—**	70	Infrastructure investment

52 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2019 %	2018 %	Principal activities
Indirectly held by the Company: (continued)					
新沂海悦建設有限公司 (ii)	Mainland China	RMB140,000,000	**90**	90	Infrastructure investment
新沂海耀建設有限公司 (ii)	Mainland China	RMB287,500,000	**90**	90	Infrastructure investment
句容海耀建設有限公司 (ii)	Mainland China	RMB460,000,000	**80**	80	Infrastructure investment
湖州海旭建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
杭州海勝建設有限公司 (ii)	Mainland China	RMB116,000,000	**93**	93	Infrastructure investment
邯鄲海嘉建設有限公司 (ii)	Mainland China	RMB283,950,900	**95**	95	Infrastructure investment
保山海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
綿陽海升建設有限公司 (ii)	Mainland China	RMB360,000,000	**90**	90	Infrastructure investment
泉州海嘉建設有限公司 (ii)	Mainland China	RMB30,000,000	**80**	80	Infrastructure investment
泉州海悦建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
淄博海恒建設有限公司 (ii)	Mainland China	RMB100,000,000	**90**	90	Infrastructure investment
樂平海嘉工程建設有限公司 (ii)	Mainland China	RMB50,000,000	**95**	95	Infrastructure investment
十堰海勝建設有限公司 (ii)	Mainland China	RMB100,000,000	**80**	80	Infrastructure investment
北京海悦置業有限公司 (ii)	Mainland China	RMB500,000,000	**100**	100	Infrastructure investment
滁州海嘉同創建設管理有限公司 (ii)	Mainland China	RMB160,000,000 (2018: RMB100,000,000)	**69**	69	Infrastructure investment
濟南海新建設有限公司 (ii)	Mainland China	RMB56,000,000	**100**	100	Infrastructure investment
煙臺海嘉建設有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment
安福海福建設有限公司 (ii)	Mainland China	RMB100,000,000	**95**	95	Infrastructure investment
台州海旭建設有限公司 (ii)	Mainland China	RMB157,120,000	**90**	90	Infrastructure investment
湖州海悦實業發展有限公司 (ii)	Mainland China	RMB100,000,000	**100**	100	Infrastructure investment

Notes:

(i) Registered as foreign owned enterprise

(ii) Limited liability company registered in Mainland China

(iii) Listed company

(iv) Incorporated/registered in 2019, if applicable

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year, except for China State Construction Finance (Cayman) II Limited, which has issued US$800,000,000 guaranteed notes payable (Note 40).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Five Year Financial Summary

Consolidated Results

	For the year ended 31 December				
	2015 HK$'000 (restated)	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	38,001,876	46,207,508	50,152,524	55,626,304	**61,669,678**
Operating profit	5,265,160	6,136,914	6,968,040	6,939,577	**8,190,659**
Share of profits of					
Joint ventures	423,728	420,295	731,380	705,024	**452,654**
Associates	72,462	142,670	160,300	342,621	**920,143**
Finance costs	(629,105)	(688,159)	(1,069,754)	(1,781,717)	**(2,278,985)**
Profit before tax	5,132,245	6,011,720	6,789,966	6,205,505	**7,284,471**
Income tax expense, net	(659,562)	(1,004,504)	(1,255,662)	(1,648,872)	**(1,560,891)**
Profit for the year	4,472,683	5,007,216	5,534,304	4,556,633	**5,723,580**
Profit/(loss) for the year attributable to:					
Owners of the Company	4,524,126	5,130,066	5,490,091	4,500,148	**5,413,208**
Holders of perpetual capital securities	—	—	—	17,000	**260,166**
Non-controlling interests	(51,443)	(122,850)	44,213	39,485	**50,206**
	4,472,683	5,007,216	5,534,304	4,556,633	**5,723,580**

Note: The consolidated results for the years ended 31 December 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe and changes of measurement of investment properties.

Five Year Financial Summary (continued)

Consolidated Net Assets

	For the year ended 31 December				
	2015 HK$'000 (restated)	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	2,786,916	2,493,761	3,818,806	4,149,806	**4,726,378**
Investment properties	3,050,468	4,249,520	4,750,265	4,680,776	**5,067,333**
Interests in infrastructure project investments	1,536,372	1,495,041	3,294,041	3,680,414	**4,747,131**
Prepaid lease payments	269,816	315,097	391,306	367,032	**—**
Interests in joint ventures	3,573,662	4,949,241	9,956,111	11,709,355	**14,012,737**
Interests in associates	3,800,193	4,070,378	4,570,740	5,654,865	**6,300,683**
Concession operating rights	6,044,202	5,234,340	5,414,282	4,154,800	**3,837,846**
Deferred tax assets	280,951	225,006	222,580	198,830	**157,833**
Trademark, project backlogs and licences	186,025	175,190	334,686	308,535	**289,117**
Goodwill	577,664	577,664	577,664	577,664	**577,664**
Available-for-sale investments	239,503	228,370	411,234	—	**—**
Debt and equity securities at fair value through other comprehensive income	—	—	—	505,416	**658,355**
Amounts due from investee companies	281,858	196,818	204,061	211,806	**211,806**
Trade and other receivables	17,949,961	21,820,299	29,094,860	38,047,727	**44,317,072**
Deposit paid for an investment	108,043	—	—	—	**—**
Loans to joint ventures	—	—	—	1,612,397	**1,020,307**
	40,685,634	46,030,725	63,040,636	75,859,423	**85,924,262**
CURRENT ASSETS	32,418,461	40,143,720	55,477,637	60,262,668	**75,499,641**
TOTAL ASSETS	73,104,095	86,174,445	118,518,273	136,122,091	**161,423,903**
NON-CURRENT LIABILITIES					
Borrowings	(13,085,694)	(15,849,056)	(20,592,443)	(32,033,950)	**(29,347,618)**
Guaranteed notes payables	(3,879,322)	(3,888,839)	(6,206,053)	(6,210,963)	**(6,216,049)**
Contract liabilities	—	—	—	(740,010)	**(688,210)**
Deferred income	(738,610)	(699,088)	(809,431)	—	**—**
Deferred tax liabilities	(406,265)	(348,891)	(446,655)	(427,087)	**(403,675)**
Lease liabilities	—	—	—	—	**(43,152)**
Loan from a joint venture	—	—	—	—	**(2,711,864)**
Obligations under finance leases	(2,719)	(2,139)	(2,499)	(1,842)	**—**
	(18,112,610)	(20,788,013)	(28,057,081)	(39,413,852)	**(39,410,568)**
CURRENT LIABILITIES	(31,706,669)	(39,716,114)	(51,998,281)	(53,629,989)	**(71,105,770)**
TOTAL LIABILITIES	(49,819,279)	(60,504,127)	(80,055,362)	(93,043,841)	**(110,516,338)**
NET ASSETS	23,284,816	25,670,318	38,462,911	43,078,250	**50,907,565**

Note: The consolidated net assets as at 31 December 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe and changes of measurement of investment properties.

Particulars of Major Investment Properties

	Address	Use	Lease term	Approximate gross floor area (sq.ft)	Group's interest %
(a)	11th, 12th and 13th Floors, China Construction Commercial Building, Rua do Campo No: 88–96 and Rua de Santa Clara No: 1–3A, Macau	Commercial	Freehold	15,672	100
(b)	1st, 2nd, 3rd, 13th, 14th, 22nd and 23rd Floors, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	60,692	100
(c)	No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	1,057	100
(d)	Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road South Gongbei District, Zhuhai, Guangdong Province, Mainland China	Commercial	Medium-term lease	1,134	100
(e)	Shop A on Ground Floor and Car Parking Spaces Nos. 1 to 24 on 1st Floor, Fu Po Garden, Estrada Marginal do Hipodromo No: 70–76, Macau	Commercial	Medium-term lease	6,542	100
(f)	Shops on Basement, Ground Floor and 1st Floor, Car Parking Spaces Nos. 1 to 6 on 1st Floor and Nos. 15 to 16 on 2nd Floor, Edificio Ou Va, Rua do Ribeira do Patane No: 109–115, Avenida Marginal do Patane No: 26–36, Macau	Commercial	Freehold	16,175	100
(g)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, office floors 4th, Room B to F 5th Floor, 6th to 12th Floors, Room C to F 15th Floor, 16th to 23rd Floors, Room A, B, E, F 24th Floor and 25th Floor, 6 car parking spaces on basement floor and 61 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease	171,432	100
(h)	Room 201–401. Building #1, 371 Ding Mao Qiao Road, Zhenjiang, Suzhou, Mainland China	Commercial	Medium-term lease	389,380	100

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