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

Annual Report 2023

Exercise Caution in Details and Implementation

Build a Strong Foundation to Seek Greater Success

VISION

The Group adheres to its core values of

Customer-oriented, Quality Assurance, Value Creation

and inherits the business concept of "Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success", strictly abides by the industry standard, upholds the heart of dedication, consciously shoulders the corporate mission of "We Manage Happiness", and strives for growth and continuous innovation. With the continuous enhancement of individuals' values and the perfect release of team creative energy, the Group aims to developing into an international enterprise and becoming a new role model of "harmonious and win-win" with shareholders, employees and society in the new era. The Group will continuously move towards the goal of becoming a world-class comprehensive enterprise integrating "Technology, Investment, Construction and Asset Operation".

CONTENTS

CORPORATE STRUCTURE

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

Corporate Structure (continued)

CHINESE MAINLAND	▪ Construction Related Investment ▪ General Contracting and Prefabricated Construction ▪ Operation of Infrastructure Assets ▪ 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 ▪ Civil Engineering Works ▪ Foundation Engineering Works ▪ Mechanical and Electrical Engineering Works ▪ Investment-driven Contracting Business ▪ Other Construction Related Business
OTHERS	▪ Curtain Wall System* ▪ Operation Management Business*

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

BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

Chairman and Executive Director
Zhang Haipeng

Non-executive Director
Yan Jianguo

Executive Directors
Wang Xiaoguang *(Chief Executive Officer)*
Hung Cheung Shew

Independent Non-executive Directors
Raymond Leung Hai Ming
Wong Wai Ching
Chan Tze Ching Ignatius

COMMITTEES

Audit Committee
Wong Wai Ching *(Chairlady)*
Raymond Leung Hai Ming
Chan Tze Ching Ignatius

Remuneration Committee
Raymond Leung Hai Ming *(Chairman)*
Wong Wai Ching
Chan Tze Ching Ignatius

Nomination Committee
Chan Tze Ching Ignatius *(Chairman)*
Raymond Leung Hai Ming
Wong Wai Ching

Sustainability Committee
Wang Xiaoguang *(Chairman)*
Zhang Haipeng
Raymond Leung Hai Ming
Wong Wai Ching
Chan Tze Ching Ignatius

CORPORATE INFORMATION

Authorised Representatives

Zhang Haipeng
Yan Jianguo

Company Secretary

Ko Hiu Fung

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P. O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Investor Relations

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

Public Relations

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

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

Listing

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

Stock Code

Shares

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

Website

www.csci.com.hk

Corporate Information (continued)

Financial Calendar

Interim Results Announcement
24 August 2023

Record date – Interim Dividend
15 September 2023

Payment date – Interim Dividend
10 October 2023

Final Results Announcement
21 March 2024

Closure of Register of Members – Annual General Meeting
3 June 2024 to 6 June 2024 (both days inclusive)

Annual General Meeting
6 June 2024

Record date – Proposed Final Dividend
18 June 2024

Payment date – Proposed Final Dividend
9 July 2024

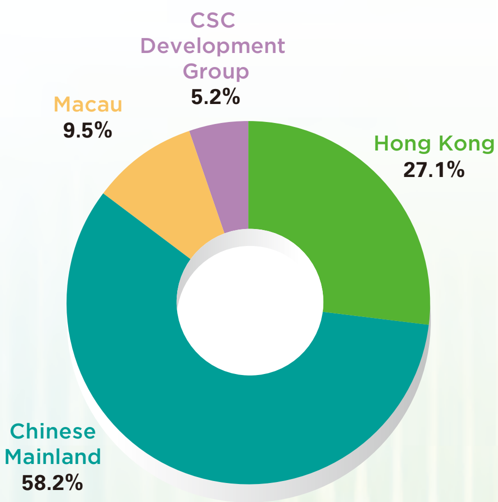
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
Results (HK$'000)					
Revenue	61,669,678	62,458,009	77,309,614	101,975,265	**113,734,013**
EBITDA (Note)	10,044,381	11,339,973	12,485,168	14,362,945	**16,027,295**
Profit attributable to owners of the Company	5,413,208	6,015,368	6,800,879	7,956,876	**9,164,045**
Financial Ratios					
Net margin (%)	8.8	9.6	8.8	7.8	**8.1**
Current ratio (times)	1.06	1.10	1.23	1.25	**1.28**
Financial Information Per Share					
Earnings (HK$)	1.07	1.19	1.35	1.58	**1.82**
Dividend (HK cents)	32	36	40.5	48	**56**
Net assets (HK$)	10.08	11.54	13.14	13.46	**14.74**
Other Information					
Value of incomplete contracts at 31 December (HK$ billion)	227.07	252.37	281.36	294.53	**350.05**

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

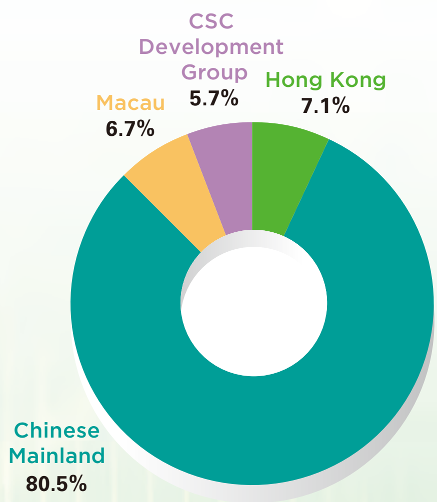
BREAKDOWN OF SEGMENT REVENUE

for the year ended 31 December 2023



BREAKDOWN OF SEGMENT RESULTS

for the year ended 31 December 2023



MAJOR EVENTS OF THE YEAR

January

On 6 January, China Construction Engineering (Macau) Company Limited ("CCE Macau"), a subsidiary of the Group, won 13 gold awards, 10 silver awards, and 7 bronze awards at the "Construction Industry Safety Awards Scheme 2022" forum and award presentation hosted by the Macau Labor Affairs Bureau, ranking first in both the total number of gold medals and the total number of awards received.

On 16 January, China State Construction Engineering (Hong Kong) Ltd. ("CSHK"), a subsidiary of the Group, became the only construction company awarded in the United Nations Industrial Development Organization (UNIDO) Global Call 2022 for its outstanding performance in low-carbon and smart manufacturing for Hong Kong's Organic Resources Recovery Centre Phase 2 (O•PARK2).

February

On 20 February, a presentation ceremony for the Hong Kong Awards for Environmental Excellence, known as the “Oscars” of the environmental protection industry in Hong Kong, was held at the Hong Kong Convention and Exhibition Centre. The O•PARK2 project built by CSHK, a subsidiary of the Group, received the gold award in the construction industry category, while the Tseung Kwan O Desalination Plant project and the Relocation of Sha Tin Sewage Treatment Works to Caverns project received certificates of merit.

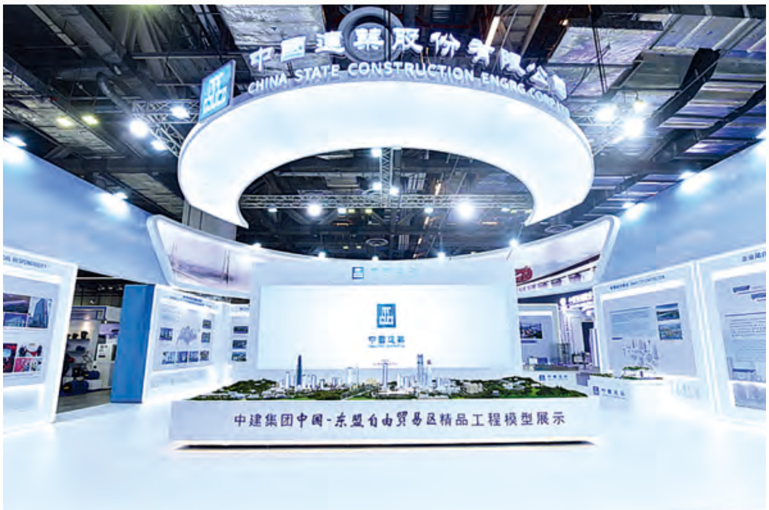
Major Events of the Year (continued)

March

On 1 March, the permanent community isolation facility in Penny's Bay, Hong Kong, constructed by the Group and aided by the Central Government, was closed after being used for two years and seven months during the pandemic. A total of 270,000 people had spent time in the facility, and at its busiest, it accommodated 8,000 people at the same time.

On 17 March, the first academician expert workstation in Hong Kong, established by the Gorup in cooperation with Professor Chen Xiangsheng, an academician of the Chinese Academy of Engineering, was officially unveiled.

From 22 to 24 March, the Group's cutting-edge scientific and technological achievements in the field of prefabricated construction as well as a number of its major livelihood projects were showcased in the 2023 Conference on International Industrial Cooperation (Singapore) & China's Machinery & Electronics Show in Singapore.



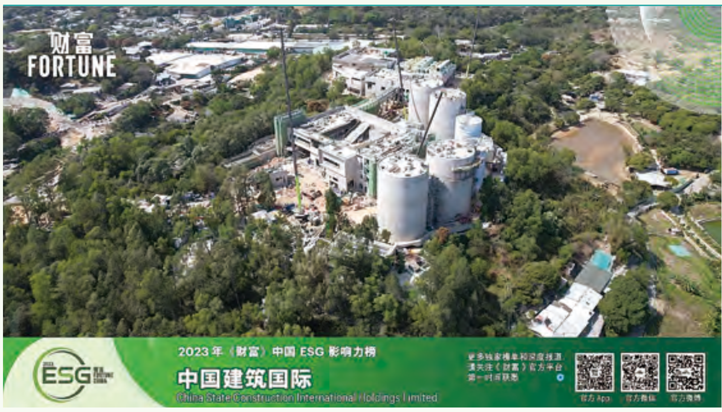
April

In early April, the Yangquan East toll station and Yinying toll station of Yangwu Expressway operated by China State Construction International Asset Management Limited, a subsidiary of the Group, and the Macau New Neighbourhood project in Hengqin operated by CCE Macau were awarded the National Women's Civilization Post and the National Demonstration Post for Youths' Safety Production respectively.

On 16 April, a topping-out ceremony was held for the affordable housing EPC project at Zhangkengjing, Longhua District, Shenzhen, which was China's first high-rise concrete modular affordable housing project and jointly undertaken by China State Construction Hailong Technology Company Limited ("CSC Hailong") and China Overseas Construction Company Limited ("COCCL"), subsidiaries of the Group.

Major Events of the Year (continued)

May

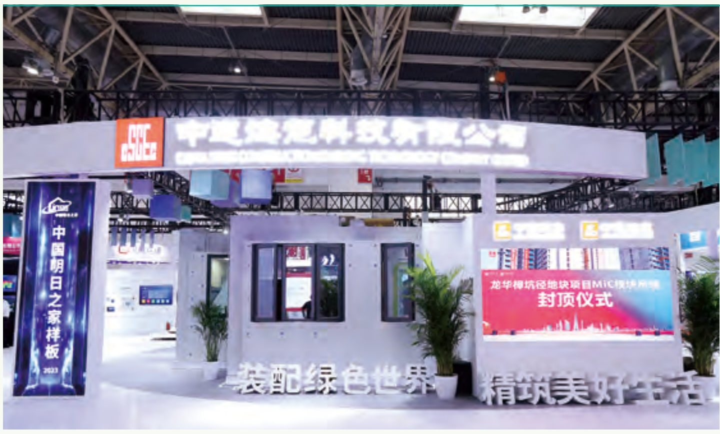


On 5 May, the 2023 Fortune China ESG Impact List was released. With its outstanding ESG performance, the Group ranks among the 40 most influential Chinese companies in terms of ESG.

In May, the Group successively won the bids for three livelihood projects in Hong Kong and Macau, namely "New Acute Hospital at Kai Tak Development Area (Site A)", "Redevelopment of Prince of Wales Hospital, Phase 2 (Stage 1)" and "Design and Construction Contract for the South Section of the Light Rapid Transit East Line", with a total contract amount of HK$35.9 billion.

In May, the "Light-S" series of photovoltaic curtain wall products, made from building-integrated photovoltaics (BIPV), a new type of photovoltaic building material independently developed by China State Construction Development Holdings Limited ("CSC Development"), a subsidiary of the Group, were showcased in the 25th Tektónica International Building and Construction Fair in Portugal.

June



From 19 to 21 June, CSC Hailong, a subsidiary of the Group, participated in the 20th China International Exposition of Housing Industry & Products and Equipment of Building Industrialization, displaying a Modular Integrated Construction (MiC) model home as part of the “China’s Homes of Tomorrow 2023”.

On 27 June, the Macau New Neighbourhood project in Hengqin undertaken by CCE Macau, a subsidiary of the Group, was officially unveiled. The ceremony was attended by, among others, Director Lei Wai Nong, Deputy Director Niu Jing and Deputy Director Wu Zijian of the Executive Committee of the Hengqin Guangdong-Macao In-Depth Cooperation Zone.

Major Events of the Year (continued)

July

In July, the Group was notified by FTSE Russell that the Company had been independently assessed according to the FTSE4Good criteria and had satisfied the requirements to become a constituent of the FTSE4Good Index Series for the seventh consecutive year.

In July, top rating agency S&P Global published its Sustainability Yearbook (China edition) 2023, the first Chinese edition of the yearbook. With its outstanding sustainability performance, the Group became the only construction and engineering company included in the yearbook and won the title of "Industry Mover".

On 20 July, a topping-up ceremony was held for the Macau Senior Apartment Housing project undertaken by CCE Macau, a subsidiary of the Group. The ceremony was attended by, among others, Lam Wai Hou, Director of Macau's Public Works Bureau and Hon Wai, Director of Macau's Social Welfare Bureau.

August

On 16 August, COCCL, a subsidiary of the Group, and China Southwest Architectural Design and Research Institute Corp., Ltd. jointly won the bid for the Industrial Community Neighborhood Centre Project in Baibu Economic Development Zone, Jiaxing, which was the first concrete modular high-rise building in Zhejiang Province.

In August, the Group was selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index due to its outstanding performance in sustainable development.

Hang Seng Corporate Sustainability Index Series

On 21 August, China State Construction International Investments Limited ("CSCIIL"), a subsidiary of the Group, issued the first tranche of its 2023 green corporate bonds, with a size of RMB1.1 billion, for a term of 3 years and with a coupon rate of 2.88%. It was China's first green bond issued with the highest grade of certification for prefabricated construction, and received an issuer rating and a facility rating of AAA from China Chengxin Credit Rating Group, as well as the highest G1-grade green certification from Lianhe Equator Environmental Impact Assessment Co., Ltd.

Major Events of the Year (continued)

September

In September, Hong Kong was hit by Super Typhoon Saola and torrential rain. The Group immediately responded to HKSAR Government's request for support, organizing an emergency support team of over 650 people and deploying over 140 construction vehicles to mitigate the impact of the disaster effectively. Our efforts were highly recognized by people from all walks of life in Hong Kong.

In September, the curtain wall of the Murray Road Project in Central, undertaken by CSC Development, a subsidiary of the Group, was topped out, showcasing a complete set of technologies of demonstrative significance for complex hyperbolic curtain walls.

October

On 4 October, CSHK, a subsidiary of the Group, attended the presentation ceremony of the 29th Considerate Contractors Site Award Scheme co-organized by HKSAR Government's Development Bureau and Hong Kong's Construction Industry Council and won 15 awards. For the second consecutive year, CSHK received the most awards in the scheme.

On 9 October, CSHK, a subsidiary of the Group, hosted the CSHK Clean Energy Plan Activation cum Memorandum of Understanding (MoU) Signing Ceremony to announce the first clean energy initiative for the construction industry in Hong Kong.

On 12 October, the Burj Khalifa Curtain Wall Project in Dubai and the Murray Road Curtain Wall Project in Central, Hong Kong, both undertaken by CSC Development, a subsidiary of the Group, were featured in China Central Television's (CCTV) large-scale documentary "Collaborative Construction".

Major Events of the Year (continued)

November

On 3 November, the Leirong Expressway Project invested and undertaken by China State Construction International Investment (Guizhou) Limited, a subsidiary of the Group, was completed and opened to traffic.

In November, CSC Development, a subsidiary of the Group, won the bid for the OPPO Headquarters Curtain Wall Project in Shenzhen, the world's most complex curved curtain wall project.

December

On 12 December, the 2023 Forum on Future Urban Construction and Sustainable Development, co-hosted by the Group, the Guangdong-Hong Kong-Macao Construction Industry Collaborative Development Research Centre and the Group's academician workstation in cooperation with the Hong Kong Smart Construction R&D Centre, was held in Hong Kong.

On 15 December, the "14th Five-Year Plan" national key R&D project "Research on and Application of the Key Technologies of Modular Integrated Construction" spearheaded by CSC Hailong, a subsidiary of the Group, and jointly submitted by CSC Hailong with nine other units, obtained official approval.

On 19 December, Zhao Lili, operating director of China State Construction International Medical Industry Development Co., Ltd. under CSHK, a subsidiary of the Group, was invited to attend the "Hong Kong Spirit 2023" award ceremony and received the "Hong Kong Spirit Ambassador" certificate of appreciation.

Chairman's Statement

Mr. Zhang Haipeng
Chairman and Executive Director

CHAIRMAN'S STATEMENT

In the year, the Group secured

121 NEW CONTRACTS

with attributable contract value of approximately

HK$188.02 billion

ENHANCE QUALITY AND EFFICIENCY THROUGH TECHNOLOGY EMPOWERMENT

Review of Operation

The road to global economic recovery in 2023 was long and winded. As Europe and the United States (US) saw sticky core inflation, central banks in Europe and the US had to maintain a high-interest rate environment. The European economy was pronouncedly weak, while the pressure to achieve economic growth was on the rise in the US, weighing on its financial system and leading to negative spillovers to the global economy. Geopolitical crises and local conflicts broke out one after another around the world, posing severe challenges to global trade and supply chains. During the year, the Chinese economy withstood external pressure, overcame internal obstacles and stood up to challenges, thereby rallying and improving continuously. Demand in the service sector picked up significantly, leading to improved employment data, while the government continued to implement a proactive fiscal policy, with policy effectiveness on the rise. During 2023, China's economic aggregate reached a new level and continued to be an important driving force of the world's economic development. Driven by the recovery of Chinese mainland's economy, the economies of Hong Kong and Macau continued to rally, picking up growth momentum. Benefitting from revived tourism and domestic demand, Hong Kong achieved further economic recovery, while Macau took a solid step forward in its moderately diversified development, with a big climb in the number of inbound tourists and a higher-than-expected rebound in gaming revenue.

Facing a complex external environment, the Group adhered to its strategy of competitive differentiation, forged ahead with technology empowerment, strengthened its business management, actively engaged in market expansion, and strived for high-quality development, thus once again delivering a performance that satisfied all walks of lives in society. The Group was awarded a number of major livelihood projects in Hong Kong and Macau, confirming its market-leading position. As our business structure in Chinese mainland continued to be optimized, our operating cash flow, which had moved back to positive territory in the previous year, remained positive. In addition, our facade business continued to grow rapidly, and once again reached the peak of construction difficulty.

As of 31 December 2023, the audited revenue of the Group amounted to HK$113,734 million, with an operating profit of HK$14,986 million. The profit attributable to the owners of the Company increased by 15.2% to HK$9,164 million, with basic earnings per share of HK$1.82 and net asset value per share of HK$14.74. The Board recommended the distribution of a final dividend of HK28.5 cents per share for the year of 2023. The total dividend distributed throughout the year amounted to HK56.0 cents, representing a year-on-year increase of 16.7%.

Hong Kong and Macau Markets

In recent years, the Hong Kong government has actively promoted large construction projects such as the Northern Metropolis. The Group made full use of its competitive advantages in professional fields and its brand value to seize opportunities and successfully obtained a number of large projects in the Northern Metropolis. With its strong technical strength in healthcare construction, the Group continued to benefit from the "10-year Hospital Development Plan". It also performed well in traditional housing construction and was awarded a number of public and private housing projects, including the Olympic Avenue project in Kai Tak, the largest among the first batch of Light Public Housing projects. During the year, newly signed contracts in the Hong Kong market amounted to HK$70,921 million, representing a significant increase of 58.0%.

The Group also actively leveraged its technological advantages in the Macau market. We secured Macau's largest civil project of the year (the south section of the Light Rapid Transit East Line) and its only hospital project (the Islands Healthcare Complex), thus further cementing our leading position in the industry. During the year, newly signed contracts in the Macau market amounted to HK$9,541 million, as we continued to maintain our leading position in the Macau market.

The Group spared no effort in promoting the integrated development of the construction industry in the Greater Bay Area, winning three consecutive Greater Bay Area integration projects and achieving a number of "first-in-China" institutional innovations. The Nansha Primary School Ocean Times Campus expansion project in Guangzhou awarded to us during the year was not only the first Guangdong–Hong Kong integration pilot project in Guangzhou, but also the first concrete MiC project in Guangzhou.

Chinese Mainland Market

In 2023, the Group continued to optimize the quality of its investments and implement its strategy of technology empowerment in Chinese mainland. Newly signed contracts in Chinese mainland amounted to HK$96,055 million, representing a year-on-year increase of 4.5%. The Group further optimized its investment map and focused on cementing its leading position in key investment areas. Our investment in government-targeted repurchase projects achieved a breakthrough and entered Guangzhou for the first time. During the year, over 90% of our newly awarded investment projects in Chinese mainland were located in high-quality areas including the Yangtze River Delta and the Greater Bay Area. The Group refined the operational scales of its projects and completed key milestones ahead of schedule to create favorable conditions for the collection of receivables. As a result, the Group continued to maintain a positive operating net cash flow during the year.

The Group actively explored the points of convergence between its technological advantages and the needs of homeowners, organizing tours for homeowners from different regions to visit and inspect its production bases and projects under construction. These tours helped to introduce our MiC products into Beijing, Guangzhou, Jiaxing and other cities, setting many firsts in the industry. The renovation and reconstruction project of Building No. 8 in Huapichang Hutong, Xicheng District, Beijing, undertaken by the Group, was one of the first batch of old community renovation pilots in Beijing (and the first in Xicheng District) using the "compensatory replacement of demolished housing" model. The project reached delivery standards in only 90 days, receiving special publicity from the State-owned Assets Supervision and Administration Commission and CCTV's Xinwen Lianbo program. The project provided a new solution for the reconstruction of old communities in super large cities and megacities, and has become a new benchmark for using construction technology to serve people's livelihood.

Facade Market

CSC Development, a subsidiary of the Group, delivered a strong performance in both the Hong Kong and Macau markets and the Chinese mainland market. In Hong Kong and Macau, CSC Development successfully delivered the Murray Road project in Central, and was successively awarded large public works, residential and commercial projects, demonstrating its solid market-leading position. In Chinese mainland, CSC Development gained a foothold in the Beijing market and had good cooperation with strategic customers including Huawei. The OPPO International Headquarters project in Shenzhen, awarded during the second half of the year, involved a variety of complex processes, once again setting a new world record for the most difficult facade project ever. Our building-integrated photovoltaic (BIPV) business also continued to make breakthroughs. During the year, CSC Development launched the new photovoltaic curtain wall products Light A and Mega Light A, completed the construction of its first photovoltaic curtain wall production line, and won the bid for the BIPV project for the Shenzhen Academy of Metrology & Quality Inspection. During 2023, newly signed contracts of CSC Development amounted to HK$11,501 million, representing a year-on-year increase of 13.6%.

Sustainable Development Management

While forging ahead with its business development, the Group continued to optimize its sustainable development management and promote adjustments to the appointment of independent non-executive directors. We announced six policies, including the "Sustainable Procurement Policy" and the "Water Resources Management Policy", as we strived to establish a sound internal ESG management system. During the year, the Group actively promoted the internal application of its independently developed "carbon neutral cloud platform", which has been fully implemented in its Hong Kong and Macau projects and has been piloted in its Chinese mainland projects, thus laying a solid foundation for subsequent carbon management. The Group made the 2023 Fortune China ESG Impact List and received the 2022 Leap Forward Award by CDP, both for the first time. It was included in the first Sustainability Yearbook (China edition) by S&P Global and was named an "Industry Mover". It was selected as a constituent of the FTSE4Good Index for the seventh consecutive year, and was re-selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, which shows that the Group's sustainability performance was once again recognized by the market and authoritative institutions.

Risk Management

In order to continuously identify and manage strategic, financial, market, operational and other risks, the Group has established a risk management and control team, whose members include executive directors and senior management. The audit department and the risk management and control team regularly and independently evaluate and monitor risks to keep them at acceptable levels. During the year, the Group actively followed up on relevant developments, reasonably assessed potential risk points, and proactively prevented and controlled risks, as it continued to promote the construction and review of internal control to ensure that its operation complies with laws and regulations.

Financial Management

In 2023, the Group adhered to its prudent financial policy and focused on the management of cash flows. Our net operating cash flow and net investment cash flow remained positive and kept improving. The Group timely seized the financing window of RMB, thus further increasing the percentage of RMB in its debt balance, slashing financing costs reasonably and reducing exchange rate risks. The Group also continued to actively leverage green financial instruments, obtaining a sustainability-linked loan of US$100 million in Hong Kong, and issuing the first tranche of its green corporate bonds (23 CSCII G1). It was China's first green bond issued with the highest grade of certification for prefabricated construction.

The financial position of the Group remained sound, with sufficient cash on hand and available financial resources. As of 31 December 2023, cash on hand amounted to HK$28,463 million, accounting for 11.4% of its total assets. The net gearing ratio was controlled at 66.1%, representing a year-on-year decrease of 3.3 percentage points. Unutilised bank credit facilities were HK$80,021 million, representing a decrease of 12.5% as compared with that of the corresponding period in the previous year.

Human Resources

The Group attaches great importance to the management and reserve of human resources as well as the training of employees. With an open and inclusive attitude, we recruit talents with rich industry experience and cutting-edge scientific and technological knowledge. During the year, the Group carried out extensive recruitment activities to effectively respond to the rapidly growing demand for talent in Hong Kong. It continued to strengthen cooperation with academic experts and jointly built the first overseas academician and expert workstation in Hong Kong with Academician Chen Xiangsheng. The Group is committed to establishing good cooperative relations with major universities, having reached preliminary agreements on talent cooperation with three universities including Harbin Institute of Technology. We also co-hosted the 4th National Civil Engineering College Student Cadre Forum with Southeast University. During the year, the "8-Minute Topic" program was officially launched. Under the program, one or two outstanding employees are invited each month to share grassroots-level practices and exchange experiences and thoughts at the president's office meeting. The program serves as a platform for employees to showcase themselves and communicate with management. With its excellent human resources management achievements, the Group won the 2023 Liepin National "Extraordinary Employer" award, and was the only construction company to win the "Grand Award – Employer of the Year" in Hong Kong.

Technological Innovation

Technology is one of the strategic cores of the Group as well as the key to getting the Group out of "red ocean" competition. In 2023, the Group invested HK$486 million in R&D, forging ahead with the goals set in the 14th Five-Year Plan. Technology empowerment continued to drive the enhancement of the quality and efficiency of the Group's business development. During the year, the Group achieved remarkable technology-driven growth, as newly signed technology-driven contracts amounted to HK$74,620 million, accounting for 39.7% of the total newly signed contracts with a year-on-year increase of 44.6%. At the end of the year, we made a breakthrough in undertaking high-level national R&D projects, as two projects submitted by the Group, "Research on and Application of the Key Technologies of Modular Integrated Construction" and "Research on and Application of Key Technologies for the Combination of Normal Use and Emergency of Healthcare Buildings", obtained approval under the 14th Five-Year Plan national key R&D program. CSC Development continued to promote R&D in BIPV. In addition to product development, it completed the internal photovoltaic transformation of our Zhuhai plant, which has achieved on-grid connection and electricity generation. The transformation can provide 40% of the annual electricity consumption of the Zhuhai plant. The Group hosted the 2023 Forum on Future Urban Construction and Sustainable Development. As an exclusive strategic partner of sustainability, it participated in the BEYOND Expo 2023. It also took part in large exhibitions including the China International Exposition of Housing Industry & Products and Equipment of Building Industrialization, the Tektónica International Building and Construction Fair in Portugal, and the China–ASEAN Expo, actively promoting its technological achievements to the outside world. During the year, we obtained 211 patents and won major awards including the ICE Annual Awards – Edmund Hambly Medal, awards at the Geneva International Exhibition of Inventions, the Luban Prize (National Quality Engineering) (Overseas Works), the China Patent Award – Excellence Award, and the Guizhou Province Science and Technology Progress Award – Second Prize. The Group's outstanding scientific and technological strength has been widely recognized both in China and around the world. In the future, the Group will continue to put effort into R&D and marketing to further transform its business.

Business Outlook

In 2023, the Group forged ahead with market expansion, thus successfully achieving its growth targets. We also continued to optimize our business structure and maintain a solid financial structure. With its industry-leading technological strength, the Group actively promoted industrialization and informatization in construction, delivered high-quality projects, and further enhanced its brand reputation.

Looking to the future, we can see that many positive factors in China's economic development are accumulating. Driven by China's development, the economies of Hong Kong and Macau will also continue to recover. The Group will conduct an in-depth analysis of macroeconomic conditions and national policies in order to develop new quality productive forces. For the Hong Kong and Macau markets, we will further enhance our strategic planning, strengthen the training and reserve of professional talents in civil engineering, environmental protection and other fields, and support large urban development plans including the Northern Metropolis. We will also continue to secure different kinds of projects including large hospitals, public housing and environmental protection facilities. For the Chinese mainland market, we will focus on selecting high-quality projects and balancing funds. We will also actively promote the application of construction technology and use construction technology to improve people's livelihood. The Group's technology-driven strategy has already achieved remarkable results. In the future, we will continue to focus on technological innovation and digital transformation, and leverage technology empowerment to fuel the Company's long-term high-quality development.

Acknowledgement

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

By Order of the Board
China State Construction International Holdings Limited
Zhang Haipeng
Chairman and Executive Director

Hong Kong, 21 March 2024

Management Discussion and Analysis

Profit attributable to owners of the Company was

HK$9,164 million,

represents a year-on-year increase of **15.2%**.

HK$501 million net cash inflow from operating activities.

Overall Performance

The Group has continued to maintain growth momentum this year after exceeding HK$100 billion in turnover last year. The Group's revenue increased by 11.5% to HK$113.7 billion.

Basic earnings per share was HK$1.82, a year-on-year rise of 15.2%. With a proposed final dividend per share of HK28.5 cents, an interim dividend per share of HK27.5 cents paid in the year, the total dividends for the year amount to HK56.0 cents per share, representing an increase of 16.7% as compared to last year.

During the year, Hong Kong, Macau and Chinese mainland remained the core markets and the major contributors of the Group, accounted for 27.1%, 9.5% and 58.2% of the Group's revenue, respectively. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and further consolidated its leading position in the field by our continued strong performance. In Chinese mainland, the Group mainly focused on construction related investment projects, its sustained scale growth is underpinned by its strong business execution and customer's satisfaction. China State Construction Development Holdings Limited and its subsidiaries (together, the "CSC Development Group") mainly focused on facade contracting business. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.

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

During the year, Hong Kong segment successively secured large hospital projects, won bids for large infrastructure projects and the housing projects located in core regions. In the absence of construction projects related to pandemic prevention, Hong Kong's revenue dropped 17.2% to HK$30,822 million. Segment result amounted to HK$1,026 million, dropped by 19.3%.

Macau's revenue remains high as several large-scale hospital and comprehensive entertainment project continues, amounting HK$10,770 million, up by 2.2%. Segment result increased 76.5% to HK$960 million. This is because profit of several large-scale projects commenced to realise profit in the year.

Chinese mainland

Chinese mainland segment continues to increase investment in high-quality markets such as the Yangtze River Delta and the Greater Bay Area. At the same time, the Group increases the expansion of Modular Integrated Construction ("MiC") business and apply it to different provinces and fields. Revenue and segment result from Chinese mainland rose by 36.1% and 12.4% year-on-year to HK$66,185 million and HK$11,558 million, respectively.

(1) Construction Related Investment Projects

Our Construction Related Investments Projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and school. The Group continued to optimise the project mix on hand, increased participation in government targeted repurchase projects and other shorter cash payback cycle project in order to accelerate capital turnover. During the year, Chinese mainland increased efforts on cash collection and received buy-back payment of HK$46,147 million from Construction Related Investment Project, including the attributable share of such payment received by our joint venture investments, up by 45.6%.

Construction Related Investment Projects remained the core business and the major contributor of Chinese mainland. Revenue and result grow at 37.7% and 16.4% over last year to HK$64,495 million and HK$10,896 million respectively.

(2) Operation Infrastructure Projects

Operation Infrastructure Projects represents toll road operation. The revenue from Operating Infrastructure Projects excluding contribution from joint venture was HK$152 million, remain at the same level as last year.

(3) Other Business

Other Business mainly represents contribution from industrial plant reconstruction, prefabricated construction industrialisation factories and other business such as project management services. The revenue from this sector was HK$1,538 million, dropped 5.8%.

China State Construction Development Holdings Limited

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

Investment Income, Other Income and Other Gains/(Losses), net

Investment Income, Other Income and Other Gains/(Losses), net decreased 59.0% to HK$647 million, the decrease was mainly due to the reduce of fair value gain on investment properties and no disposal gain of the Group's investments recognised during the year.

Share of Profits of Associates

The Group continued to drive the contracting business by its investment in associates. The share of profits of associates dropped 5.8% to HK$315 million.

Share of Profits of Joint Ventures

The Group mainly operates toll bridge and infrastructure investment projects in the form of joint ventures. With the opening of several toll roads, the share of profits of joint ventures up by about 1.3 times to HK$630 million for the year.

Finance Costs

During the year, the finance costs charged to profit for the year increased by 7.1% to HK$3,204 million. The increase was mainly due to the increase of scale of the Group.

Earnings Per Share

Basic earnings per share increased by 15.2% to HK$1.82 for the year ended 31 December 2023. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$9,164 million and the weighted average number of 5,037,616,668 ordinary shares in issue during the year.

CORPORATE FINANCE

Financial Position of the Group

(a) Shareholder's Equity

During the year, a subsidiary of the Group issued RMB2,000 million perpetual medium term notes, raised approximately HK$2,200 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$74,278 million as at 31 December 2023. The increase was mainly attributable to the profit for the year of HK$9,713 million, the RMB2,000 million perpetual medium term notes issued during the year, partly offset by the translation loss of HK$2,741 million due to the depreciation of Renminbi ("RMB") and the distribution of HK$2,594 million during the year.

(b) Bank Balances and Cash

At 31 December 2023, the Group had bank balances and cash of HK$28,463 million, representing 11.4% of the total assets. The portfolio of the currencies of bank deposits is listed as follow:

	2023 %	2022 %
Hong Kong Dollars ("HKD")	**17**	26
RMB	**78**	65
Macao Patacas	**3**	7
United State Dollars ("USD")	**1**	1
Others	**1**	1

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

(c) Borrowings

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

During the year, the Group issued RMB1,100 million corporate bonds in Chinese mainland, raised approximately HK$1,230 million, net of expenses.

At 31 December 2023, the total borrowings of the Group (including the unsecured guaranteed notes denominated in USD and the corporate bonds denominated in RMB issued by the Group) were HK$77,587 million, of which, 13.3%, 2.5% and 84.1% of the total borrowings were denominated in HKD, USD and RMB respectively. In view of exchange rate fluctuation in recent years, the Group intended to increase the proportion of RMB finance in order to naturally hedge with the exposure from the receipts of Chinese mainland business.

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

The following table sets out the maturities of the Group's total borrowings as at 31 December 2023 and 2022:

	2023 HK$' million	2022 HK$' million
Bank borrowings		
On demand or within one year	**16,515**	13,720
More than one year but not exceeding two years	**17,790**	16,552
More than two years but not more than five years	**27,643**	19,068
More than five years	**5,877**	9,837
Total bank borrowings	**67,825**	59,177
Unsecured guaranteed notes payable	**1,944**	1,942
Corporate bonds	**7,818**	9,798
Total borrowings	**77,587**	70,917

At 31 December 2023, the Group had net borrowings of HK$49,124 million and the Group's net gearing ratio was 66.1%. This ratio is calculated as net borrowings divided by total equity. Net borrowings is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2023, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK$80,021 million.

(d) Cash Flows Analysis

During the year, the Group's cashflow continues to improve, generated HK$501 million and HK$1,174 million net cash inflow from operating and investing activities, respectively. The net cash inflow from financing activities was HK$4,548 million.

Management Policies for Financial Risk

1. Interest Rate Risk

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

2. Credit Risk

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

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

3. Foreign Exchange Risk

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

Business Review

At the end of 2023, the Group has **338 projects in progress** with an aggregated attributable contract value of

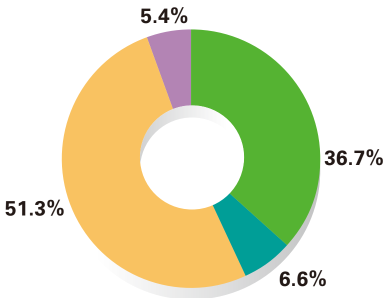
HK$571.94 billion.

MAJOR COMPLETED PROJECTS IN 2023

No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
	Building Construction			
1	Contract for Redevelopment of Kwong Wah Hospital (Phase 1)		•	
2	Residential Redevelopment at Nos 1–11 Au Pui Wan Street, Fo Tan			•
3	Residential Development at Hing Wah Street, Cheung Sha Wan			•
4	Residential Development at NKIL6574, Area 4B, Site 3, Kai Tak, Kowloon			•
	Civil Engineering Works			
1	Tseung Kwan O – Lam Tin Tunnel and Related Projects	•		
2	Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link			•
3	Hiram's Highway Improvement Stage One, Sai Kung	•		
	Construction Related Investment			
1	Leishan-Rongjiang Expressway PPP Project, Qiandongnan, Guizhou Province	•		
2	Affordable Housing Construction (Phase II), Lucheng District, Wenzhou Lucheng, Zhejiang Province	•		
3	Government Targeted Repurchase Project of Changba (Phase III), Tinghu District, Yancheng, Jiangsu Province		•	
4	University and Science & Technology City PPP Project, Yuelu Mountain, Changsha, Hunan Province	•		
5	Innovation City PPP Project (Phase I), Chuzhou, Anhui Province	•		
6	Government Targeted Repurchase Project (Plot E-28a), Lucheng District, Wenzhou, Zhejiang Province	•		
7	Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province	•		
8	Government Targeted Repurchase Project (Plot Number [2021]4-1), Hailing District, Taizhou, Jiangsu Province	•		
9	Government's Targeted Repurchase Project, No.9 Feilonguhu, Luqiao Distrect, Taizhou, Zhejiang Province	•		
10	Shanty Town Redevelopment Project, Suzhou, Anhui Province	•		
11	North First Line and Underground Integrated Corridor EPC General Contraction Project, Chengdu, Sichuan Province	•		

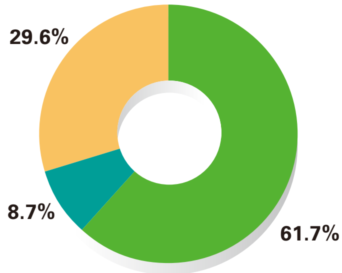
MAJOR COMPLETED PROJECTS IN 2023 *(continued)*

BY PROJECT CATEGORIES



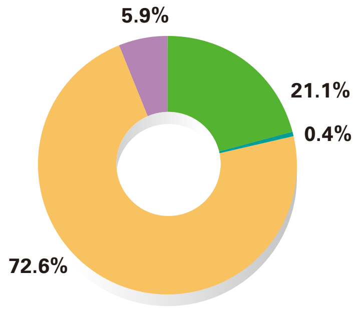
- Building Construction
- Civil Engineering Works
- Infrastructure Investment
- Others

BY CUSTOMERS



- Government/Public Sector
- Institutional Bodies
- Private Sector

BY MARKETS



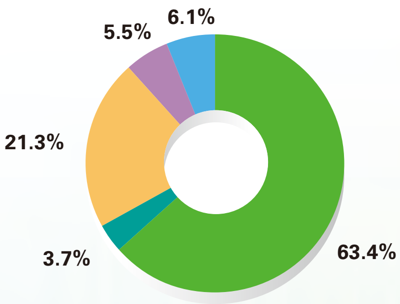
- Hong Kong
- Macau
- Chinese Mainland
- CSC Development

NEW PROJECTS AWARDED IN THE YEAR OF 2023

Summary for the year

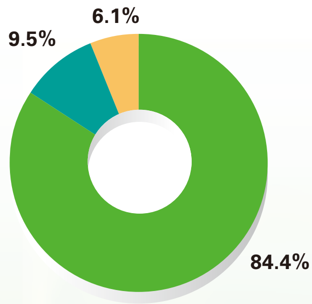
- 121 new projects awarded
- Attributable contract value for new projects awarded was HK$188,018 million

BY PROJECT CATEGORIES



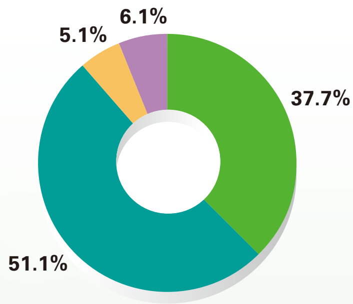
- Building Construction
- Civil Engineering Works
- Construction Related Investment
- Others
- CSC Development

BY CUSTOMERS



- Government/Public Sector
- Private Sector
- CSC Development

BY MARKETS



- Hong Kong
- Chinese Mainland
- Macau
- CSC Development

PROJECTS IN PROGRESS AS AT 31 DECEMBER 2023

		31 December 2023	
	No.	Attributable contract value HK$'Million	Value of incompleted contract HK$'Million
Chinese Mainland	221	323,640	205,640
Hong Kong	78	152,196	107,390
Macau	39	66,252	20,782
CSC Development	–	29,856	16,239
Total	**338**	**571,944**	**350,051**

Major Projects in Progress - Hong Kong & Macau

MAJOR PROJECTS IN PROGRESS — HONG KONG

No.	Project Name
	Building Construction
1	New Acute Hospital at Kai Tak Development Area (Site A)
2	Main Works for In-Patient Extension Block for Redevelopment of Prince of Wales Hospital Phase 2 (Stage 1)
3	Main Works Package 2 – Superstructure and Associated Works for Redevelopment of Grantham Hospital (Phase 1)
4	Design and Construction of Chinese Medicine Hospital and Government Chinese Medicines Testing Institute
5	New Acute Hospital at Kai Tak Development Area (Site B)
6	West Rail Kam Sheung Road Station Package 1 Property Development
7	Residential Development, Lohas Park, Phase 13
8	Main Contract for Redevelopment of Our Lady of Maryknoll Hospital
9	Design and Construction of Kong Nga Po Police Training Facilities
10	Light Public Housing at Olympic Avenue, Kai Tak

Main Works for In-Patient Extension Block for Redevelopment of Prince of Wales Hospital Phase 2 (Stage 1)

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

Residential Development, Lohas Park, Phase 13

Light Public Housing at Olympic Avenue, Kai Tak

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

No.	Project Name
	Civil Engineering Works
1	Hong Kong International Airport Three Runway System Project North Runway Modification Works
2	Relocation of Sha Tin Sewage Treatment Works to Caverns – Main Caverns Construction
3	Yuen Long Barrage and Nellah Improvement Schemes
4	Design, Build and Operate First Stage of Tseung Kwun O Desalination Plant
5	Organic Waste Treatment Facilities Phase 2
6	Hong Kong International Airport: Airportcity Link – Land Viaducts at Hong Kong Port and Airport Island

Relocation of Sha Tin Sewage Treatment Works to Caverns – Main Caverns Construction

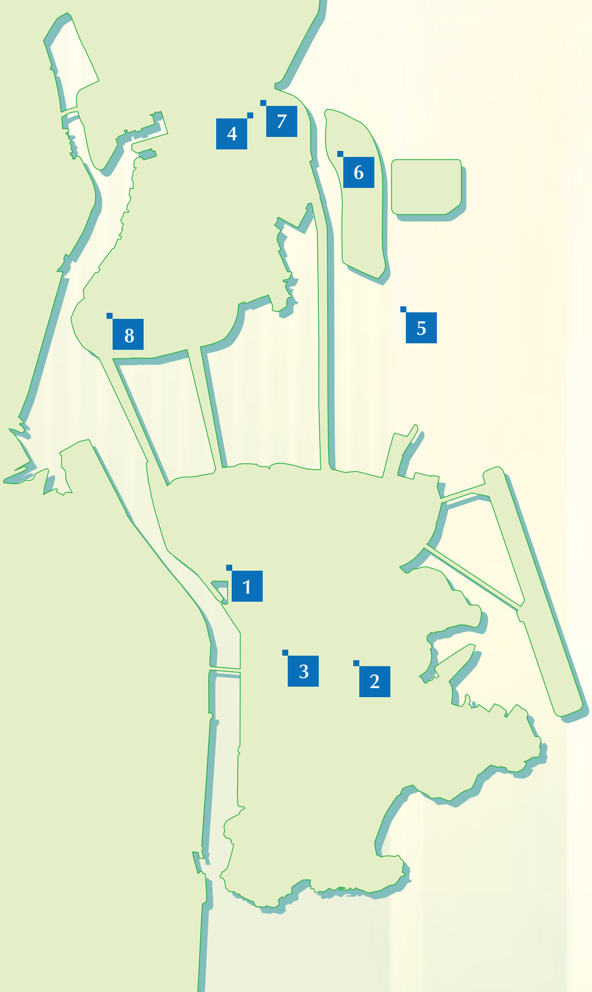
Yuen Long Barrage and Nellah Improvement Schemes

Design, Build and Operate First Stage of Tseung Kwun O Desalination Plant

Organic Waste Treatment Facilities Phase 2

MAJOR PROJECTS IN PROGRESS — MACAU

No.	Project Name
1	GEG's Cotai Phase 4 Project, Macau
2	Main Construction Project of Offshore Island Medical Complex
3	Studio City Macau Phase 2
4	Macau Areia Preta Lot P – Construction for Lots A Home Swap Housing
5	Design and Construction Project of the South segment of Macau Light Rapid Transit East Line
6	Public housing design and construction project at Lot A4 in New Urban Zone Area A
7	Macau Senior Apartment Housing
8	Main Works for Barra Station, Macao LRT



Studio City Macau Phase 2

Public housing design and construction project at Lot A4 in New Urban Zone Area A

Major Projects in Progress - Chinese Mainland

MAJOR PROJECTS IN PROGRESS — CHINESE MAINLAND

No.	Project Name
	Construction Related Investment
1	Infrastructure and Industrial Park Public-Private-Partnership (PPP) Projects, Haining, Zhejiang Province
2	Government Targeted Repurchase Project (Plot of the East side of Xiaolang Road and the North side of Fengru Road), Yangming Street, Yuyao, Ningbo, Zhejiang Province
3	Government Targeted Repurchase Project (Plot 04-B-29), Innovaland, Lucheng District, Wenzhou, Zhejiang Province
4	Government Target Repurchase Project (Plot 05-B-35a), Innovaland, Lucheng District, Wenzhou, Zhejiang Province
5	Government Target Repurchase Project (Plot B-15), Huangyu Unit, Core Area of Wenzhou, Zhejiang Province
6	Government Target Repurchase Project (Plot D-37), Jiangbin Unit, Core Area of Wenzhou, Zhejiang Province
7	Government Target Repurchase Project (Plot B-01a), Putao Peng Unit, Core Area of Lucheng District, Wenzhou, Zhejiang Province
8	Housing Construction Project (Plot B-01b), Putao Peng Unit, Lucheng District, Wenzhou, Zhejiang Province
9	Government Target Repurchase Project (Plot B-04), Wuqiao Unit, Core Area of Lucheng District, Wenzhou, Zhejiang Province
10	Public Construction and Municipal Project of Zhili Zhenxing Street, Wuxing District, Huzhou, Zhejiang Province
11	Government Targeted Repurchase Project, East Block of Baiwan Road, Xinzhuang Town, Jinnan District, Tianjin Province
12	Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province
13	Commercial BT Shanty Town Redevelopment Project, Longdejing and Goutoupian District, Putian, Fujian Province
14	Government Targeted Repurchase Project (Plot 2022P18), Longwen District, Zhangzhou, Fujian Province
15	Vocational Education Site and Industrial Supporting Project, Sutang, Xinyu District, Putian, Fujian Province
16	Chongqing Economic Development Zone Borui Ting Talent Apartment Construction EPC General Contracting Project
17	Poverty Alleviation Industrial Park Construction PPP Project, Shiyan, Hubei Province
18	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province

Government Targeted Repurchase Project (Plot of the East side of Xiaolang Road and the North side of Fengru Road), Yangming Street, Yuyao, Ningbo, Zhejiang Province

Government Target Repurchase Project (Plot D-37), Jiangbin Unit, Core Area of Wenzhou, Zhejiang Province

Shanty Town Redevelopment and Infrastructure PPP Project, Quanzhou, Fujian Province

Poverty Alleviation Industrial Park Construction PPP Project, Shiyan, Hubei Province

Business Review (continued)

No.	Project Name
	Construction Related Investment
19	The Yellow River Cultural Tourism Facilities Project, Luoyang, Henan Province
20	Government Targeted Repurchase Project of Relocation Housing, Grand Canal, Jianhe District, Luoyang, Henan Province
21	Investment Project of Comprehensive Construction, Xianfengdao, YanCheng, Jiangsu Province
22	Government Targeted Repurchase Project (Plot of the East side of Taixiang Road and the North side of Yanding Road), Hailing District, Taizhou, Jiangsu Province
23	Government Targeted Repurchase Project in the South of Luming Road and West of Yanma Road in Yannan High-tech Zone, Yancheng, Jiangsu Province
24	Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province
25	Government Targeted Repurchase Project (Plot 3), Fengdong New Town, Xixian New District, Xi'an, Shaanxi Province
26	Siyi Real Estate Hushan Family Project, Tianjia'an District, Huainan, Anhui Province
27	Housing Construction Project in Hefei Economic Development Zone, Anhui Province
28	Infrastructure and Housing Construction Project (2nd bid section) of Helu Industrial New Town in Lujiang County, Hefei, Anhui Province
29	Housing construction and infrastructure project in Qingtongyuan, Huainan High-tech Zone, Anhui Province
30	Xinyefang Industrial Park Investment Project, Hongkou, Shanghai
31	Integrated Development Project of Cultural Tourism Town, Nisha, Qufu, Shandong Province (Phase I)
32	Relocation Housing Project, Kuiwen District, Weifang, Shandong Province
33	Yunchuang Golden Valley Project, Kuiwen District, Weifang, Shandong Province
34	Qingbei High-tech Park Project, Laixi City, Qingdao, Shandong Province
35	Housing Construction Project in Qian Shi Hou Shi Pian District of Lanshan District, Linyi, Shandong Province
36	General Contracting for the Design and Construction of the First Phase of Qingdao Science and Technology Industrial Park in Chengyang, Shandong Province
37	Medical Device Park and Supporting Infrastructure Project in Hedong District, Linyi, Shandong Province
38	Government Targeted Repurchase Project in Longgui Ceramic City, Baiyun District, Guangzhou, Guangdong Province
39	Shanty Town Relocation EPC Project, Ganzhou, Jiangxi Province
40	Infrastructure and Housing Construction Project of Heishipu, Tianxin District, Changsha, Hunan Province

Commercial BT Project, Gaoxinqu Dianzigu (Zone F, G and H), Xi'an, Shaanxi Province

Government Targeted Repurchase Project (Plot 3), Fengdong New Town, Xixian New District, Xi'an, Shaanxi Province

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

Housing Construction Project in Hefei Economic Development Zone, Anhui Province

MAJOR PROJECTS — CHINESE MAINLAND *(continued)*

No.	Project Name
	Construction Products Plant
1	Shenzhen Hailong Construction Products Plant
2	Anhui Hailong Construction Products Plant
3	Shandong Hailong Construction Products Plant
4	Zhuhai Hailong Construction Products Plant
5	Chongqing Hailong Construction Products Plant

No.	Project Name
	Major Projects in Operation and Management
1	Nanjing No. 2 Yangtze River Bridge
2	Yangquan-Yuxian Section Project, Yangquan-Wutaishan Expressway, Shanxi Province
3	Shuiyu-Niangziguan Section Project, Yangquan-Niangziguan First-Class Highway, Shanxi Province

Zhuhai Hailong Construction Products Plant


Nanjing No. 2 Yangtze River Bridge

MAJOR AWARDS AND ACCOLADES 2023

General Award

Award	Awarded company	Name of the granting organization
Selected as a constituent of the FTSE4Good Constituent Index (for seven consecutive years)	China State Construction International Holdings Limited	FTSE Russell
"Honored Company", and ranked 1st in "Best ESG", "Best Investor Relations Team", "Best Investor Relations Program", and "Best Corporate Board of Directors" in Industrials Small & Midcap Sector	China State Construction International Holdings Limited	Institutional Investor
Selected as a constituent of the "Hang Seng Corporate Sustainability Benchmark Index"	China State Construction International Holdings Limited	Hang Seng Indexes Company Limited
Industry Mover	China State Construction International Holdings Limited	S&P Global
Selected into the 2023 Fortune China ESG Impact List	China State Construction International Holdings Limited	Fortune
People's Corporate Social Responsibility Summit Forum – Green Development Award	China State Construction International Holdings Limited	People's Daily
Green Building Award 2023 – Pioneer Award – Green Building Leadership Category	China State Construction Engineering (Hong Kong) Limited	Hong Kong Green Building Council, Professional Green Building Council
HKET Excellence Awards – Excellence in Major Contractor	China State Construction Engineering (Hong Kong) Limited	Hong Kong Economic Times
Outstanding Enterprise Award	China State Construction Engineering (Hong Kong) Limited	South China Morning Post
Employer of the Year Award	China State Construction Engineering (Hong Kong) Limited	Ctgoodjobs
Best Retail Project in Asia – Gold Award	China Construction Engineering (Macau) Company Limited–M8 Project	PropertyGuru Asia Property Awards
National High-Tech Enterprise in 2023	China State Construction International Investment Limited–Anhui Company	Anhui Provincial Department of Science and Technology
Civilised Organisation in Shandong Province	China State Construction International Investment Limited–Shandong Company	Committee for the Construction of a Spiritual Civilisation of Shandong Province
Environmental, Social and Governance (ESG) Awards Annual ESG Awards	China State Construction Development Holdings Limited	BDO Hong Kong
Hong Kong Green and Sustainable Finance Awards 2023 – Pioneering Organisation in ESG Disclosure Enhancement	China State Hailong Construction Technology Company Limited	Hong Kong Quality Assurance Agency
National Women's Civilization Post	China State Construction International Asset management Limited – Shanxi Company – Yangquan East Toll Station	All-China Women's Federation

CSR Award

Award	Awarded company	Name of the granting organization
2023 Hong Kong Volunteer Award (Hours of Volunteer) Gold Award	China State Construction International Holdings Limited	Home and Youth Affairs Bureau of Hong Kong, Agency for Volunteer Service
Certificate of Appreciation for Participation in the 2023 Career Internship Programme	China Construction Engineering (Macau) Company Limited	Macao Labour Affairs Bureau
The 4th "Family-Friendly Employer, Breastfeeding Support Award, Pandemic Companion Award" and "Outstanding Family-Friendly Employer" Awards	China Construction Engineering (Macau) Company Limited	The Women's General Association of Macau, Macao Foundation
Social Service Award	China Construction Engineering (Macau) Company Limited-Section 2 of Macau New Neighborhood Project in Hengqin (Lot 2 and Lot 6)	China Overseas Holdings Limited ("COHL")
China Overseas Service Social Award	China Construction Hailong -Beijing Birch Factory Hutong No.8 Project	COHL
Construction Industry Lo Pan Rice Campaign 2023	China State Construction Engineering (Hong Kong) Limited. – Design, Build and Operate First Stage of Tseung Kwan O Desalination Plant	Construction Industry Council, Construction Industry Sports & Volunteering Programme

Major Awards And Accolades 2023 (continued)

Technology Award

Award	Awarded company	Name of the granting organization
2023 China Construction Engineering Luban Award (Overseas Projects)	China State Construction Engineering (Hong Kong) Limited–Forbidden City Project	China Construction Industry Association
National Quality Engineering Award	China State Construction Engineering (Hong Kong) Limited–Shatin to Central Link Project	China Association of Construction Enterprise Management
CSCEC Technology Invention Gold Award	China State Construction Engineering (Hong Kong) Limited–Shatin to Central Link Project	China State Construction Engineering Corporation ("CSCEC")
First Prize of CSCEC Science and Technology Progress Award	China State Hailong Construction Technology Company Limited	CSCEC

Environmental Protection Award

Award	Awarded company	Name of the granting organization
Awarded the "CarbonCare® ESG Label" for the eighth consecutive year	China State Construction International Holdings Limited	CarbonCare InnoLab
Awarded the "CarbonCare® Construction (Material) Label, CarbonCare Construction (Process) Label	Hong Kong Organic Resource Recovery Centre, Phase II	CarbonCare InnoLab
CarbonCare® Star Label	China State Construction International Holdings Limited	CarbonCare InnoLab
Considerate Contractors Site Award – 1 Gold Award and 1 Silver Award	China State Construction Engineering (Hong Kong) Limited–Civil Engineering Company	Development Bureau of Hong Kong, Construction Industry Council and others
Considerate Contractors Site Award – 1 Silver Award	China State Construction Engineering (Hong Kong) Limited–Housing Company	Development Bureau of Hong Kong, Construction Industry Council and others
Construction Industry Safety Award Scheme – 1 Gold Prize and Silver Prize for Building Sites and 1 Prize for Best Safety Performance for High-place Operation	China State Construction Engineering (Hong Kong) Limited–Housing Company	Hong Kong Labour Department and others
Construction Industry Safety Award Scheme – 1 Gold Prize for Building Sites and 1 Prize for Best Safety Performance for High-place Operation	China State Construction Engineering (Hong Kong) Limited–Medical Company	Hong Kong Labour Department and others
1 Learning and Exchange Project on Standardization of Safety Production at Construction Sites of National Construction Projects in 2023	China Construction Engineering (Macau) Company Limited	China Construction Industry Association
3 Safe Production and Civilized Construction Demonstration Sites of Housing and Municipal Engineering of Guangdong Province	China Construction Engineering (Macau) Company Limited	Construction Industry Safety Association of Guangdong Province
2 Provincial Excellent Safe Construction Site/Civilized Construction Site	China State Construction International Investment Limited–Zhejiang Company	Provincial Housing and Construction Department
1 Excellent Construction Site for Construction Safety Production Standardization in Hunan Province	China State Construction International Investment Limited–Hunan Company	Hunan Provincial Housing and Urban-Rural Development
Two One-Star Standardized Construction Sites in Jiangsu Province	China State Construction International Investment Limited–Jiangsu Company	Jiangsu Provincial Housing and Urban-Rural Development
1 Construction Safety Production Standardization Demonstration site in Jiangxi Province	China State Construction International Investment Limited–Jiangxi Company	Jiangxi Provincial Housing and Urban-Rural Development
4 Construction Safety Production Standardization Demonstration sites in Anhui Province	China State Construction International Investment Limited–Anhui Company	Anhui Construction Engineering Quality and Safety Association
4 Youth Safety Demonstration Posts in Shandong Province	China State Construction International Investment Limited–Shandong Company	Shandong Provincial Committee of Chinese Communist Youth League, Shandong Provincial Ministry of Emergency Management

MAJOR AWARDS AND ACCOLADES 2023 (CONTINUED)

Award	Awarded company	Name of the granting organization
7 Construction Sites with Standardized Safety and Civilization Levels in Shandong Province	China State Construction International Investment Limited–Shandong Company	Shandong Provincial Housing and Urban-Rural Development
Construction Site with Standardized Safety Production Levels in Henan Province	China State Construction International Investment Limited–Henan Company	Henan Construction Industry Association
10 Demonstration Sites for Safe Production and Civilized Construction of Housing and Municipal Projects in Guangdong Province	China State Construction Development Holdings Limited–China Overseas Supervision	Construction Industry Safety Association of Guangdong Province
2 National Construction Project Construction Site Safety Production Standardization Learning and Exchange Projects in 2023	China Overseas Construction Limited	China Construction Industry Association
Guangdong Province Housing and Municipal Engineering Work Safety and Civilized Construction Demonstration Site, and 2 Construction Safety Production Standard Sites of Provincial Construction Projects	China Overseas Construction Limited	Construction Industry Safety Association of Guangdong Province
1 National Youth Safety Production Demonstration Post in 2022	China State Construction International Investment Limited–Shanxi Company	Chinese Communist Youth League Central, Ministry of Emergency Management
1 National Youth Safety Production Demonstration Post of Shanxi Province	China State Construction International Investment Limited–Shanxi Company	Communist Youth League of Shanxi Province Committee, Department of Emergency Management of Shanxi Province
National Demonstration Base for Highway Transportation Green and Low-carbon Technology	China State Construction International Investment Limited–Guizhou Company	China Highway & Transportation Society
First Prize for Construction and Implementation of a Green and Sustainable Development Management System for Highways	China State Construction International Investment Limited–Guizhou Company	China Association of Communication Enterprise Management
2023 Housing and Municipal Engineering Green Construction Demonstration Project in Jiangxi Province	China State Construction International Investment Limited–Jiangxi Company's Renovation Project in Ganzhou Rongjiang New District Rongjiang Garden City Shanty Town	Jiangxi Provincial Housing and Urban-Rural Development
2023 Pilot Demonstration Project of Green Building and Energy Saving in Shandong Province	China State Construction International Investment Limited–Shandong Company's Binhai Health Post in Laishan District, Yantai City	Shandong Provincial Housing and Urban-Rural Development
2023 Green Construction Demonstration Project in Guangdong Construction Industry (First Batch)	China State Construction Development Holdings Limited–China Overseas Supervision's Street Project of China Resource Guangming Xinhu in Shenzhen	Guangdong Construction Industry Association
2023 "Four Sites" Pilot Projects (First Batch) in Anhui Province	"The Fifth Platform (第五平台) Hongqiao Economic Circle Guangde Development Zone Wanghu Infrastructure Support Project and School Project for Employees' Children "	Anhui Provincial Housing and Urban-Rural Development

Corporate Citizenship

For a successful construction project,

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

As a socially responsible contractor,

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

As a socially responsible enterprise,

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

BUILDING HAPPINESS AND LEADING THE TREND

The Group, as a member of China Overseas Holdings Limited ("COHL"), upholds the core values of value of "putting customers first, guaranteeing quality, and creating value", consciously underwrites the sacred mission of "we are in the business of happiness", and vows to "become a world-class comprehensive enterprise integrating "Technology, Investment, Construction and Asset Operation".

The Group vigorously carries forward the entrepreneurial spirit of "wholeheartedly strive every day", and "bring together those who strive and motivate people of action". The entire team has always maintained an enterprising creativity and vigor for the implementation of strategies and the achievement of goals.

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

Staff Development and Personal Growth

I. Talent Training

The Group has always maintained a high level of investment in talent development, optimized talent deployment, improved talent training systems and strengthened talent identification capabilities, with a view to continuously enhancing the competitiveness and sustainable development of our talents.

Adhering to the two-pronged approach of "social recruitment" and "campus recruitment", the Group focused on actively introducing corporate governance talents, professional talents, R&D talents for technology, and outstanding young talents, as well as recruiting talents from around the globe, in order to build a diversified talent deployment system.

Through a comprehensive range of training programs, the Group enhanced the employees' professional skills and discovered their development potential. The Group has improved the implementation of targeted training for employees at different development stages and positions, and launched brand-based training activities such as the "high-quality development camps" for core talents, various professional seminars, and business exchange meetings.

The Group insisted on exploring innovative mechanisms for talent team building, enriching the talent identification methods, and implementing the "eight-minute topic" exhibition program of outstanding employees every month to build a platform for employees to share and communicate. At the same time, the Group has formulated a set of talent retention strategies to enhance the talent attraction through multiple measures.

II. Youth Development

The Group organized a "Guizhou Tour for Young Employees" to witness the China's great achievements in poverty alleviation, participate in a football friendly match with the "Guizhou Village Super League", and visit the Hope Primary School backed by the Company, so as to enhance their understanding of China.

Young employees were encouraged to participate in exchanges with various sectors, and put forward proposals on measures to enhance human resources at the Policy Address Public Consultation, to which the Chief Executive responded on the spot. The Group organized the Sharing Seminar of the Two Sessions with the theme of "Resonating with the Pulse of the Times, Realizing Dreams for the Youth".

On the basis of daily employee cultural activities, the Group strengthened team building, created a favorable atmosphere, and continued to improve the unity and sense of belonging of young employees. A total of more than 300 youth professional training, cultural promotion, team practice and other activities were carried out throughout the year.

III. Employee Care

Adhering to the philosophy of "we are in the business of happiness", the Group strived to create a healthy workplace ecosystem where employees can develop both physically and mentally in tandem with their careers. The Group regularly organized various employee care activities, including festival-themed workshops, traditional Chinese medicine therapies, and movie screenings. It also organized employee sports clubs and regular recreational and sports activities such as basketball, football, track and field, hiking, badminton, etc. The 2023 Endeavour Cup Basketball League was successfully held, with more than 400 employees forming 20 teams and more than 4,000 spectators. The Leaders Football Club (領潮綠蔭足球俱樂部) actively participated in various competitions to promote exchanges within the industry, and was awarded the Champion of the 2023 Hong Kong Asian Youth Association "Reunification Cup" Turf Football League and the Champion of the "Construction Industry Council Cup".

In addition, the Group paid special attention to caring for the employees and improved the "Four Ones" care system for the employees' happiness. The Group established a "Happy Committee", which served more than 20,000 employees, and promoted a "Happy Worker" App, which has been registered by more than 44,000 employees and has become the most widely used software in the industry. The Group set up "Happiness Stations" with Hong Kong characteristics at dozens of construction sites to distribute supplies. The Group launched a series of happiness and caring activities, including "Delivering Coolness in Summer", "Delivering Warmth in Winter" and other daily activities. The Group also held the "Fun Day for Frontline Workers and their Families" on the National Day and Mid-Autumn Festival and the "Si Fu Festival" for the third consecutive year, where more than 20,000 construction workers in Hong Kong celebrated.

Environmental Policy

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

Environmental Risks And Control Measures

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

In order to prevent project sites violating the environmental laws, the Group has to identify project related significant environmental aspects of all projects through conducting compliance obligation and risk assessment at project commencement then follow strictly the operating procedures stipulated in the Group's Standard Operating Procedures Manual to operate the project. In addition, in order to strengthen the safety and environmental management of new projects, each new project have to prepare a project specific Safety and Environmental Construction Plan within the first month of construction and reviewed by the Safety and Environmental Protection Department (S&EP Department) to ensure that various safety and environmental risks of the project are effectively controlled.

The Group's S&EP Department is responsible for providing technical supports as well as monitoring the sites, ensuring all sites are complying with statutory requirements. For instance, the 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 restricted hours' work schedules to our S&EP department in advance to facilitate our planning of surprise checks. The Group continued to introduce and apply innovative pollution control measures, for example, the Real Time Air Quality Monitoring with Automatic Dust Suppression System to further enhance the performance in pollution control. In addition to the control measures mentioned, S&EP Department issues "Environmental Alert" regularly to alert all construction sites be vigilant on potential environmental issues and take proactive action to avoid deviating from statutory requirements. In order to further enhance the compliance obligation and risk management, the companies' Environmental Management System has been updated and certified to comply with ISO14001:2015 requirements in 2016. There was no non-compliance or Area for Improvement (AFI) raised during the system external audit conducted in 2023.

In terms of overall energy conservation and carbon reduction in projects, the Group continues to pursue excellence, and its subsidiaries CSHK and China Overseas Building Construction Limited updated and granted the ISO50001:2018 Energy Management Systems certification in 2019. China State Foundation Engineering Limited was 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 2023.

In line with the rising concern of the community on building environmental performance and expectation of clients on green building construction, CSHK joint the Hong Kong Green Building Council as an Institutional Member since 2015 and gradually upgrade its membership to Silver Patron Member in 2021 and 2023 respectively to further promote the development of green buildings in Hong Kong. In 2023, leveraging on its Silver Patron Membership the company nominated three projects with outstanding performance and utilized the council's platform as green building CPD activities to showcase the company's innovative green building technologies and promote the company's brand. 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, more than 90 staff members have acquired the BEAM Pro qualification.

With the concerted efforts of the Group, the results were remarkable. The Hong Kong Organic Resource Recycling Center Phase 2 (O·Park2) project won the Construction Industry Council–2023 Sustainable Building Award – Contractor (New Project) Gold Award for its outstanding performance in low-carbon "smart" construction. The West Rail Kam Sheung Road Station Phase 1 Property Development Project and the Castle Peak Road Widening Project won the Silver Award of Outstanding Environmental Management in the 29th Considerate Contractors Site Award Scheme. Besides, the Group's subsidiaries including CSHK, China Overseas Building Construction Limited, China State Foundation Engineering Limited, China State Mechanical and Electrical Engineering Limited and Alchmex International Construction Limited won the Hong Kong Construction Environmental Awards – Environmental Merit Award 2022 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 annual "China State Environmental Protection Day", the Group organized a technical site visit to the "Tuen Mun Environmental Park and WEEE Park Inspection Activities" in 2023 to enhance participants' understanding of "waste reduction". Besides, all the Group's construction sites participated the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable materials.

The Group also requires subcontractors to comply with the Environmental Policy, and holds regular meetings with subcontractors during the project to jointly resolve the environmental issues and improve the overall environmental performance. In addition, in order to have a deeper understanding of mosquito and rodent related legal requirements and control methods, the group invited officials from the Food and Environmental Hygiene Department of HKSAR to hold mosquito and rodent control seminar for colleagues to strengthen the effectiveness of mosquito and rodent control works on project sites to improve the overall work environment.

Safety and Health

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

Corporate Citizenship (continued)

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

With the joint efforts of all divisions of the Group, its construction projects have won multiple awards from the industry and landowners, including 1 Golden, 4 Silver and 3 Copper awards in the 29th Considerate Contractors Site Award Scheme (New Works), Construction Industry Council – "Life First" – Gold, Construction Industry Safety Award Scheme 2022/2023 Building Site – Public Sector – Gold and Building Site – Private Sector – Gold, Winner in Smart Agriculture and food Category of UNIDO Global Call 2022 organized by UNIDO, Aerodrome Safety (Construction) Compliment (1st Half of Year 2022/23) – Gold of Hong Kong Airport Authority, and Construction Industry Council CIC Sustainable Construction Award – Gold, showing that the Group's safety and health policies and its implementation have been widely recognized in the industry.

The Group and Community

Under the leadership of the "Caring for the Society" Voluntary Services Federation of COHL, the Group officially established the CSC "Caring for the Society" Volunteer Branch (hereinafter referred to as "3311 Volunteer Branch") in June 2019 for the implementation of our corporate mission of "We are in the business of happiness". Over 2,200 volunteers have joined since the Branch's establishment. In 2023, the 3311 Volunteer Branch continued to improve the "4+x" (namely Care for the elderly, Adult employment, Care for the youth, House maintenance and Innovative Space) for Employees volunteer service system. There were 4,700 participating volunteers with more than 17,000 volunteering hours throughout the year.

"Strive and Rise (共創明 Teen)" Programme

The Group continuously exerted the long-term practical experience of teenagers in target poverty alleviation and actively participated in the HKSAR Government's "Strive and Rise (共創明 Teen)" Programme, including providing more than 40 volunteer mentors with a total of more than 1,400 hours of service, and organizing two "Junior Engineer' Workshops" to provide trainees with construction technology experience. Chan Kwok-ki, Chief Secretary for Administration of the HKSAR Government, Chui Ho Kwong, Director of Environmental Protection Department (then Acting Director), Pang Oi-ling, Assistant Director of the Water Supplies Department, Lu Feng, Deputy Director of the Economic Affairs Department of the Liaison Office of the Central People's Government in HKSAR, Yu Xiao, President of the Hong Kong Chinese Enterprises Association, and Chan Hoi-yan, and Gary Zhang Xinyu, members of the Legislative Council of HKSAR, attended the workshop.

The volunteer teachers conduct the "1v1" matching with students of grassroots, provide students guidance in career plan and positive value, and assist in solving intergenerational poverty issues.

Emergency Support amid Typhoons and Rainstorms

In the face of Saola, a super typhoon that required the Hurricane Signal No. 10, and the once-in-a-century rainstorm in Hong Kong, the Group immediately established emergency rescue teams to work side by side with government departments and responded to the situation with full force, covering various districts such as Wong Tai Sin, Eastern District, Southern District, Wan Chai, Yuen Long and so on. A total of more than 650 volunteers were dispatched, and more than 140 machinery and vehicles were used during the two supports. The support missions received high praise from the people of Hong Kong and letters of appreciation from various sectors of the society, including the Development Bureau.

Co-ordination of Home Repair Volunteer Services

In 2023, the Group continued to promote the "1,000 Households Home Repair" of the 14th Five-Year Plan and organized professional engineering employees to set up a "Home Repair" volunteer team, providing voluntary repair services to grassroots families in Hong Kong, such as those living in sub-divided flats and elderly singletons. Since the launch of the program, more than 620 home repairs have been completed.

In addition, the front lines of each project are encouraged to proactively understand the needs of the community and to actively carry out a variety of community volunteer activities such as nursing home visits, environmental cleaning, and charity fundraising.

Organizational Protection

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

Awards and Recognitions

With its outstanding contributions and achievements in promoting volunteering work, the Group won great praise from the HKSAR Government and various sector of the Hong Kong community in the past few years, and has received numerous important awards in the field of volunteering work, including the 2023 Hong Kong Volunteer Award – Corporate Award (Volunteer Hours)–Golden Award (10,000 hours or above) granted by the Home and Youth Affairs Bureau and the Volunteer Development Council. 80 employees were awarded the 2023 Outstanding Volunteer Leader, Outstanding Volunteer, and Outstanding Young Volunteer by the Hong Kong Chinese Enterprises Association.

CORPORATE CITIZENSHIP (CONTINUED)

Investor Relations

Management Highly Values Investor Relations

The management of the Group believes that actively promoting investor relations can improve corporate governance and strengthen the Group's capability to create value. Therefore, investor relations is regarded as one of key tasks, and with the strong support from the management level and increasing advocacy efforts at the executive level, the year 2023 has achieved outstanding performance.

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

Diversified Communication Approach

The Group adheres to a transparent, efficient, proactive and comprehensive attitude, and maintains regular and efficient communications with shareholders and investors. In 2023, the Group participated in a number of investor conferences and forums, meeting more than 200 investors, to share its insights on the market and industry in a timely manner, as well as to introduce its development strategies and operations, thereby enhancing investors' understanding and confidence in the Group.

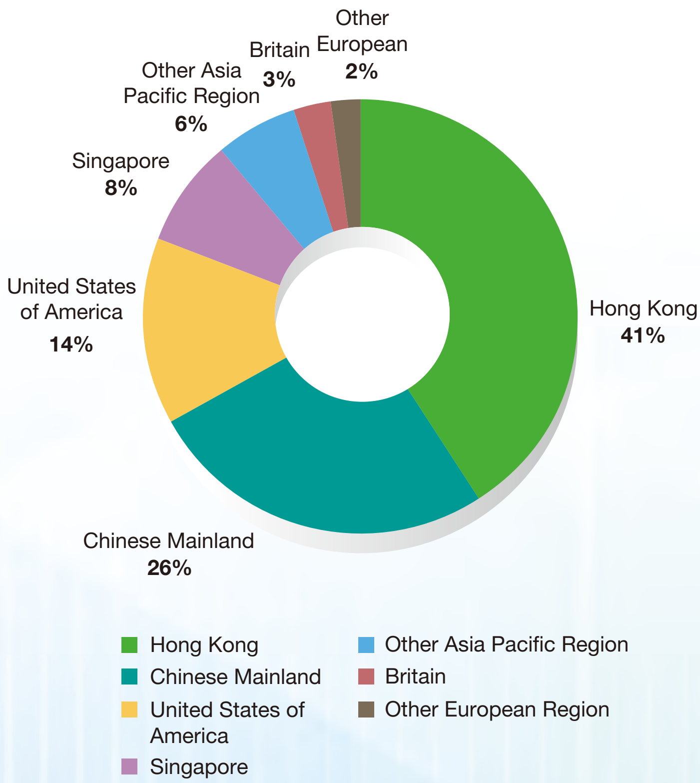
In addition, the Group invited investors to visit Hailong Zhuhai Base, Far East Curtain Wall Production Base and O·PARK2 Project, enabling investors experience the technology development of the company such as MiC technology, BIPV, ultra-low carbon construction materials, smart construction technology, carbon neutrality cloud platform, C-SMART intelligent construction sites and other green construction technology and the design and production of complex curtain walls.

Outstanding Performance Recognized by Global Investors

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

The Group's efforts in corporate governance and stakeholder engagement over the years have been well recognized by the market, it was awarded again as "Honored Company" at Industrials Small & Midcap sector in All-Asia Executive Team 2023 by the Institutional Investor magazine, it also ranked first in "Best Investor Relations Team", "Best Investor Relations Program", "Best ESG", and "Best Company Board ".

Distribution of Meetings with Shareholders and Investors by Region:



Major Investor Relations Activities in 2023

January
- 23rd UBS Greater China Conference

March
- 2022 Annual Results Investors and Analysts Briefing
- Credit Suisse Asian Investment Conference

April
- Investor Telephone Conference for 2023 Q1 Results
- Zhongtai Securities Shanghai Spring Strategy Conference

May
- J.P. Morgan's 19th Global China Summit
- HSBC 10th Annual China Conference
- Site Tour of Hong Kong O·PARK2 Project

June
- UBS Asia Industrials & Transport Conference 2023
- Site Tour of Far East Curtain Wall Production Base

July
- Site Tour of Hailong Zhuhai Base

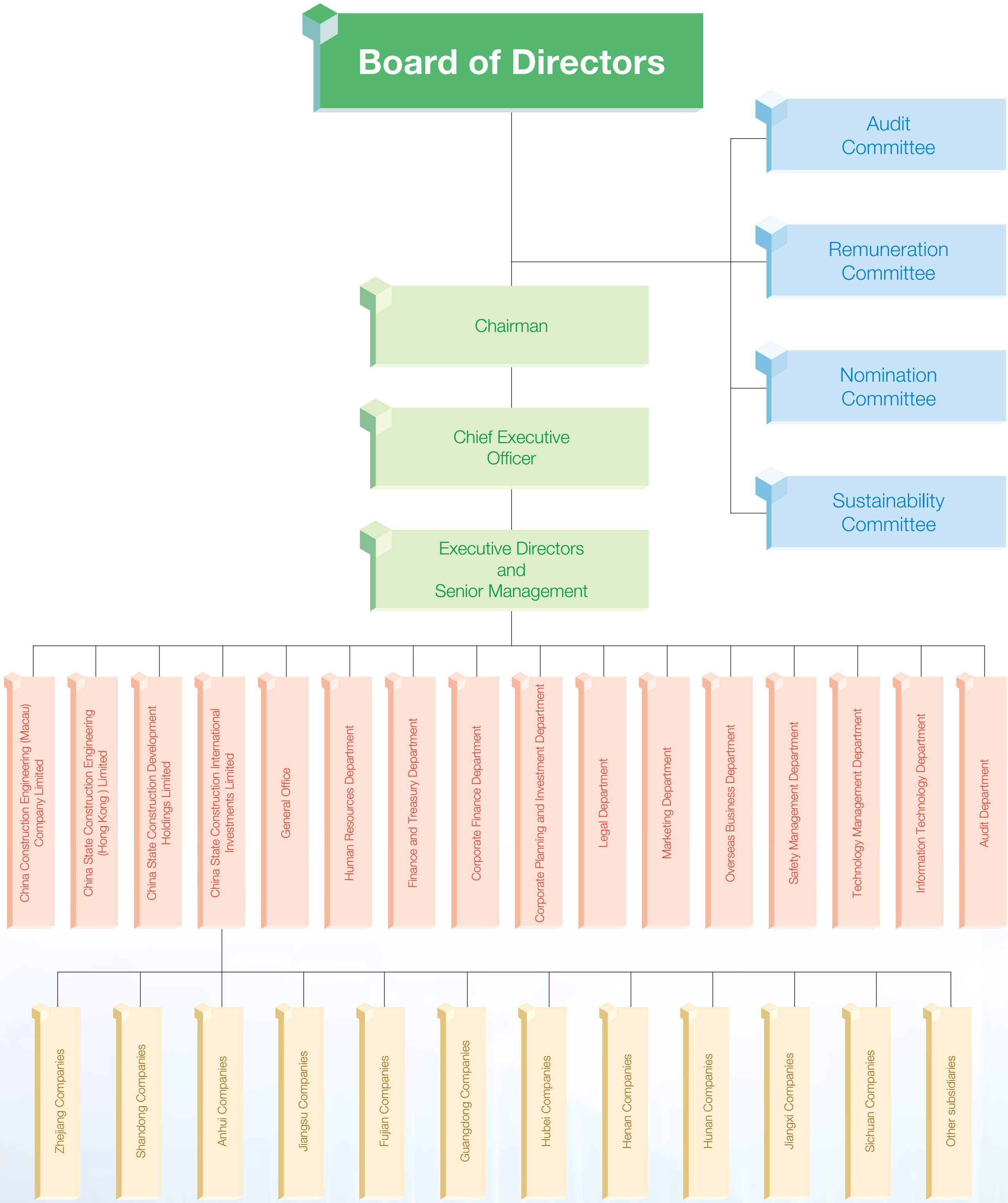
August
- 2023 Interim Results Investors and Analysts Briefing

September
- Citi Alpha Industrials and Logistics Conference 2023
- 30th CITIC CLSA Investors' Forum

October
- Investor Telephone Conference for 2023 Q3 Results

November
- Citi's 2023 China Investor Conference
- CICC Annual Strategy Conference
- Guotai Junan International 2023 Investor Conference

DIRECTORS AND ORGANISATION



Board of Directors

Mr. ZHANG Haipeng

Chairman and Executive Director
Sustainability Committee Member

Aged 48, was appointed as an Executive Director of the Company on 13 July 2017, was appointed as the Chief Executive Officer of the Company on 21 August 2018 and was appointed as Chairman of the Company and ceased to be the Chief Executive Officer of the Company on 24 February 2023. Mr. Zhang graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Engineer. Mr. Zhang joined 中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC") in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Currently, Mr. Zhang is the Chairman and Non-executive Director of China State Construction Development Holdings Limited ("CSC Development", a subsidiary of the Company listed on the Stock Exchange) and a Director of China Overseas Holdings Limited ("COHL"), the controlling shareholder of the Company. Mr. Zhang has over 24 years' experience in investment and construction engineering management.

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

Mr. YAN Jianguo *JP*

Non-executive Director

Aged 57, was appointed as Chairman and Non-executive Director of the Company on 22 March 2019 and resigned as the Chairman of the Company and continued to act as Non-executive Director of the Company on 24 February 2023. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined CSCEC in 1989 and had been seconded to China Overseas Land & Investment Ltd. ("COLI") twice. During the years from 1990 to 1992, Mr. Yan had been working for the Shenzhen company of China Overseas Development Group Co., Ltd.* (the "Property Group", a wholly-owned subsidiary of COLI) and had held a number of positions, including site engineer and department head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou company, Deputy General Manager of Shanghai company, General Manager of Suzhou company, General Manager of Shanghai company, Vice Managing Director of the Property Group and President of Northern China regional companies. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager.

Mr. Yan joined Longfor Properties Co. Ltd. (listed in Hong Kong) in June 2014 and resigned on 5 December 2016. During the period, Mr. Yan had held a number of positions including Executive Director and Senior Vice President. Mr. Yan was appointed as Executive Director and Chief Executive Officer of COLI from 1 January 2017, has become Chairman of COLI and continued to serve as Chief Executive Officer of COLI from 13 June 2017, and ceased to act concurrently as Chief Executive Officer of COLI on 11 February 2020. Mr. Yan was the Chairman and Non-executive Director of China Overseas Property Holdings Limited (listed in Hong Kong) and the Chairman of China Overseas Grand Oceans Group Limited ("COGO") (listed in Hong Kong) from 13 June 2017 to 11 February 2020, and Non-executive Director of COGO until 22 April 2021.

Directors and Organisation (continued)

Besides acting as the Chairman and Executive Director of COLI and a director of certain subsidiaries of COLI, Mr. Yan is currently Chairman and President of COHL and also a director of certain subsidiaries of COHL and a member of the 14th National Committee of the Chinese People's Political Consultative Conference. COHL is the substantial shareholder of the Company within the meaning of the Securities and Future Ordinance. Mr. Yan has about 34 years' experience in construction business, real estate investment and management.

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

Mr. WANG Xiaoguang

Executive Director and Chief Executive Officer
Chairman of the Sustainability Committee

Aged 41, was appointed as an Executive Director and Chief Executive Officer of the Company on 24 February 2023. Mr. Wang graduated from Tongji University, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Wang joined the Group in 2005. He has been a Vice President since 2020 and a director of certain subsidiaries of the Group since 2015. Mr. Wang has over 19 years' experience in investment and construction engineering management.

Mr. HUNG Cheung Shew *JP*

Executive Director, Vice President

Aged 65, 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 42 years' experience in construction management and planning.

Dr. Raymond LEUNG Hai Ming

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

Aged 69, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from The Chinese University of Hong Kong, a Bachelor of Applied Science degree in Civil Engineering and a Master degree in Applied Science in Construction Management from University of Toronto, and a LLM in Chinese Law from Renmin University of China. Dr. Leung is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society of Civil Engineers and Institution of Civil Engineers (UK) and a Senior Member of Institute of Electrical and Electronics Engineers. He has more than 47 years of experience in engineering, investment, construction and project management. He is a director of various private companies in Hong Kong. Dr. Leung is also the Chairman and Chief Executive Officer of C & L Holdings Ltd. engaging in investment and dispute resolution.

Ms. WONG Wai Ching *GBS, JP*

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

Aged 63, was appointed as an Independent Non-executive Director of the Company on 25 March 2022. Ms. Wong graduated from The University of Manchester, United Kingdom, with a Bachelor's degree (Honours) of Science in the Faculty of Technology in 1985 and a Master's degree of Science in the Faculty of Technology in 1986. She served Bank of China from 1987 to 1992 as a deputy manager of the Hong Kong branch and a dealer of the Australia branch respectively. Ms. Wong has joined her family business in 1993, its scope covering investment, retailing, hotels and mixed complex projects. Ms. Wong is currently acting as the managing director of Wong Sun Hing Limited.

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

Mr. CHAN Tze Ching Ignatius *BBS, JP*

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

Aged 67, was appointed as an Independent Non-executive Director of the Company on 8 June 2023. Mr. Chan obtained a Bachelor of Business Administration degree from University of Hawaii, United States and obtained a Master of Business Administration degree from the same university. He is a Certified Public Accountant with the American Institute of Certified Public Accountants.

From 1980 to 2007, Mr. Chan held various positions in Citigroup, including Management Associate, Country Treasurer and Head of Sales and Trading, Head of Corporate Banking Business for Hong Kong, Country Officer for Taiwan, Chief Operating Officer for Greater China, Country Officer for Hong Kong and Head of Corporate and Investment Banking Business for Greater China. Mr. Chan worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) Limited in 2008. He also held various board seats in listed companies, government statutory bodies and non-governmental organizations.

Mr. Chan is currently a senior adviser of The Bank of East Asia Limited, a non-independent non-executive director of Affin Bank Berhad (listed in Malaysia), an independent non-executive director of Mongolian Mining Corporation (listed in Hong Kong), a board member of The Community Chest of Hong Kong, the chairman of Hospital Governing Committee of Hong Kong Red Cross Blood Transfusion Service, board adviser of Hong Kong New Territories General Chamber of Commerce and honorary advisory vice president of Hong Kong Institute of Bankers. In the most recent years, Mr. Chan served as the Chairman of Hong Kong Polytechnic University Council, a senior adviser of CVC Capital Partners Limited, a member of The Financial Reporting Council, a member of the Standing Committee on Judicial Salaries and Conditions of Service and an independent non-executive director of Hong Kong Exchanges and Clearing Limited (listed in Hong Kong).

Directors and Organisation (continued)

Senior Management

Mr. YANG Weidong

Senior Vice President

Aged 54, 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 34 years' experience in construction engineering and management.

Mr. ZHANG Jie

Senior Vice President

Aged 40, graduated from Tianjin University, and obtained a degree of Master of Business Administration from the University of Macau and was awarded the title of Senior Engineer. Mr. Zhang joined the Group in 2007. He has been a director of certain subsidiaries of the Group since 2018. Mr. Zhang has over 17 years' experience in construction engineering, investment and human resources management.

Mr. LUO Haichuan

Vice President

Aged 44, graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and was awarded the title of Senior Engineer. Mr. Luo joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2011. Mr. Luo acted as an executive director of CSC Development from September 2015 to August 2018. He has over 21 years' experience in investment and financing; and human resources management.

Mr. ZHAO Xiaoqi

Vice President, General Legal Counsel

Aged 49, graduated from Tsing Hua University, and obtained a degree of Master of Business Administration from Renmin University of China and was awarded the title of Senior Economist. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 27 years' experience in human resources management and legal affairs.

Mr. ZHAO Shaoran

Financial Controller

Aged 43, graduated from Zhongnan University of Economics and Law in Accounting, and obtained a degree of Master of Management. Mr. Zhao joined the Group in 2006. He served successively as the head of Finance and Treasury Department and the head of Corporate Finance Department of COHL during the period from 2018 to 2023. He has been the Financial Controller and a director of certain subsidiaries of the Group since 2023. Mr. Zhao has over 18 years' experience in corporate finance, accounting and investment management.

Mr. ZHOU Wenbin

Vice President

Aged 57, graduated from Zhongnan University of Economics and Law and completed doctoral education and obtained a PhD Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 35 years' experience in corporate finance, accounting, investment management and asset management.

Mr. LIU Guobing
Vice President

Aged 46, graduated from Southeast University and was awarded the title of Senior Engineer. Mr. Liu joined CSCEC in 2000 and was seconded to COHL Group in 2005. He has been a director of certain subsidiaries of COLI for the period from December 2008 to February 2014 and a director of certain subsidiaries of COGO for the period from February 2014 to July 2018, and was seconded to the Group in 2023. Mr. Liu has over 23 years' experience in investment, planning and real estate development.

Mr. HUANG Jiang
Vice President

Aged 49, graduated from Chongqing Jianzhu University (now known as Chongqing University), and obtained a degree of Master in Project Management from The Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Engineer. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Currently, Mr. Huang is a non-executive director of CSC Development. He has over 27 years' experience in contract and project management.

Mr. TIAN Shuchen
Investment Director

Aged 58, graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991, and served as an Executive Director of the Company for the period from 12 August 2010 to 22 December 2021. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 36 years' experience in investment, construction engineering and project management.

Mr. CHAN Han Pan *BBS, JP*
Assistant President

Aged 48, graduated from the School of Engineering of The Hong Kong University of Science and Technology, and obtained a degree of Master of Science in Materials of Science and Engineering from The Hong Kong University of Science and Technology and a doctorate degree in Laws from Tsinghua University. Mr. Chan joined the Group in 2020. He has been a director of a subsidiary of the Group since 2020. Mr. Chan has, over the years, devoted untiring efforts in public and community services and holds multiple public offices. He is currently serving as a member of Legislative Council of the Hong Kong Special Administrative Region, and a member of Hong Kong region of Anhui Province of the 10th, 11th and 13th Chinese People's Political Consultative Conference. Mr. Chan has over 20 years' experience in innovation and technology, engineering consulting and community affairs.

Mr. ZHANG Ming
Assistant President

Aged 41, graduated from Harbin Institute of Technology, and obtained a degree of Master of Construction and Real Estate from The Hong Kong Polytechnic University and was awarded the title of Senior Engineer. Mr. Zhang joined CSCEC in 2006 and was seconded to the Group in 2010. He has been a director of certain subsidiaries of the Group since 2016. Mr. Zhang has over 18 years' experience in construction engineering, administration and human resources management.

Directors and Organisation (continued)

Mr. ZHOU Zhike
Investor Relations Director

Aged 40, graduated from Huazhong University of Science and Technology and University of Nottingham in UK, and obtained a degree of Master of Management. Mr. Zhou is a CFA (Chartered Financial Analyst) charterholder. Mr. Zhou joined COHL Group in 2007 and was seconded to the Group in 2014. He has been a director of a subsidiary of the Group since 2019. Mr. Zhou has over 16 years' experience in capital market, corporate finance and corporate strategy. He had been awarded as "Best Investor Relations Officer" in All-Asia Executive Team Poll (Industrial Sector) by Institutional Investors for 9 consecutive years.

Mr. MI Xiang
Assistant President

Aged 48, graduated from Northwest Institute of Architecture Engineering (now known as Chang'an University), and obtained a degree of Master of Project Management in Xi'an Jiaotong University and was awarded the title of Senior Engineer. Mr. Mi joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2009. Mr. Mi has over 26 years' experience in project management.

Mr. ZHANG Zongjun
Assistant President

Aged 48, graduated from Chang'an University, and was awarded the title of Senior Engineer. Mr. Zhang joined CSCEC in 2001 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2014. Mr. Zhang has over 22 years' experience in prefabricated building, intelligent building, modular integrated construction and engineering management.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

Throughout the year ended 31 December 2023, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Corporate strategy, business model and culture

The Group adheres to the core values of "Customer-oriented, Quality Assurance, Value Creation" and inherits the business concept of "Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success", strictly abides by the industry standard, upholds the heart of dedication, consciously shoulders the corporate mission of "We Manage Happiness", and strives for growth and continuous innovation. With the continuous enhancement of individuals' values and the perfect release of team creative energy, the Group aims to developing into an international enterprise and becoming a new role model of "harmonious and win-win" with shareholders, employees and society in the new era. The Group will continuously move towards the goal of becoming a world-class comprehensive enterprise group integrating "Technology, Investment, Construction and Asset Operation".

Adhering to the corporate spirit of "Integrity, Innovation, Transcendence, Win-win Solution" after more than 40 years of development, the Group has developed businesses in four major segments of "Chinese mainland, Hong Kong, Macau and Overseas", implemented technology-empowered strategy and built a four-in-one business model integrating "Technology + Investment + Construction + Asset Operation" which fully utilized the advantages of the whole industrial chain and comprehensively promoted high-quality corporate development.

Board of Directors

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

The composition of the Board and the attendance of each director in the Board Meetings and annual general meeting ("AGM") during the year ended 31 December 2023 are set out below:

Name	Attended/Eligible to Attend Board Meetings	AGM
Chairman and Executive Director		
Zhang Haipeng *(Note 1)*	6/6	1/1
Non-executive Directors		
Yan Jianguo *(Note 2)*	6/6	1/1
Chen Xiaofeng *(resigned on 20 December 2023)*	6/6	1/1
Executive Directors		
Wang Xiaoguang *(Chief Executive Officer) (appointed on 24 February 2023)*	5/5	1/1
Zhou Hancheng *(resigned on 21 April 2023)*	3/3	1/1
Hung Cheung Shew	6/6	1/1
Independent Non-executive Directors		
Adrian David Li Man Kiu *(retired on 8 June 2023)*	4/4	1/1
Raymond Leung Hai Ming	6/6	1/1
Lee Shing See *(retired on 8 June 2023)*	4/4	1/1
Wong Wai Ching	5/6	1/1
Chan Tze Ching Ignatius *(appointed on 8 June 2023)*	2/2	N/A

Notes:

1. Mr. Zhang Haipeng was appointed as Chairman of the Company and ceased to be the Chief Executive Officer of the Company on 24 February 2023.

2. Mr. Yan Jianguo resigned as the Chairman of the Company and continued to act as Non-executive Director of the Company on 24 February 2023.

Biographical information of the directors is set out in the "Directors and Organisation" section of the 2023 Annual Report of the Company. An updated list of directors containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company. The Company has also maintained an updated list of directors and their role and function on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") and the Company.

During the year, six Board meetings were held. Board meetings were held to approve the annual, interim and quarterly results of the Company; to consider the payment of final dividends, to approve the payment of interim dividends and the forfeiture of unclaimed dividends; to discuss the operational status and approve annual budget of the Company; to consider and approve the significant and connected transactions of the Company, the changes of chairman of the Board, chief executive officer and directors of the Company, the changes of chairmen and members of Board committees, the re-appointment of an independent non-executive director of the Company, the proposed remuneration of independent non-executive directors, proposed amendments to the Articles of Association of the Company, revised terms of reference of remuneration committee, framework of sustainability report, sustainability report and other reports, the policies/code of the Company related to sustainability (including Water Resources Management Policy, Sustainable Procurement Policy, Human Rights Policy, Climate Change Policy, Health and Safety Policy and Code of Conduct of Supplier) and certain rules of meetings. Throughout the year, directors also participated in the consideration and approval of non-routine issues of the Company by way of circulated resolutions with supporting explanatory write-up. Senior management at all times answered the non-routine issues enquiries made by the Board.

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

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

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

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

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

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

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

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

As part of the continuous professional development programme, the directors of the Company namely Mr. Zhang Haipeng, Mr. Yan Jianguo, Mr. Wang Xiaoguang, Mr. Hung Cheung Shew, Dr. Raymond Leung Hai Ming, Ms. Wong Wai Ching and Mr. Chan Tze Ching Ignatius read legal and regulatory updates and/or attended seminars arranged by the Company during the year. In addition, individual directors also participated in other seminars and/or read relevant materials relating to the roles, functions and duties of a listed company director, environmental, social and governance, and further enhancement of their professional developments. Directors had provided the company secretary with their training records for the year under review.

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

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

Chairman and Chief Executive Officer

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

The chairman is responsible for leading the Board and ensures all directors are provided with appropriate and sufficient information before Board meetings so that the Board can operate effectively and perform its duties. The chairman promotes culture of openness and encourages directors to voice their views. The chairman also meets independent non-executive directors without the executive directors present and ensures good corporate governance practices and procedures of the Company.

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

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

Non-executive Directors

All non-executive directors of the Company were not appointed for a specific term. 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 first annual general meeting of the Company after his/her appointment 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.

Dr. Raymond Leung Hai Ming served the Board for more than nine years. The Board considered that he is able to provide his independent judgments in respect of matters such as the Group's strategy, policy and performance in Board and Board committee meetings, making significant contribution to the affairs of the Group and long service will not affect his exercise of independent judgement. He has 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 his independence. The Board therefore considers that Dr. Raymond Leung Hai Ming remains independent, notwithstanding the length of his 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.

The Company has established board independence evaluation mechanism on 25 October 2022 which is designed to ensure a strong independent element on the Board and allows the Board to effectively exercise independent judgment to better safeguard shareholders' interests.

Remuneration Committee

The Company has established a Remuneration Committee on 9 June 2005. The major responsibilities of the Remuneration Committee include approving the overall remuneration policy of the Group, reviewing and approving the remuneration of individual executive directors and senior management of the Company, and ensuring that no director participates in the discussion on his/her 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 HKEx and the Company.

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

Name	Attended/ Eligible to Attend
Raymond Leung Hai Ming *(Chairman)*	4/4
Adrian David Li Man Kiu *(Chairman) (retired on 8 June 2023)*	4/4
Lee Shing See *(retired on 8 June 2023)*	4/4
Wong Wai Ching	3/4
Chan Tze Ching Ignatius *(appointed on 8 June 2023)*	N/A

During the meetings, the Remuneration Committee approved the remuneration policy and annual bonus policy of the Company, and the salary adjustment proposal of the executive directors and senior management of the Company; reviewed and made recommendation to the Board on the revised terms of reference of remuneration committee, and the proposed remuneration of independent non-executive directors of the Company.

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 2023 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 HKEx and the Company.

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

Name	Attended/ Eligible to Attend
Chan Tze Ching Ignatius *(Chairman) (appointed on 8 June 2023)*	N/A
Lee Shing See *(Chairman) (retired on 8 June 2023)*	4/4
Adrian David Li Man Kiu *(retired on 8 June 2023)*	4/4
Raymond Leung Hai Ming	4/4
Wong Wai Ching	3/4

During the meetings, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; assessed the independence of the independent non-executive directors; considered the gender diversity and relevant disclosure; reviewed and considered and made recommendation to the Board on the re-election of the retiring Directors at the annual general meeting, the changes of chairman of the Board, chief executive officer and directors of the Company, the re-appointment of an independent non-executive director of the Company and the changes of chairmen and members of Board committees.

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

The Board contains individuals who have diverse educational background, professional experience, knowledge and culture. The Board members possess Chinese mainland/Hong Kong/Macau construction and related industry experience, global market experience, other listed companies' board roles experience, corporate executive experience, public administration experience, professional engineering experience, professional accounting experience, professional banking and finance experience. All these experiences can enhance the Board decision making capacity, improves effectiveness in dealing with changes and reduces likelihood of group thinking. All Board appointments are based on meritocracy.

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

For details on the gender ratio of the Group together with relevant data, please refer to the 2023 Sustainability Report of the Company which is posted on the websites of HKEx and the Company.

As at 31 December 2023, the Board comprises 7 directors. Six directors are male and one director is female. Two directors are under the age group of 41 to 50; one is under the age group of 51 to 60; and four are over 60. Three directors have served the Board below 5 years; two have served the Board between 5 and 15 years; and two have served the Board between 15 and 20 years.

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

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

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

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

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

Audit Committee

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

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

Name	Attended/ Eligible to Attend
Wong Wai Ching *(Chairlady)*	4/4
Lee Shing See *(Chairman) (retired on 8 June 2023)*	2/2
Adrian David Li Man Kiu *(retired on 8 June 2023)*	2/2
Raymond Leung Hai Ming	4/4
Chan Tze Ching Ignatius *(appointed on 8 June 2023)*	2/2

During the meetings, the Audit Committee reviewed and considered the Group's audited accounts and Audit Committee Report for the year ended 31 December 2022; the connected transactions report, internal audit report, 2023 unaudited quarterly results, unaudited accounts for the six months ended 30 June 2023 and the audit services fees in respect of the financial year ended 31 December 2023. The external auditor, Ernst & Young, Hong Kong ("EY"), was invited to attend 2022 final results meeting and 2023 unaudited third quarter results meeting and discussed audit plan for 2023 Group results with the Audit Committee. During the year, the proposed non-assurance service provided by EY was reviewed and approved by the Audit Committee by way of circulated resolutions in writing.

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

Auditor's Remuneration

The Company's external auditor is EY. For the financial year ended 31 December 2023, the fees paid or payable to EY and other firms of the worldwide network of EY in respect of services provided to the Group amounted to approximately HK$12,547,000, including audit services fee of the Group of approximately HK$11,425,000 and non-audit services fee of approximately HK$1,122,000. The non-audit fees included tax services and other services for ad hoc projects.

Sustainability Committee

The Company has established a Sustainability Committee on 25 March 2020. The major responsibilities of the Sustainability Committee include monitoring and reviewing the sustainability goals, priorities and policies, reviewing the Group's risk appetite, tolerance and strategy, reviewing and assessing sustainability performance and risks of the Group, and considering and making recommendation to the Board on sustainability reporting and assurance. The Board has adopted written terms of reference for the Sustainability Committee, which defined the role, authority and function of the Sustainability Committee. The terms of reference are posted on the websites of HKEx and the Company.

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

Name	Attended/ Eligible to Attend
Zhang Haipeng	3/3
Wang Xiaoguang *(Chairman) (appointed on 21 April 2023)*	1/1
Zhou Hancheng *(Chairman) (resigned on 21 April 2023)*	2/2
Adrian David Li Man Kiu *(retired on 8 June 2023)*	2/2
Raymond Leung Hai Ming	3/3
Lee Shing See *(retired on 8 June 2023)*	2/2
Wong Wai Ching	3/3
Chan Tze Ching Ignatius *(appointed on 8 June 2023)*	1/1

During the meetings, the Sustainability Committee considered and approved the appointments and fees of external independent consultants, considered and made recommendation to the Board on the framework of sustainability report and sustainability report of the Company, Water Resources Management Policy, Sustainable Procurement Policy. During the year, Human Rights Policy, Climate Change Policy, Health and Safety Policy, Code of Conduct of Supplier and ESG Management Regulations of the Company were reviewed and recommended for Board approval by the Sustainability Committee by way of circulated resolutions in writing.

Directors' Securities Transactions

The Company has adopted a model code for securities transactions by directors and relevant employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules. Directors and relevant employees of the Company are required to comply with the Securities Code. Reminders are sent to directors and relevant employees that they should not deal in the securities of the Company during the "black-out-period" specified in the Securities Code and before publishing any inside information announcement. Directors and relevant employees are required to notify the Company and obtained a dated written acknowledgement before dealing in the securities of the Company. After making enquiries by the Company, all directors and relevant employees confirmed that they have complied with the Securities Code during the year.

Accountability and Audit

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

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

The directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2023, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of EY, the external auditor of the Company, are stated in the Independent Auditor's Report of the 2023 Annual Report of the Company.

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

Company Secretary

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

During the year, the company secretary of the Company attended sufficient professional training as required under Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

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

The Company recognises that risk management is the responsibility of all of our people. The Company has established an organisation structure with defined levels of responsibility which facilitates the Company to assign roles and responsibilities at strategic level and operational level of risk management clearly. It makes the Company's process used to identify, assess and manage risks effectively. The Board is responsible for determining the business strategies and objectives of the Company, and evaluating and determining the nature and extent of risk it is willing to take in achieving the Company's strategy and objective. The Board oversees management in the design, implementation and monitoring of the risk management and internal control system. Executive directors review the change in the nature and extent of the Company's significant risks from time to time, and the Company's ability to respond to change in its business and external environment. Senior management is responsible for evaluating, managing and reviewing potential risks. Ensuring the Company's risks be managed properly, it communicates, 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 the management from investment, operations, finance departments, etc.. The Committee aims to continually identify and strengthen the risk management of the Company, and build up a risk aware and control conscious culture throughout the Company. Departmental reports and periodical reports were submitted to the Risk Management Control Committee for review.

The Company's Audit Department reviews the adequacy and effectiveness of the Company's risk management and internal control system. The Audit Department is independent of all business segment and is directly responsible for the chairman or chief executive officer of the Company 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 the chairman or chief executive officer of the Company if there is material system deficiency or control weakness identified. It records the results and reports to the Audit Committee.

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

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

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

During the year, the Audit Department inspected, investigated and assessed several subsidiaries of the Group. It reviewed and assessed their systems on operation flow; internal control; financial; contracting; work monitoring and control. It issues independent and objective internal audit report with recommendation to the chairman or chief executive officer of the Company and relevant business segments to improve deficiencies. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified. Amongst them, in order to further improving and monitoring the quality of the Company's internal control system, the Audit Department performed economic responsibility audit on the senior management of several subsidiaries, and conducted financial revenue and expenditure audit, internal control audit and special projects audit, etc on several subsidiaries. The Audit Department also reviewed the Group's continuing connected transactions for the year ended 31 December 2023 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 propose new resolutions at general meetings under the Cayman Islands Companies Laws or the Articles of Association of the Company. Shareholders who wish to propose a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

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

Communication with Shareholders

The Board has adopted a Shareholders' Communication Policy on 30 March 2012 and a revised Shareholders' Communication Policy on 25 October 2022 which sets out the various channels and platforms adopted by the Company to communicate with the shareholders. The Company believes that effective communication with its shareholders is essential for ensuring that shareholders are provided with timely access to important information about the Company, including its financial performance, strategic goals and plans, material developments, governance and risk profile, in order to enable shareholders to exercise their rights in an informed manner.

The Company has established various communication channels with shareholders. These include general meetings, annual report and interim report, notice, announcement and circular. In addition, the Company updates its website (www.csci.com.hk) from time to time to keep the shareholders updated information of the Company's recent development. Investors' presentations are also uploaded to the Company's website for all stakeholders' perusal. For any queries, shareholders may send their enquiries to Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, by email at is-enquiries@hk.tricorglobal.com or to the Corporate Finance Department of the Company at csci.ir@cohl.com.

General meeting is a main channel of communication between directors and shareholders. During the year of 2023, the Company held one general meeting by electronic means where shareholders were allowed to raise questions through online meeting system, and the Board would answer questions in a timely manner after receiving them.

The AGM was held on 8 June 2023. 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 chairmen/chairlady and members of the audit, remuneration, nomination and sustainability committees were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of HKEx and the Company on the same date of the meeting.

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

On 8 June 2023, the shareholders of the Company passed a special resolution in the AGM to adopt the amended and restated Articles of Association of the Company. A copy of the latest version of the Company's Memorandum of Association and amended and restated Articles of Association has been posted on the websites of HKEx and the Company.

Investor Relations

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

Hong Kong, 21 March 2024

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

Principal Activities and Geographical Analysis of Operations

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

The performance of the Group for the year by segments is set out in the audited consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the audited consolidated financial statements.

An interim dividend of HK27.5 cents per share amounting to approximately HK$1,385,345,000 was paid to the shareholders of the Company on 10 October 2023. The board of directors of the Company (the "Board") recommended the payment of a final dividend of HK28.5 cents per share to the shareholders whose names appear on the register of members on 18 June 2024, amounting to approximately HK$1,435,721,000.

Dividend Policy

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

Business Review and Performance

The business review of the Group for the year ended 31 December 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

The environmental and social matters of the Group together with an account of the key relationships with its employees, customers and suppliers for the year ended 31 December 2023 are set out in the 2023 Sustainability Report of the Company, which is published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on the same date as that of the publication of 2023 Annual Report of the Company. The Company complied with all the provisions set out in the Environmental, Social and Governance Reporting Guide.

Major Risk Management

Under the internal control and risk management framework of the Group, the Risk Management Control Committee identifies major risks in each operation segment, assesses its likely impact and evaluates the risk in order to develop effective control activities to mitigate the risks. The Group established a more detailed project risk rating system, and discussed and supervised implementation at regular monthly management meetings to ensure that operational risks are within controllable limits. Other than the financial risk management policies of the Group set out in the section headed "Management Discussion and Analysis" of the 2023 Annual Report of the Company, the Group was also exposed to major risk factors including construction risk, infrastructure investment risk, overseas business risk and compliance risk.

(1) Construction risk

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

(2) Infrastructure investment risk

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

(3) Overseas business risk

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

(4) Compliance risk

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

Compliance with Relevant Laws and Regulations

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

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

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

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects throughout the year ended 31 December 2023.

Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK$1,158,000.

Investment Properties

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

Share Capital

The total issued share capital of the Company as at 31 December 2023 was 5,037,616,668 ordinary shares of HK$0.025 each.

Details of the share capital of the Company are set out in the audited consolidated financial statements.

Share Premium and Reserves

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2023 amounted to approximately HK$20,965,754,000.

Equity-linked Agreement

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Pre-emptive Rights

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

Tax Relief and Exemption

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

Financial Summary

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

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

Issue of Listed Securities

During the year, a subsidiary of the Company completed the public issuance of the following listed securities. The net proceeds, after deducting relevant fees and commission, amounted to approximately RMB3,067 million and were used by the subsidiaries of the Company to repay corporate debts and as general working capital:

Issue Date	Securities	Principal Amount (RMB)	Coupon Rate per annum	Maturity
21 August 2023	Corporate bonds issued and listed on Shenzhen Stock Exchange	1,100 million	2.88%	3 years
16 November 2023	Medium-term notes issued and listed on the China Inter-bank Bond Market	2,000 million	3.50%	3 + N years (Perpetual)

Redemption of Listed Securities

During the year, a subsidiary of the Company redeemed all of the following outstanding securities upon their maturity:

Redemption Date	Securities	Principal Amount (RMB)	Coupon Rate per annum	Maturity
29 July 2023	Corporate bonds issued and listed on Shanghai Stock Exchange on 30 July 2020	2,000 million	3.48%	3 years
28 October 2023	Medium-term notes issued and listed on the China Inter-bank Bond Market on 26 October 2020	500 million	3.45%	3 years

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group during the year ended 31 December 2023.

Directors

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

Chairman and Executive Director

Mr. Zhang Haipeng*(Note 1)*

Non-executive Directors

Mr. Yan Jianguo*(Note 2)*
Mr. Chen Xiaofeng *(resigned on 20 December 2023)*

Executive Directors

Mr. Wang Xiaoguang *(Chief Executive Officer) (appointed on 24 February 2023)*
Mr. Zhou Hancheng *(resigned on 21 April 2023)*
Mr. Hung Cheung Shew

Independent Non-executive Directors

Mr. Adrian David Li Man Kiu *(retired on 8 June 2023)*
Dr. Raymond Leung Hai Ming
Mr. Lee Shing See *(retired on 8 June 2023)*
Ms. Wong Wai Ching
Mr. Chan Tze Ching Ignatius *(appointed on 8 June 2023)*

Notes:

1. Mr. Zhang Haipeng was appointed as Chairman of the Company and ceased to be the Chief Executive Officer of the Company on 24 February 2023.

2. Mr. Yan Jianguo resigned as the Chairman of the Company and continued to act as Non-executive Director of the Company on 24 February 2023.

Pursuant to articles 87(1) and 87(2) of the articles of association of the Company, Mr. Hung Cheung Shew and Dr. Raymond Leung Hai Ming will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Hung Cheung Shew, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company. Dr. Raymond Leung Hai Ming, being eligible, does not offer himself for re-election at the forthcoming annual general meeting of the Company.

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

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

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

Confirmation of Independence

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

Directors' Service Contracts

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

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") were as follows:

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

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue Note
Hung Cheung Shew	Personal interest/beneficial owner	591,584	0.01
Raymond Leung Hai Ming	Personal interest/beneficial owner	813,569	0.02

Note:

The percentage was calculated based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2023 (i.e. 5,037,616,668 Shares).

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

(i) China Overseas Land & Investment Limited ("COLI")

Name of director	Capacity	Number of ordinary shares held	Number of share options held	Approximate % of shares in issue of COLI[1]
Yan Jianguo	Personal interest/beneficial owner	–	1,066,000*	0.01
Hung Cheung Shew	Personal interest/beneficial owner	7,095	–	0.0001

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

Date of grant (DD/MM/YYYY)	Exercise period of the share options (both days inclusive) (DD/MM/YYYY)	Subscription price of the share options HK$ (per share)	Number of the share options
29/06/2018	29/06/2020 to 28/06/2024	25.850	466,000
24/11/2020	24/11/2022 to 23/11/2026	18.724	600,000

(ii) China State Construction Development Holdings Limited ("CSCD")

Name of director	Capacity	Number of ordinary shares held	Approximate % of shares in issue of CSCD[2]
Zhang Haipeng	Personal interest/beneficial owner	4,000,000	0.18
Wang Xiaoguang	Personal interest/beneficial owner	4,000,000	0.18
	Interest of spouse	1,080,000	0.05
Hung Cheung Shew	Personal interest/beneficial owner	30,000	0.001

(iii) China Overseas Property Holdings Limited ("COPL")

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

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

Name of director	Capacity	Number of shares held*	Approximate % of shares in issue of CSCECL[4]
Zhang Haipeng	Personal interest/beneficial owner	880,000	0.002
Wang Xiaoguang	Personal interest/beneficial owner	200,000	0.0005

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

Notes:

1. The percentage was calculated based on the total number of ordinary shares of COLI in issue as at 31 December 2023 (i.e. 10,944,883,535 shares).

2. The percentage was calculated based on the total number of ordinary shares of CSCD in issue as at 31 December 2023 (i.e. 2,255,545,000 shares).

3. The percentage was calculated based on the total number of ordinary shares of COPL in issue as at 31 December 2023 (i.e. 3,286,860,460 shares).

4. The percentage was calculated based on the total number of ordinary shares of CSCECL in issue as at 31 December 2023 (i.e. 41,919,514,444 shares).

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2023 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 2023, 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 2023, 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:

Directors' Report (continued)

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

Name of shareholder	Long/ Short position	Capacity	Number of ordinary shares held	Approximate % of shares in issue[1]
China Overseas Holdings Limited ("COHL")	Long position	Beneficial owner/Interest of a controlled corporation[2]	3,264,976,136	64.81
China State Construction Engineering Corporation Limited ("CSCECL")	Long position	Interest of a controlled corporation[3]	3,264,976,136	64.81
中國建築集團有限公司 (China State Construction Engineering Corporation*) ("CSCEC")	Long position	Interest of a controlled corporation[4]	3,264,976,136	64.81

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

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

Name of shareholder	Long/ Short position	Capacity	Number of ordinary shares held	Approximate % of shares in issue[1]
GIC Private Limited	Long position	Investment manager	302,824,733	6.01

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company ("Shares") in issue as at 31 December 2023 (i.e. 5,037,616,668 Shares).

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

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

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

Save as disclosed above, as at 31 December 2023, there was no other person who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Management Contracts

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

Major Customers and Suppliers

During the year, sales to the five largest customers of the Group accounted for less than 30% of the total sales of the Group for the year.

During the year, purchases from the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group for the year.

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

Connected and Related Party Transactions

Details of connected transactions are set out in the section headed "Connected Transactions" of the 2023 Annual Report of the Company. The related party transactions are disclosed in the audited consolidated financial statements.

Public Float

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

Directors' Interest in Competing Business

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

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

Permitted Indemnity Provisions

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

Emolument Policy

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

The emoluments of the executive Directors are decided by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market trend. The emoluments of the independent nonexecutive Directors are in line with market practice. No individual should determine his/her 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 subsidiaries of the Company established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under these schemes. During the year, the Group made contribution to the retirement schemes amounting to approximately HK$401,363,000. No forfeited contributions under these schemes is available to reduce the contribution payable in future years.

Auditor

Ernst & Young ("EY") has acted as auditor of the Company for the past three years. EY will retire and, being eligible, offer themselves for re-appointment as auditor of the Company.

A resolution to re-appoint EY as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
China State Construction International Holdings Limited
Zhang Haipeng
Chairman and Executive Director

Hong Kong, 21 March 2024

CONNECTED TRANSACTIONS

A. CONNECTED TRANSACTIONS UNDER THE LISTING RULES

A.1 Factoring Arrangement with 中建商業保理有限公司(China Construction Commercial Factoring Company Limited*) ("CCCF") regarding Zibo project

On 23 June 2023, 中建國際投資集團有限公司(China State Construction International Investments Limited*) ("CSC International Investments") (an indirect wholly-owned subsidiary of the Company) entered into the Factoring Arrangement, pursuant to which, on the same date, CSC International Investments (1) entered into Account Receivables Transfer Contracts with 淄博海新建設有限公司(Zibo Haixin Construction Company Limited*) ("ZHCCL") (being a direct wholly-owned subsidiary of CSC International Investments); and (2) entered into Factoring Contracts with CCCF, in respect of transfer of the Account Receivables to CCCF for granting of (a) account receivable factoring service in an aggregate principal sum of RMB175 million (equivalent to approximately HK$192 million) at a discount rate of 94.6% to CSC International Investments for a term of not exceeding one year from the drawdown date under the Factoring Contracts 1, and (b) account receivable factoring service in an aggregate principal sum of RMB175 million (equivalent to approximately HK$192 million) at a discount rate of 89.2% to CSC International Investments for a term of not exceeding two years from the drawdown date under the Factoring Contracts 2 (the "Transactions").

The consideration of the Account Receivables 1 under the Account Receivables Transfer Contract 1 was determined on arm's length negotiations between CSC International Investments and ZHCCL with reference to, among other things, the book value of the Account Receivables 1, the repayment period of the Account Receivables 1, the terms of the Factoring Contracts 1 and the credit worthiness of 淄博市淄川區羅村鎮人民政府(People's Government of Luocun Town, Zichuan District, Zibo City*) and 淄博市淄川區財金控股有限公司(Zibo City Zichuan District Financial Holdings Co., Ltd.*) (the "Joint Debtors").

The consideration of the Account Receivables 2 under the Account Receivables Transfer Contract 2 was determined on arm's length negotiations between CSC International Investments and ZHCCL with reference to, among other things, the book value of the Account Receivables 2, the repayment period of the Account Receivables 2, the terms of the Factoring Contracts 2 and the credit worthiness of the Joint Debtors.

The Transactions together with the connected transactions as stipulated in the announcement of the Company dated 29 November 2022 and the announcement of the Company dated 27 December 2022 are related and completed within a 12-month period. Accordingly, these transactions shall be aggregated and treated as if they were one transaction (the "Aggregated Transactions"), and the aggregate figures of the Aggregate Transactions shall be used for calculating the applicable percentage ratios.

As all the applicable percentage ratios in respect of the Aggregate Transactions exceeded 0.1% but were less than 5%, the Transactions itself or the Aggregate Transactions were subject to the reporting and announcement requirements but exempted from shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction were disclosed in an announcement dated 23 June 2023.

A.2 Disposal of Entire Equity Interest in a Subsidiary

On 11 October 2023, (1) China Overseas Property Holdings Limited, an associate of the Company (the "Purchaser"), (2) Netfortune Enterprise Limited, a direct wholly-owned subsidiary of China State Construction Development Holdings Limited ("CSCD" or "CSC Development", a listed subsidiary of the Company), and an indirect wholly-owned subsidiary of the Company (the "Vendor"), and (3) CSCD as guarantor of the Vendor, have entered into the Sale and Purchase Agreement, pursuant to which (i) the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to dispose of, the Sale Share, representing the entire equity interest in Project Supervision Limited, an indirect wholly-owned subsidiary of CSCD and the Company and the direct holding company of 深圳中海通信工程監理有限公司(Shenzhen China Overseas Communication Engineering Supervision Company Limited*) (the "Target Company"), at the consideration of not more than HK$950 million (the "Transaction"); and (ii) CSCD agreed to guarantee the performance of the obligations of the Vendor under the Sale and Purchase Agreement.

The consideration was determined based on arm's length negotiations between the Purchaser and the Vendor and on normal commercial terms, with reference to, among other things, (i) the historical financial performance of the Target Company and its subsidiaries ("Target Group"); (ii) the business overview and future prospects of the Target Group; (iii) the appraised value of the equity interest of the Target Company as at 31 August 2023; and (iv) the benefits to the CSCD Group. Upon Completion, the Target Group will cease to be subsidiaries of the Vendor, CSCD and the Company as the Vendor, CSCD and the Company will no longer, directly or indirectly, hold any equity interest in the Target Group.

As all applicable percentage ratios in respect of the Transaction exceeded 0.1% but were less than 5%, the Transaction was subject to the reporting and announcement requirements but was exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 29 December 2023, the Purchaser, the Vendor and CSCD entered into a deed of termination (the "Termination Deed") whereby the parties have mutually agreed to terminate the Sale and Purchase Agreement and the Transaction (the "Termination"), and to release and discharge each other from its respective obligations thereunder with effect from the date of the Termination Deed, and none of the parties shall have any claim against the others thereafter.

Details of the transaction and the Termination were disclosed in the joint announcements dated 11 October 2023 and 29 December 2023 respectively.

B. CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES

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

(1 January 2021 to 31 December 2023)

New CSCECL Construction Engagement Agreement (dated 20 October 2023)

(1 January 2024 to 31 December 2026)

On 19 October 2020, the Company and China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company) entered into a CSCECL Construction Engagement Agreement whereby (i) the Company and its subsidiaries (the "Group") may engage CSCECL and its subsidiaries (the "CSCECL Group") as contractors for a term of three years commenced from 1 January 2021 and ended on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed RMB$55,000 million (the "CSCECL Construction Engagement Cap"); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commenced from 1 January 2021 and ended on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement for each of the three financial years ended 31 December 2023 shall not exceed RMB18,000 million (the "CSC Construction Engagement Cap").

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

As each of the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Construction Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Connected Transactions (continued)

On 20 October 2023, the Company and CSCECL entered into a New CSCECL Construction Engagement Agreement whereby (i) the Group may engage the CSCECL Group as contractors for a term of three years commenced from 1 January 2024 and ending on 31 December 2026. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group under the New CSCECL Construction Engagement Agreement for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed RMB10,000 million, RMB11,000 million and RMB12,000 million respectively (the "New CSCECL Construction Engagement Caps"); and (ii) the CSCECL Group may engage the Group as contractors for a term of three years commenced from 1 January 2024 and ending on 31 December 2026. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group under the New CSCECL Construction Engagement Agreement for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 shall not exceed RMB2,000 million, RMB2,500 million and RMB3,000 million (the "New CSC Construction Engagement Caps").

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. This information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers.

As each of the New CSCECL Construction Engagement Caps and the New CSC Construction Engagement Caps exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New CSCECL Construction Engagement Agreement were subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing details of the New CSCECL Construction Engagement Agreement was made on 20 October 2023 and a circular dated 14 December 2023 containing details of the New CSCECL Construction Engagement Agreement was despatched to the shareholders of the Company. The New CSCECL Construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 3 January 2024.

For the year ended 31 December 2023, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Construction Engagement Agreement was RMB4,158,563,271 and the total contract sum awarded by the CSCECL Group to the Group under the CSCECL Construction Engagement Agreement was RMB29,494,771.

B.2 CSCD-CSCECL Sub-construction Engagement Agreement (dated 19 October 2020)
(1 January 2021 to 31 December 2023)

New CSCD-CSCECL Sub-construction Engagement Agreement (dated 20 October 2023)
(1 January 2024 to 31 December 2026)

On 19 October 2020, CSC Development and CSCECL entered into a CSCD-CSCECL Sub-construction Engagement Agreement whereby the CSCECL Group may engage CSC Development and its subsidiaries (the "CSC Development Group") as its subcontractor for provision of exterior facade works to the CSCECL Group's construction works for a term of three years commenced from 1 January 2021 and ended on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement for each of the three financial years ended 31 December 2023 shall not exceed HK$1,000 million (the "CSCD-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 CSCD-CSCECL Works Cap was less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCD-CSCECL Sub-construction Engagement Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

On 20 October 2023, CSC Development and CSCECL entered into a New CSCD-CSCECL Sub-construction Engagement Agreement whereby the CSCECL Group may engage CSC Development Group as its subcontractor for provision of exterior facade works to the CSCECL Group's construction works for a term of three years commenced from 1 January 2024 and ending on 31 December 2026. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the CSC Development Group under the New CSCD-CSCECL Sub-construction Engagement Agreement for each of the financial years ending 31 December 2024, 2025 and 2026 shall not exceed HK$1,200 million, HK$1,500 million and HK$1,500 million respectively (the "New CSCD-CSCECL Works Caps").

In determining the pricing terms, the CSCD Group will review the costs information maintained in its in-house database for materials supplied and contract prices from subcontractors for the CSCD Group's previous projects and peripheral operation. Such information will assist the CSCD Group in implementing quantitative comparison between preliminary quotations obtained from sub-contractors and materials suppliers.

On an aggregation basis, the applicable percentage ratios as defined under the Listing Rules in respect of the New CSCD-CSCECL Works Caps exceeded 5%. As such, the transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement were subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement and a supplemental announcement containing details of the New CSCD-CSCECL Sub-construction Engagement Agreement were made on 20 October 2023 and 31 October 2023 respectively, and a circular dated 14 December 2023 containing details of the New CSCD-CSCECL Sub-construction Engagement Agreement was despatched to the shareholders of the Company. The New CSCD-CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 3 January 2024.

For the year ended 31 December 2023, the total contract sum awarded by the CSCECL Group to the CSC Development Group under the CSCD-CSCECL Sub-construction Engagement Agreement was HK$526,144,517.

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

(1 July 2021 to 30 June 2024)

On 24 March 2021, CSC Development and China Overseas Grand Oceans Group Limited ("COGO", an associate of the Company) entered into a CSCD-COGO Framework Agreement whereby COGO and its subsidiaries (the "COGO Group") may engage the CSC Development Group to provide management services for a term of three years commenced from 1 July 2021 and ending on 30 June 2024. Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the CSC Development Group under the CSCD-COGO Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK$30 million, for each of the two financial years ended 31 December 2023 shall not exceed HK$60 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK$30 million (the "CSCD-COGO Engagement Caps").

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

As the CSCD-COGO Engagement Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COGO Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2023, the total contract sum awarded by the COGO Group to the CSC Development Group under the CSCD-COGO Framework Agreement was HK$21,997,727.

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

(1 July 2021 to 30 June 2024)

On 29 March 2021, CSC Development and China Overseas Land & Investment Limited ("COLI", an associate of the Company) entered into a CSCD-COLI Works Framework Agreement whereby each of COLI and its subsidiaries (the "COLI Group") and the companies which respective share capital is held as to not less than 30% and not more than 50% by the COLI Group which are not members of the COLI Group, and their respective subsidiaries from time to time (excluding COGO and its subsidiaries) (the "Minority Controlled Group") may engage the CSC Development Group for the provision of contracting and engineering works, project management, supervision and consultancy services for the COLI Group's and the Minority Controlled Group's construction works as contractor or service provider (as the case may be) from time to time for a period commenced from 1 July 2021 and ending on 30 June 2024. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group and the Minority Controlled Group to the CSC Development Group under the CSCD-COLI Works Framework Agreement for the period from 1 July 2021 to 31 December 2021 shall not exceed HK$310 million, for the year ended 31 December 2022 shall not exceed HK$310 million, for the year ended 31 December 2023 shall not exceed HK$510 million, and for the period from 1 January 2024 to 30 June 2024 shall not exceed HK$155 million (the "CSCD-COLI Works Engagement Caps").

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

As the CSCD-COLI Works Engagement Caps under the CSCD-COLI Works Framework Agreement were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCD-COLI Works Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2023, there was no contract awarded by the COLI Group and the Minority Controlled Group to the CSC Development Group under the CSCD-COLI Works Framework Agreement.

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

(1 January 2022 to 31 December 2024)

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

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

As the CSCECL Annual Caps for the relevant financial years under the CSCECL Framework Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCECL Framework Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2023, there was no contract awarded under the CSCECL Framework Agreement.

B.6 Financial Services Agreement (dated 6 December 2022)

(1 January 2023 to 31 December 2025)

On 6 December 2022, the Company and 中建財務有限公司(China State Construction Finance Limited*) ("CSCF", a non-wholly owned subsidiary of CSCECL) entered into a Financial Services Agreement whereby CSCF agreed to provide the Group with a) deposit services, b) loan services, c) bill acceptance and discount services, and d) other financial services on a non-exclusive basis for a term of three years, commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive). Each of the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF and the aggregate transaction amount of bill acceptance and discount services provided by CSCF to the Group shall not exceed RMB1,200 million respectively for each of the three years ending on 31 December 2025.

In determining the pricing terms, for a) deposit services: When determining the interest rates for deposits to be placed by the Group with CSCF, the Group shall obtain the interest rate from CSCF, and make reference to the interest rates of the same type of deposits quoted by not less than three major commercial banks in the Chinese mainland; b) Loan services: The terms of loans provided to the Group by CSCF shall be no less favourable than the terms of the same type of loans provided by independent third party commercial banks which have existing cooperative relationships with the Group. When determining the interest rates for loans to be granted to the Group by CSCF, the Group shall obtain the interest rate from CSCF, and make reference to the interest rates of the same type of loans quoted by not less than three major commercial banks in the Chinese mainland; c) bill acceptance and discount services: When determining the service fees for bill acceptance services to be provided to the Group by CSCF, the Group shall obtain the service fees quotes from CSCF, and make reference to the service fees of the same type of services quoted by not less than three major commercial banks in the Chinese mainland; and d) other financial services: CSCF will offer other financial services to the Group, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, other bill services, supply-chain financing services and guarantee services, and these services (except guarantee services) shall be free of charge. For guarantee services, the terms of guarantee services provided to the Group by CSCF shall be no less favourable than the terms of the same type of services provided by independent third party commercial banks which have existing cooperative relationships with the Group. When determining the service fees to be paid by the Group to CSCF, the Group shall obtain service fees quotes from CSCF, and make reference to the service fees of the same type of services quoted by not less than three major commercial banks in the Chinese mainland. All other financial services will not be subject to any security over the assets of the Group.

Since one or more of the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the respective annual caps for (i) the deposit services, and (ii) the bill acceptance and discount services for each year under the Financial Services Agreement exceed 0.1% but are less than 5%, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under the Financial Services Agreement constitutes continuing connected transaction of the Company subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined under the Listing Rules calculated for the Company in respect of the annual cap for the deposit services for each year under the Financial Services Agreement exceeds 5% but is less than 25%, the provision of the deposit services by CSCF to the Group under the Financial Services Agreement constitutes discloseable transaction of the Company subject to the notification, announcement and reporting requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The loan services to be provided by CSCF to the Group are on normal commercial terms or better (i.e. terms that are similar or more favourable than those offered by at least three major commercial banks in the Chinese mainland for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to CSCF in respect of the loan services. They were therefore exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The guarantee services to be provided by CSCF to the Group are on normal commercial terms or better (i.e. terms that are similar or more favourable than those offered by at least three major commercial banks in the Chinese mainland for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to CSCF in respect of the guarantee services. They were therefore exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

CSCF will provide other financial services, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, other bill services and supply-chain financing services, to the Group for free under the Financial Services Agreement. All of the applicable percentage ratios pursuant to the Listing Rules calculated for the Company in respect of the total fees payable by the Group to CSCF for the provision of other financial services by CSCF under the Financial Services Agreement were fall within the de minimis threshold and were exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

An announcement containing details of the Financial Services Agreement was made on 6 December 2022.

For the year ended 31 December 2023, the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF under the Financial Services Agreement was RMB638,926,052 and there was no bill acceptance and discount services provided by CSCF to the Group under the Financial Services Agreement.

B.7 CSCD-COLI Connection Services Framework Agreement (dated 25 October 2022)

(1 January 2023 to 31 December 2025)

On 25 October 2022, COLI and CSC Development entered into a CSCD-COLI Connection Services Framework Agreement for a term of three years commenced from 1 January 2023 and ending on 31 December 2025, whereby the CSC Development Group (through 瀋陽皇姑熱電有限公司(Shenyang Huanggu Thermoelectricity Company Limited*), an indirect wholly owned subsidiary of CSC Development) may provide heating pipes connection services for real estate project(s) located in the Chinese mainland and developed by COLI Group. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the CSC Development Group for each of the three years ending 31 December 2025 shall not exceed HK$50 million (the "Engagement Cap").

In determining the pricing terms, the CSC Development Group will take into account the other comparable services providers, coverage, location, size and development status, capacity and cost of the connection.

As the Engagement Cap was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the CSCD-COLI Connection Services Framework Agreement were subject to the annual review, reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2023, there was no contract awarded by the COLI Group to the CSC Development Group under the CSCD-COLI Connection Services Framework Agreement.

B.8 COLI Master Engagement Agreement (dated 25 October 2022)

(1 January 2023 to 31 December 2025)

On 25 October 2022, the Company and COLI entered into a COLI Master Engagement Agreement, pursuant to which (i) the Group may tender for construction works of the COLI Group and the Minority Controlled Group in the Chinese mainland, Hong Kong and Macau as construction contractor from time to time for three financial years ending on 31 December 2025. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2025 shall not exceed HK$9,000 million (the "COLI Sub-cap"), and upon successful tender, the maximum total contract sum that may be awarded by the Minority Controlled Group to the Group for each of the three financial years ending 31 December 2025 shall not exceed HK$11,000 million (the "Minority Controlled Group Sub-cap", together with COLI Sub-cap, the "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 COLI Master Engagement Agreement exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COLI Master Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing details of the COLI Master Engagement Agreement was made on 25 October 2022 and a circular dated 25 November 2022 containing details of the COLI Master Engagement Agreement was despatched to the shareholders of the Company. The COLI Master Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 21 December 2022.

For the year ended 31 December 2023, there was no contract awarded by the COLI Group and the Minority Controlled Group to the Group under the COLI Master Engagement Agreement.

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

(1 January 2021 to 31 December 2023)

New COGO Master Engagement Agreement (dated 20 October 2023)

(1 January 2024 to 31 December 2026)

On 19 November 2020, the Company and COGO entered into a COGO Master Engagement Agreement whereby the Group may tender for the COGO Group's construction works in the Chinese mainland as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of three years commenced from 1 January 2021 and ended on 31 December 2023. Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the Group under the COGO Master Engagement Agreement for the year ended 31 December 2021 shall not exceed RMB2,000 million, for the year ended 31 December 2022 shall not exceed RMB2,500 million and for the year ended 31 December 2023 shall not exceed RMB3,000 million (the "COGO Works Caps").

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

As the COGO Works Caps exceeded 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COGO Master Engagement Agreement were subject to annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement containing details of the COGO Master Engagement Agreement was made on 19 November 2020 and a circular dated 17 December 2020 containing details of the COGO Master Engagement Agreement was despatched to the shareholders of the Company. The COGO Master Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 January 2021.

On 20 October 2023, the Company and COGO entered into a New COGO Master Engagement Agreement whereby the Group may tender for the COGO Group's construction works in the Chinese mainland as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of three years commenced from 1 January 2024 and ending on 31 December 2026. Upon successful tender, the maximum total contract sum that may be awarded by the COGO Group to the Group under the New COGO Master Engagement Agreement shall not exceed (i) RMB1,800 million for the year commenced from 1 January 2024 and ending on 31 December 2024; (ii) RMB1,800 million for the year commencing from 1 January 2025 and ending on 31 December 2025; and (iii) RMB1,800 million for the year commencing from 1 January 2026 and ending on 31 December 2026 (the "New COGO Works Caps").

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers.

On an aggregation basis, the applicable percentage ratios as defined under the Listing Rules in respect of the New COGO Works Caps exceeded 5%. As such, the transactions contemplated under the New COGO Master Engagement Agreement were subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement and a supplemental announcement containing details of the New COGO Master Engagement Agreement were made on 20 October 2023 and 31 October 2023 respectively, and a circular dated 14 December 2023 containing details of the New COGO Master Engagement Agreement was despatched to the shareholders of the Company. The New COGO Master Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 3 January 2024.

For the year ended 31 December 2023, the total contract awarded by the COGO Group to the Group under the COGO Master Engagement Agreement was RMB675,818,415.

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

(1 July 2020 to 30 June 2023)

New COPL Services Agreement (dated 28 April 2023)

(1 July 2023 to 30 June 2026)

On 28 April 2020, the Company and China Overseas Property Holdings Limited ("COPL", an associate of the Company) entered into a COPL Services Agreement whereby COPL and its subsidiaries (the "COPL Group") may participate from time to time in competitive tender in accordance with the tendering procedures of the Group to provide property management services and value-added services to the Group's residential communities, commercial properties and other properties in the Chinese mainland, Hong Kong, Macau and other locations, and the Group's work sites in the Chinese mainland, Hong Kong and Macau for a term of three years commenced from 1 July 2020 and ended on 30 June 2023.Upon successful tender, the maximum total amounts payable for the services by the Group to the COPL Group under the COPL Services Agreement for the period from 1 July 2020 to 31 December 2020 shall not exceed HK$118 million, for the financial year ended 31 December 2021 shall not exceed HK$255 million, for the financial year ended 31 December 2022 shall not exceed HK$356 million and for the period from 1 January 2023 to 30 June 2023 shall not exceed HK$224 million (the "COPL Services Caps").

As the COPL Services Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COPL Services Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

Connected Transactions (continued)

On 28 April 2023, the Company and COPL entered into a New COPL Services Agreement, whereby the COPL Group may participate from time to time in competitive tender in accordance with the tendering procedures of the Group to provide the property management services and value-added services (including engineering, pre-delivery, move-in assistance, delivery inspection, engineering services quality monitoring and consulting services, as well as gardening, interior fine finishing and vetting of building plans) (the "Services") to the properties (including residential communities, commercial properties and other properties) owned and/or held by the Group in the Chinese mainland, Hong Kong, Macau and other locations; and the work sites owned and/or held by the Group in the Chinese mainland, Hong Kong and Macau for a term of three years commenced from 1 July 2023 and ending on 30 June 2026. Upon successful tender, the maximum total amounts payable for the Services by the Group to the COPL Group under the New COPL Services Agreement for the period from 1 July 2023 to 31 December 2023 shall not exceed HK$133 million, for the financial year ending 31 December 2024 shall not exceed HK$308 million, for the financial year ending 31 December 2025 shall not exceed HK$493 million and for the period from 1 January 2026 to 30 June 2026 shall not exceed HK$299 million (the "New COPL Services Caps").

As the New COPL Services Caps were more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the New COPL Services Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

An announcement containing details of the New COPL Services Agreement was made on 28 April 2023.

For the period from 1 January 2023 to 30 June 2023, the total amount payable for the services by the Group to the COPL Group under the COPL Services Agreement was HK$54,976,652.

For the period from 1 July 2023 to 31 December 2023, the total amount payable for the services by the Group to the COPL Group under the New COPL Services Agreement was HK$55,417,416.

B.11 COLI Supply of Materials Framework Agreement (dated 28 April 2021) Supplemental Agreement (dated 3 May 2022)

(1 July 2021 to 30 June 2024)

On 28 April 2021, the Company and COLI entered into a COLI Supply of Materials Framework Agreement whereby (i) the COLI Group may supply civil-works, electromechanical and renovation items, goods or materials (the "Materials") for the construction projects of the Group in the Chinese mainland (the "Projects") upon the Group's request in accordance with the tendering procedures of the Group from time to time for a term of three years commenced from 1 July 2021 and ending on 30 June 2024 (both dates inclusive) subject to the Supply of Materials Caps (as defined below); and (ii) the Group may engage the COLI Group as supplier of the Materials for the Projects upon the COLI Group's successful tender. Upon successful tender, the maximum total contract sums in respect of the supply of the Materials for the Projects that may be awarded by the Group to the COLI Group under the COLI Supply of Materials Framework Agreement for the period between 1 July 2021 and 31 December 2021 shall not exceed RMB150 million (approximately HK$176 million), for the year ended 31 December 2022 shall not exceed RMB360 million (approximately HK$424 million), for the year ended 31 December 2023 shall not exceed RMB430 million (approximately HK$506 million), and for the period between 1 January 2024 and 30 June 2024 shall not exceed RMB260 million (approximately HK$306 million) (the "Supply of Materials Cap(s)").

As the highest Supply of Materials Cap was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the COLI Supply of Materials Framework Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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

As the highest Revised Supply of Materials Cap was more than 0.1% but less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules, the transactions contemplated under the Supplemental Agreement were subject to annual review, reporting and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2023, the total contract sum awarded by the Group to the COLI Group under the COLI Supply of Materials Framework Agreement (as supplemented by the Supplemental Agreement) was RMB259,269,499.

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

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

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

(ii) on normal commercial terms or better; and

(iii) according to the terms of the relevant agreements governing each of the continuing connected transactions on terms that were fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

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

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

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

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

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the relevant annual cap during the financial year ended 31 December 2023.

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

EY 安永

To the shareholders of China State Construction International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 119 to 228, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction works	
For the year ended 31 December 2023, the Group recognised revenue from construction works of approximately HK$106,000 million, including revenue from construction contracts, construction related investment projects and facade contracting business. The Group's revenue from construction works is recognised over time using the input method of which the progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs. Most of the construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidated damages. Significant management judgements were required for estimations of revenue, budgeted costs as well as the progress of related construction works and these estimations had significant impact on the amount and timing of revenue recognised. The accounting policies and disclosures in relation to the revenue recognition from construction works are included in notes 4.27, 6.1 and 7 to the consolidated financial statements.	Our audit procedures to assess the revenue recognition from construction works included the following: • understanding and evaluating the Group's process and control over contract revenue recognition and budget estimation; • testing the calculation of the revenue and profit recognised from construction contracts; • discussing with management and the respective project teams about the progress of major projects and the assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts; • testing, on a sample basis, the actual costs incurred on construction works during the reporting period; • testing, on a sample basis, the supporting documents of the budgets, which include sub-contracting contracts, material purchase contracts/ invoices and price quotations, etc.; and • comparing last year's budget against the current year's budget or actual costs incurred for major contracts on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
As at 31 December 2023, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK$134,000 million in aggregate, representing approximately 54% of the Group's total assets. Significant management judgement and estimates were required in assessing the recoverability of trade receivables and contract assets, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions. Management judgements have a significant impact on the level of loss allowance required for trade receivables and contract assets. The accounting policies and disclosures in relation to the recoverability of trade receivables and contract assets are included in notes 4.10, 4.17, 6.3, 27 and 31 to the consolidated financial statements.	Our audit procedures to assess the recoverability of trade receivables and contract assets included the following: • understanding and evaluating the design and operating effectiveness of management control over the collection and the impairment assessment of the trade receivables and contract assets; • testing, on a sample basis, the ageing of trade receivables at year end; • testing, on a sample basis, subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • in respect of material trade receivable and contract asset balances, inspecting relevant contracts and correspondence with the customers, and assessing their creditworthiness with reference to publicly available information, where applicable; • in respect of material trade receivable balances which are past due, inspecting correspondence with the customers, evaluating their historical progress payment records, assessing whether the customers are experiencing financial difficulties, and any default or delinquency in interest or principal payments, where applicable; and • obtaining and reviewing the expected credit loss calculation prepared by management.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of concession operating rights	
The Group's concession operating rights represent the rights to operate and charge for usage of toll expressways in Chinese mainland and are recognised as non-current assets with a net carrying amount of approximately HK$3,000 million as at 31 December 2023. Management performs an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist. Significant management judgement is required to determine the recoverable amounts of the concession operating rights. The Group engaged external valuer to perform valuation of the recoverable amounts of the concession operating rights as at 31 December 2023 and which considered information from a variety sources such as expectations of future traffic volumes, expected future toll fee levels, length of operating rights, maintenance costs and discount rates. The accounting policies and disclosures in relation to the impairment of concession operating rights are included in notes 4.9, 6.5 and 22 to the consolidated financial statements.	Our audit procedures to assess impairment of concession operating rights included the following: • obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and consider its objectivity and independence; • involving our internal valuation specialists to assist us in the assessment of the valuation methodology and discount rates adopted in the valuation; and • assessing the key assumptions adopted by management in the calculation of value-in-use, including the expected future traffic volumes, toll fee level projections, length of operating rights, and maintenance costs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- 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.

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

21 March 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	7	**113,734,013**	101,975,265
Costs of sales		**(97,395,103)**	(87,956,732)
Gross profit		**16,338,910**	14,018,533
Investment income, other income and other gains/(losses), net	9	**647,339**	1,577,205
Administrative, selling and other operating expenses		**(2,622,901)**	(2,434,764)
Share of profits of			
Joint ventures		**629,969**	275,196
Associates		**314,539**	333,934
Finance costs	10	**(3,204,309)**	(2,991,419)
Profit before tax		**12,103,547**	10,778,685
Income tax expenses, net	12	**(2,390,599)**	(2,309,221)
Profit for the year	13	**9,712,948**	8,469,464
Profit for the year attributable to:			
Owners of the Company		**9,164,045**	7,956,876
Holders of perpetual capital securities		**304,788**	295,824
Non-controlling interests		**244,115**	216,764
		9,712,948	8,469,464
Earnings per share (HK$)	15		
Basic		**1.82**	1.58
Diluted		**1.82**	1.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**9,712,948**	8,469,464
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss in subsequent periods		
Loss on fair value changes of debt securities at fair value through other comprehensive income	**(99,090)**	(97,783)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	**3,835**	7,311
Impairment loss on debt securities at fair value through other comprehensive income	**117,782**	–
Exchange differences on translation of subsidiaries	**(2,205,690)**	(3,122,734)
Exchange differences on translation of joint ventures	**(448,910)**	(1,209,852)
Exchange differences on translation of associates	**(86,535)**	(212,060)
Items that will not be reclassified to profit or loss in subsequent periods		
Gain on fair value changes of investment properties transferred from property, plant and equipment, net of tax	**–**	11,668
Other comprehensive loss for the year, net of tax	**(2,718,608)**	(4,623,450)
Total comprehensive income for the year	**6,994,340**	3,846,014
Total comprehensive income for the year attributable to:		
Owners of the Company	**6,512,094**	3,458,767
Holders of perpetual capital securities	**304,788**	295,824
Non-controlling interests	**177,458**	91,423
	6,994,340	3,846,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current Assets			
Property, plant and equipment	16	**5,664,826**	4,869,816
Right-of-use assets	17	**600,332**	570,025
Investment properties	18	**6,923,849**	7,080,272
Interests in infrastructure project investments	19	**3,651,302**	4,742,261
Interests in joint ventures	20(a)	**16,916,238**	16,771,131
Interests in associates	21	**6,116,328**	7,482,593
Concession operating rights	22	**3,066,257**	3,328,066
Deferred tax assets	23	**123,170**	119,698
Trademark, project backlogs and licences	24	**216,116**	237,361
Goodwill	24	**577,664**	577,664
Financial assets at fair value through other comprehensive income	25	**388,709**	545,886
Amounts due from investee companies	26	**222,047**	231,481
Trade and other receivables	27	**55,600,846**	53,285,839
Loans to joint ventures	28	**1,283,721**	827,673
		101,351,405	100,669,766
Current Assets			
Interests in infrastructure project investments	19	**525,589**	471,693
Inventories	29	**522,852**	590,246
Properties under development	30	**6,289,737**	6,827,851
Properties held for sale		**4,078,986**	1,567,758
Contract assets	31	**21,593,655**	18,777,148
Trade and other receivables	27	**75,414,120**	65,830,023
Deposits and prepayments		**970,266**	877,898
Loan to a joint venture	28	**–**	340,727
Amounts due from joint ventures	28	**8,989,059**	8,307,400
Amounts due from associates	32	**564,697**	318,675
Amounts due from related companies	33	**106,870**	200,620
Tax recoverable		**404,560**	188,825
Bank balances and cash	34	**28,462,889**	23,881,499
		147,923,280	128,180,363

Consolidated Statement of Financial Position (continued)

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Current Liabilities			
Contract liabilities	31	**9,926,742**	8,503,090
Trade payables, other payables and accruals	35	**74,884,549**	69,736,719
Deposits received		**49,129**	53,164
Amounts due to joint ventures	28	**1,184,331**	840,486
Amounts due to associates	32	**134,637**	58,438
Amounts due to related companies	33	**352,565**	455,618
Tax payables		**6,136,831**	5,481,524
Bank borrowings	36	**16,515,007**	13,719,657
Guaranteed notes payable and corporate bonds	41	**2,753,304**	2,980,184
Loans from a fellow subsidiary	37	**660,793**	909,091
Loan from a joint venture	43	**2,643,172**	–
Lease liabilities	17	**114,435**	86,671
		115,355,495	102,824,642
Net Current Assets		**32,567,785**	25,355,721
Total Assets less Current Liabilities		**133,919,190**	126,025,487
Capital and Reserves			
Share capital	38	**125,940**	125,940
Share premium and reserves	39	**61,597,479**	57,664,221
Equity attributable to owners of the Company		**61,723,419**	57,790,161
Perpetual capital securities	40	**10,017,782**	7,801,154
Non-controlling interests		**2,536,418**	2,205,139
		74,277,619	67,796,454
Non-current Liabilities			
Bank borrowings	36	**51,310,456**	45,457,207
Guaranteed notes payable and corporate bonds	41	**7,008,591**	8,760,252
Contract liabilities	31	**591,473**	663,898
Defined benefit obligations	42	**23,555**	–
Deferred tax liabilities	23	**590,736**	508,208
Loan from a joint venture	43	**–**	2,727,273
Lease liabilities	17	**116,760**	112,195
		59,641,571	58,229,033
		133,919,190	126,025,487

On behalf of the Board

Zhang Haipeng
Director

Wang Xiaoguang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 38)	Share premium and reserves HK$'000 (Note 39)	Total HK$'000	Perpetual capital securities HK$'000 (Note 40)	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	125,940	56,320,225	56,446,165	7,793,930	1,976,176	66,216,271
Profit for the year	–	7,956,876	7,956,876	295,824	216,764	8,469,464
Loss on fair value changes of debt securities at fair value through other comprehensive income	–	(97,783)	(97,783)	–	–	(97,783)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	–	7,311	7,311	–	–	7,311
Gain on fair value changes of investment properties transferred from property, plant and equipment, net of tax	–	8,470	8,470	–	3,198	11,668
Exchange differences on translation of subsidiaries	–	(2,994,195)	(2,994,195)	–	(128,539)	(3,122,734)
Exchange differences on translation of joint ventures	–	(1,209,852)	(1,209,852)	–	–	(1,209,852)
Exchange differences on translation of associates	–	(212,060)	(212,060)	–	–	(212,060)
Total comprehensive income for the year	–	3,458,767	3,458,767	295,824	91,423	3,846,014
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	32,990	32,990	–	1,137	34,127
Contribution from non-controlling interests of subsidiaries	–	–	–	–	77,419	77,419
Distribution paid on perpetual capital securities	–	–	–	(288,600)	–	(288,600)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(67,563)	(67,563)
Disposal of partial interest in a subsidiary (Note 39(e))	–	92,481	92,481	–	126,547	219,028
2021 final dividend paid	–	(1,032,711)	(1,032,711)	–	–	(1,032,711)
2022 interim dividend paid	–	(1,209,028)	(1,209,028)	–	–	(1,209,028)
Unclaimed dividends forfeited	–	1,497	1,497	–	–	1,497
Total transactions with owners, recognised directly in equity	–	(2,114,771)	(2,114,771)	(288,600)	137,540	(2,265,831)
At 31 December 2022	125,940	57,664,221	57,790,161	7,801,154	2,205,139	67,796,454

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 38)	Share premium and reserves HK$'000 (Note 39)	Total HK$'000	Perpetual capital securities HK$'000 (Note 40)	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2023	125,940	57,664,221	57,790,161	7,801,154	2,205,139	67,796,454
Profit for the year	–	9,164,045	9,164,045	304,788	244,115	9,712,948
Loss on fair value changes of debt securities at fair value through other comprehensive income	–	(99,090)	(99,090)	–	–	(99,090)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at fair value through other comprehensive income	–	3,835	3,835	–	–	3,835
Impairment loss on debt securities at fair value through other comprehensive income	–	117,782	117,782	–	–	117,782
Exchange differences on translation of subsidiaries	–	(2,139,033)	(2,139,033)	–	(66,657)	(2,205,690)
Exchange differences on translation of joint ventures	–	(448,910)	(448,910)	–	–	(448,910)
Exchange differences on translation of associates	–	(86,535)	(86,535)	–	–	(86,535)
Total comprehensive income for the year	–	6,512,094	6,512,094	304,788	177,458	6,994,340
Issuance of perpetual capital securities	–	–	–	2,200,440	–	2,200,440
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	–	6,037	6,037	–	533	6,570
Contribution from non-controlling interests of subsidiaries	–	–	–	–	205,360	205,360
Distribution paid on perpetual capital securities	–	–	–	(288,600)	–	(288,600)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	(52,072)	(52,072)
2022 final dividend paid	–	(1,209,028)	(1,209,028)	–	–	(1,209,028)
2023 interim dividend paid	–	(1,385,345)	(1,385,345)	–	–	(1,385,345)
Transfer to special reserve	–	9,500	9,500	–	–	9,500
Total transactions with owners, recognised directly in equity	–	(2,578,836)	(2,578,836)	1,911,840	153,821	(513,175)
At 31 December 2023	125,940	61,597,479	61,723,419	10,017,782	2,536,418	74,277,619

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Operating activities		
Profit before tax	**12,103,547**	10,778,685
Adjustments for:		
Finance costs	**3,204,309**	2,991,419
Interest income	**(297,957)**	(320,560)
Dividend income	**(21,454)**	(7,223)
Gain on fair value changes of investment properties, net	**(305,778)**	(221,817)
Revaluation gain upon transfer from properties held for sale to investment properties	**(121,144)**	(85,154)
Revaluation gain upon transfer from properties under development to investment properties	**–**	(467,034)
Gain on disposal of property, plant and equipment, net	**(5,241)**	(5,071)
Loss/(gain) on disposal of financial assets at fair value through other comprehensive income	**14,871**	(1,625)
Gain on disposal of a subsidiary	**–**	(38,351)
Gain on disposal of a joint venture	**–**	(189,472)
Gain on disposal of an associate	**(33,143)**	(80,654)
Share of profits of joint ventures	**(629,969)**	(275,196)
Share of profits of associates	**(314,539)**	(333,934)
Exchange losses, net	**–**	31
Depreciation of property, plant and equipment	**552,543**	402,007
Depreciation of right-of-use assets	**122,071**	99,726
Amortisation of concession operating rights	**161,674**	168,262
Amortisation of trademark and licences	**17,424**	17,693
Allowance for doubtful debts on trade and other receivables, net	**93,046**	37,697
Impairment of debt securities at fair value through other comprehensive income	**117,782**	–
Share-based payment	**6,570**	34,127
Provision for defined benefit obligations	**23,555**	–
Operating cash flows before working capital changes	**14,688,167**	12,503,556
Decrease/(increase) in income receivables from infrastructure project investments	**1,052,362**	(39,038)
Decrease/(increase) in inventories	**55,310**	(245,048)
Increase in properties under development	**(3,432,302)**	(2,841,743)
Decrease in properties held for sale	**1,045,081**	240,298
Changes in net balances in contract assets/liabilities	**(1,602,777)**	(6,768,146)
Increase in trade and other receivables	**(16,236,180)**	(13,972,263)
(Increase)/decrease in deposits and prepayments	**(108,146)**	209,494
Increase in trade payables, other payables and accruals	**6,881,170**	13,192,930
Decrease in deposits received	**(3,316)**	(8,349)
Net cash from operations	**2,339,369**	2,271,691
Income taxes paid	**(1,891,387)**	(2,233,627)
Income taxes refunded	**53,012**	174,055
Net cash from operating activities	**500,994**	212,119

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Investing activities		
Interest received	**283,783**	241,247
Purchases of property, plant and equipment	**(562,479)**	(362,863)
Proceeds from disposal of property, plant and equipment	**52,594**	29,455
Proceeds from disposal of a subsidiary	**–**	427,291
Net movement of current accounts with joint ventures	**(88,262)**	(2,128,311)
Net movement of loans to joint ventures	**(134,243)**	320,840
Increase in investments in joint ventures	**(471,806)**	(677,700)
Proceeds from disposal of a joint venture	**–**	965,328
Dividends received from joint ventures	**507,758**	249,987
Net movement of current accounts with associates	**78,000**	(368,277)
Decrease in investments in associates	**752,520**	964,412
Proceeds from disposal of an associate	**499,131**	370,930
Dividends received from associates	**110,737**	590,818
Net movement of current accounts with related companies	**(90,397)**	(89,367)
Repayment from an investee company	**9,434**	–
Purchases of investment properties	**(146,703)**	–
Payments for right-of-use assets	**(2,942)**	–
Proceeds from disposal of partial interest in a subsidiary	**–**	219,028
Purchase of financial assets at fair value through other comprehensive income	**–**	(82,156)
Dividends received from equity securities at fair value through other comprehensive income	**21,454**	7,223
Proceeds from disposal of financial assets at fair value through other comprehensive income	**46,938**	140,507
Decrease/(increase) in pledged bank deposits and non-pledged time deposits with original maturity of over three months	**308,073**	(317,549)
Net cash from investing activities	**1,173,590**	500,843

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Financing activities			
Finance costs paid		**(3,308,833)**	(3,040,000)
Dividends paid to owners of the Company		**(2,594,373)**	(2,241,739)
Dividends paid to non-controlling shareholders of subsidiaries		**(52,072)**	(67,563)
Contribution from non-controlling interests		**205,360**	77,419
Proceeds from issuance of perpetual capital securities, net		**2,200,440**	–
Distribution paid on perpetual capital securities		**(288,600)**	(288,600)
Proceeds from issuance of corporate bonds, net	45	**1,230,425**	4,112,808
Redemption of guaranteed notes payable and corporate bonds	45	**(2,796,421)**	(4,290,000)
New bank borrowings raised	45	**34,695,271**	26,370,908
Repayment of bank borrowings	45	**(24,384,823)**	(21,297,486)
Net (repayment of loans)/loans from a fellow subsidiary	45	**(223,714)**	232,082
Principal elements of lease payments	45	**(134,273)**	(94,847)
Net cash from/(used in) financing activities		**4,548,387**	(527,018)
Increase in cash and cash equivalents		**6,222,971**	185,944
Cash and cash equivalents at the beginning of the year		**23,501,181**	24,339,871
Effect of foreign exchange rate changes		**(1,332,514)**	(1,024,634)
Cash and cash equivalents at the end of the year		**28,391,638**	23,501,181
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**28,462,889**	23,881,499
Less: Pledged bank deposits		**(66,451)**	(6,367)
Non-pledged time deposits with original maturity of over three months		**(4,800)**	(373,951)
		28,391,638	23,501,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the construction business, infrastructure project investments, toll road operation, project consultancy services and facade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 51, 20(a) and 21 to the consolidated financial statements, respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 21 March 2024.

2. BASIS OF PREPARATION

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

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

3. APPLICATION OF NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS

(a) The adoption of new standard and amendments to existing standards

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. There is no material impact on the Group because the entities comprising the Group are operating in jurisdictions where the Pillar Two tax law is not enacted, and for those jurisdictions where it has been enacted, it does not have a material impact on the Group. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

3. APPLICATION OF NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS *(continued)*

(b) Amendments to existing standards not yet effective

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group will adopt the above amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

4. MATERIAL 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 2023.

(a) Subsidiaries

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

Business combinations – common control combinations

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

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

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

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

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

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.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(a) Subsidiaries (continued)

Business combinations – acquisition method *(continued)*

Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(a) Subsidiaries (continued)

Separate financial statements

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

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

(b) Associates

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(b) *Associates (continued)*

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

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

(c) *Joint arrangements*

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

Joint ventures

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.1 Consolidation *(continued)*

(c) Joint arrangements (continued)

Joint operations

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

4.2 Segment reporting

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

4.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.3 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.5 Leases

(a) *The Group as a lessee*

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.5 Leases *(continued)*

(a) *The Group as a lessee (continued)*

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

(b) *The Group as a lessor*

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.6 Investment properties

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

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

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

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

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

4.7 Interests in infrastructure project investments

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.8 Services concession arrangements

(a) Consideration given by the grantor

A financial asset is recognised to the extent that (i) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (ii) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (i) specified or determinable amounts or (ii) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset is accounted for in accordance with the policy set out for debt securities at amortised costs under "Investments and other financial assets" below.

An intangible asset (concession operating rights) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The intangible asset (concession operating rights) is accounted for in accordance with the policy set out for "Intangible assets" below. If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

(b) Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its rights, that is (i) to maintain the toll roads it operates to a specified level of serviceability and/or (ii) to restore the toll roads to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the toll roads, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.9 Intangible assets

(a) *Goodwill*

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

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

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

(b) *Trademark, project backlogs and licences*

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.9 Intangible assets *(continued)*

(c) Concession operating rights

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

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

Amortisation of concession operating rights is calculated to write off their costs, commencing from the date of commencement of commercial operation of the underlying toll expressways to the end of the respective concession periods of 30 years. The annual amortisation of concession operating rights is calculated by using the straight-line method over the concession periods.

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

4.10 Investments and other financial assets

(a) Classification

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt securities

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

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

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

Equity securities

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(d) Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt securities at FVOCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt securities are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt securities.

Debt securities at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.10 Investments and other financial assets *(continued)*

(d) Impairment (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group determines the ECLs based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4.11 Offsetting financial instruments

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

4.12 Impairment of non-financial assets

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

4.13 Inventories

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

4.14 Properties held for sale

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.15 Properties under development

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

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

Amounts due from joint ventures, associates and related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Amounts due to joint ventures, associates and related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.17 Trade and other receivables

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

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

4.18 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.19 Share capital

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.20 Trade payables, other payables and accruals

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

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

4.21 Borrowings

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

4.22 Borrowing costs

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.22 Borrowing costs *(continued)*

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

4.23 Taxation

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

Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case the tax is also recognised in OCI or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 and does not give rise to equal taxable and deductible temporary difference. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.23 Taxation *(continued)*

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

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

4.24 Provisions

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

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

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

4.25 Employee benefits

(a) Retirement benefits

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

Pursuant to the relevant regulations of the government in Chinese mainland, the subsidiaries in Chinese mainland 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 Chinese mainland 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.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.25 Employee benefits *(continued)*

(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.

(c) Other employee benefits

Defined benefit plans

The Group's statutory obligation to pay long service payment in Hong Kong is a defined benefit plan. The cost of providing benefits relating to long service payment is determined using the projected unit credit actuarial valuation method. The liability recognised in the consolidated statement of financial position in respect of long service payment is the net obligation, representing the present value of the future long service payment benefits reduced by entitlements from accrued benefits arising from MPF contributions made by the Group.

Remeasurements arising from the defined benefit pension plans, comprising

- actuarial gains and losses; and
- investment returns associated with the MPF employer contributions and other experience adjustments (excluding amounts included in net interest on the net defined benefit liability)

are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.25 Employee benefits *(continued)*

(c) Other employee benefits (continued)

Defined benefit plans *(continued)*

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "costs of sales" and "administrative, selling and other operating expenses" in the consolidated income statement by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

4.26 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

(b) Share-based payment transactions among group entities

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

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition

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

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

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

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

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

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

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

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

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

(a) Revenue from contracts with customers

(i) Revenue from construction contracts

Revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If (1) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or (2) construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition *(continued)*

(a) Revenue from contracts with customers (continued)

(ii) Thermoelectricity business

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

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

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

(iii) Toll revenue

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

(iv) Sales of goods

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

(v) Services income

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition *(continued)*

(b) *Revenue from other sources*

(i) Income from interests in infrastructure project investment

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

(ii) Lease of machinery

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

(iii) Insurance income

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

(iv) Interest income generated from construction related investment projects

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

(v) Interest income

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

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

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

(vi) Dividend income

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.27 Revenue recognition *(continued)*

(b) Revenue from other sources (continued)

(vii) Rental income

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

4.28 Government grant

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

4.29 Contingent liabilities and contingent assets

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

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

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

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

4.30 Insurance contracts

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.31 Dividends distribution

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4.32 Contract related assets and contract liabilities

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

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

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

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

4.33 Perpetual capital securities

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

4. MATERIAL ACCOUNTING POLICIES *(continued)*

4.34 Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial instruments by category

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost		
Interests in infrastructure project investments	**4,176,891**	5,213,954
Amounts due from investee companies	**222,047**	231,481
Loans to joint ventures	**1,283,721**	1,168,400
Amounts due from joint ventures	**8,989,059**	8,307,400
Amounts due from associates	**564,697**	318,675
Amounts due from related companies	**106,870**	200,620
Trade and other receivables	**124,921,580**	113,518,199
Deposits	**29,138**	42,879
Bank balances and cash	**28,462,889**	23,881,499
Financial assets at fair value through other comprehensive income	**388,709**	545,886
	169,145,601	153,428,993
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables, other payables and accruals	**74,884,549**	69,736,719
Deposits received	**49,129**	53,164
Amounts due to joint ventures	**1,184,331**	840,486
Amounts due to associates	**134,637**	58,438
Amounts due to related companies	**352,565**	455,618
Bank borrowings	**67,825,463**	59,176,864
Guaranteed notes payable and corporate bonds	**9,761,895**	11,740,436
Loans from a fellow subsidiary	**660,793**	909,091
Loan from a joint venture	**2,643,172**	2,727,273
Lease liabilities	**231,195**	198,866
	157,727,729	145,896,955

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

(a) Market risk

(i) Currency risk

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

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

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

At 31 December 2023, if HK$ had weakened/strengthened 5% (2022: 5%) against RMB with all other variables held constant, the consolidated profit before tax for the year would have been approximately HK$3,117,000 higher/lower (2022: HK119,062,000 lower/higher).

(ii) Interest rate risk

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Interest rate risk *(continued)*

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

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2022: 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 (2022: 50) basis points higher/lower with all other variables held constant, the profit before tax would decrease/increase by approximately HK$110,701,000 (2022: HK$100,370,000).

(b) Credit risk

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in Chinese mainland.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(b) Credit risk (continued)

The credit risk on amounts due from investee companies, joint ventures and associates and loans to joint ventures is limited because the counterparties, which are engaged in property development, property investment and provision of construction services in Hong Kong, Chinese mainland and Macau, have strong financial positions.

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

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

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Financial risk factors *(continued)*

(c) *Liquidity risk*

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

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

	Within one year or on demand HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
The Group					
At 31 December 2023					
Trade payables, other payables and accruals	**61,530,828**	**7,555,774**	**5,792,858**	**5,089**	**74,884,549**
Deposits received	**49,129**	**–**	**–**	**–**	**49,129**
Amounts due to joint ventures	**1,184,331**	**–**	**–**	**–**	**1,184,331**
Amounts due to associates	**134,637**	**–**	**–**	**–**	**134,637**
Amounts due to related companies	**352,565**	**–**	**–**	**–**	**352,565**
Bank borrowings	**20,390,814**	**20,528,395**	**31,642,397**	**6,726,222**	**79,287,828**
Guaranteed notes payable and corporate bonds	**3,044,449**	**2,874,933**	**4,524,193**	**–**	**10,443,575**
Loans from a fellow subsidiary	**671,319**	**–**	**–**	**–**	**671,319**
Loan from a joint venture	**2,666,316**	**–**	**–**	**–**	**2,666,316**
Lease liabilities	**119,183**	**70,466**	**40,748**	**11,785**	**242,182**
	90,143,571	**31,029,568**	**42,000,196**	**6,743,096**	**169,916,431**
At 31 December 2022					
Trade payables, other payables and accruals	58,294,185	6,086,048	5,339,997	16,489	69,736,719
Deposits received	53,164	–	–	–	53,164
Amounts due to joint ventures	840,486	–	–	–	840,486
Amounts due to associates	58,438	–	–	–	58,438
Amounts due to related companies	455,618	–	–	–	455,618
Bank borrowings	16,763,467	18,248,095	21,977,127	12,642,127	69,630,816
Guaranteed notes payable and corporate bonds	3,187,854	3,102,914	6,256,426	–	12,547,194
Loans from a fellow subsidiary	937,386	–	–	–	937,386
Loan from a joint venture	185,455	2,751,153	–	–	2,936,608
Lease liabilities	91,157	61,707	50,795	10,955	214,614
	80,867,210	30,249,917	33,624,345	12,669,571	157,411,043

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, redeem guaranteed notes 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 bank borrowings, guaranteed notes payable and corporate bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company, perpetual capital securities and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 66.1% (2022: 69.4%) as at 31 December 2023.

5.4 Fair value estimation

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

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

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

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023 and 2022.

	At 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Debt and equity securities at FVOCI				
Listed debt securities	**192,875**	**–**	**–**	**192,875**
Unlisted equity securities	**–**	**–**	**195,834**	**195,834**
	192,875	**–**	**195,834**	**388,709**

	At 31 December 2022			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Debt and equity securities at FVOCI				
Listed debt securities	349,939	–	–	349,939
Unlisted equity securities	–	–	195,947	195,947
	349,939	–	195,947	545,886

There were no transfers between the levels during the year (2022: Nil).

The following table presents the changes in level 3 instruments for the years ended 31 December 2023 and 2022:

	Equity securities at FVOCI	
	2023	2022
	HK$'000	HK$'000
At 1 January	**195,947**	197,294
Exchange adjustments	**(113)**	(306)
Disposal	**–**	(1,041)
At 31 December	**195,834**	195,947

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation *(continued)*

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

6.1 Progress of construction works

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

6.2 Estimation of foreseeable losses in respect of construction works

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

6.3 Recoverability of receivables, contract assets and amounts due from related parties

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

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

6.5 Impairment of concession operating rights

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

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

6.6 Estimate of fair value of investment properties

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

6.7 Income and deferred tax

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

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

7. REVENUE

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

An analysis of the revenue is as follows:

	Notes	2023 HK$'000	2022 HK$'000
Revenue from construction contracts		**40,215,032**	45,219,645
Revenue from construction related investment projects	(a)	**63,592,981**	49,243,336
Revenue from facade contracting business		**5,008,692**	4,596,232
Revenue from infrastructure operation	(b)	**774,979**	791,688
Others	(c)	**4,142,329**	2,124,364
		113,734,013	101,975,265
Revenue from contracts with customers	(d)		
Timing of revenue recognition			
– Over time		**106,429,594**	95,921,767
– At a point in time		**3,355,623**	1,577,115
		109,785,217	97,498,882
Revenue from other sources			
– Interest income generated from construction related investment projects		**3,287,939**	4,082,619
– Others	(e)	**660,857**	393,764
		3,948,796	4,476,383
		113,734,013	101,975,265

Notes:

(a) Revenue from construction related investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership ("PPP") model and government targeted repurchase of resettlement housing project, and the corresponding interest income.

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

(c) Revenue from others mainly comprises revenue from industrial plant reconstruction, project consultancy services, sales of building materials, machinery leasing, insurance contracts and rental income from investment properties.

(d) The revenue recognised for the years ended 31 December 2023 and 2022 are recognised over time, except for toll road operation, sales of building materials and industrial plant reconstruction of approximately HK$151,649,000 (2022: HK$151,983,000), HK$2,221,708,000 (2022: HK$815,597,000) and HK$982,266,000 (2022: HK$609,535,000), respectively, which were recognised at a point in time.

(e) The amount mainly comprises revenue from machinery leasing, insurance contracts and rental income from investment properties.

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 Chinese mainland (other than Hong Kong and Macau), Hong Kong and Macau.

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

Segment revenue and results for the years ended 31 December 2023 and 2022 are as follows:

	Segment revenue		Gross profit		Segment results	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segments						
Chinese mainland	**66,185,389**	48,631,132	**12,854,800**	11,014,847	**11,557,993**	10,283,783
Hong Kong and Macau	**41,591,707**	47,755,975	**2,508,392**	2,270,764	**1,985,785**	1,815,049
Hong Kong	**30,821,983**	37,214,275	**1,543,500**	1,700,777	**1,025,539**	1,271,039
Macau	**10,769,724**	10,541,700	**964,892**	569,987	**960,246**	544,010
CSC Development Group	**5,956,917**	5,588,158	**975,718**	732,922	**812,558**	471,690
	113,734,013	101,975,265	**16,338,910**	14,018,533	**14,356,336**	12,570,522
Share of revenue/results of joint ventures	**3,717,868**	4,400,665			**629,969**	275,196
Total	**117,451,881**	106,375,930			**14,986,305**	12,845,718
Unallocated corporate (expense)/income					**(26,131)**	281,975
Gain on disposal of a subsidiary					**–**	38,351
Gain on disposal of a joint venture					**–**	189,472
Gain on disposal of an associate					**33,143**	80,654
Share of profits of associates					**314,539**	333,934
Finance costs					**(3,204,309)**	(2,991,419)
Profit before tax					**12,103,547**	10,778,685

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

Segment revenue of the CSC Development Group represents revenue from facade contracting business, project consultancy services, general contracting business, thermoelectricity business and operations management derived from Hong Kong, Macau, Chinese mainland and overseas operations.

The revenue, gross profit and results of the Group are allocated based on operations of the segments. Taxation is not allocated to reportable segments.

Operating and reportable segment results represent the profit/loss earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains/(losses), net, finance costs, share of profits of associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Chinese mainland		Hong Kong		Macau		CSC Development Group		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Allowance for/(reversal of allowance for) doubtful debts on trade and other receivables	**97,518**	–	**-**	–	**15**	–	**(4,487)**	37,697	**93,046**	37,697
Depreciation and amortisation	**369,393**	297,823	**256,052**	191,747	**18,220**	16,333	**210,047**	181,785	**853,712**	687,688
(Gain)/loss on disposal of property, plant and equipment	**2,079**	344	**3,249**	4,808	**-**	–	**(87)**	(81)	**5,241**	5,071

8. SEGMENT INFORMATION *(continued)*

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Chinese mainland	**8,629,639**	8,635,226	**340,790**	230,869
Hong Kong	**5,777,973**	5,766,974	**177,587**	110,137
Macau	**2,141,455**	1,767,180	**37,197**	21,378
Others	**499,977**	493,824	**6,905**	479
	17,049,044	16,663,204	**562,479**	362,863

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

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

The information of the CSC Development Group was allocated to the Hong Kong, Macau, Chinese mainland 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 2023 and 2022, no revenue from sales to a single customer represents 10 percent or more of the Group's total revenue.

9. INVESTMENT INCOME, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2023 HK$'000	2022 HK$'000
Interest income on:		
Bank deposits	**266,932**	209,136
Debt securities at FVOCI	**15,691**	27,580
Loans to joint ventures	**13,835**	24,829
Loans to associates	**340**	54,903
Deposits with a fellow subsidiary	**1,159**	4,112
Dividend income from equity securities at FVOCI	**21,454**	7,223
Gain on disposal of:		
Property, plant and equipment, net	**5,241**	5,071
A subsidiary	**–**	38,351
A joint venture	**–**	189,472
An associate	**33,143**	80,654
Gain on fair value changes of investment properties, net	**305,778**	221,817
Revaluation gain upon transfer from properties held for sale to investment properties	**121,144**	85,154
Revaluation gain upon transfer from properties under development to investment properties	**–**	467,034
Service income	**8,255**	29,469
Others	**(145,633)**	132,400
	647,339	1,577,205

10. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings	**2,727,070**	2,319,472
Interest on guaranteed notes payable and corporate bonds	**357,045**	485,982
Interest on loan from a joint venture	**220,172**	216,546
Interest on loans from a fellow subsidiary	**19,399**	29,697
Interest on lease liabilities	**6,090**	9,929
Others	**823**	3,216
	3,330,599	3,064,842
Less: Capitalised in the cost of qualifying assets	**(126,290)**	(73,423)
	3,204,309	2,991,419

11. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eleven (2022: nine) directors were as follows:

For the year ended 31 December 2023

	Notes	Fee HK$'000	Other emoluments: Salaries and allowances HK$'000	Other emoluments: Contributions to retirement benefit schemes HK$'000	Other emoluments: Performance related incentive payment HK$'000 (Note (i))	Total emoluments HK$'000
Non-executive Directors						
Yan Jianguo		–	–	–	–	–
Chen Xiaofeng	(ii)	–	–	–	–	–
Executive Directors						
Zhang Haipeng		–	1,847	18	2,923	4,788
Wang Xiaoguang	(iii)	–	1,307	15	2,347	3,669
Zhou Hancheng	(iv)	–	568	6	769	1,343
Hung Cheung Shew		–	4,060	17	3,271	7,348
Independent Non-executive Directors						
Adrian David Li Man Kiu	(v)	179	–	–	–	179
Raymond Leung Hai Ming		362	–	–	–	362
Lee Shing See	(v)	227	–	–	–	227
Wong Wai Ching		362	–	–	–	362
Chan Tze Ching Ignatius	(vii)	232	–	–	–	232
		1,362	7,782	56	9,310	18,510

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

For the year ended 31 December 2022

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

Notes:

(i) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

(ii) Mr. Chen Xiaofeng resigned as a non-executive director of the Company with effect from 20 December 2023.

(iii) Mr. Wang Xiaoguang was appointed as an executive director of the Company with effect from 24 February 2023.

(iv) Mr. Zhou Hancheng resigned as an executive director of the Company with effect from 21 April 2023.

(v) Mr. Adrian David Li Man Kiu and Mr. Lee Shing See retired as independent non-executive directors of the Company with effect from 8 June 2023.

(vi) Ms. Wong Wai Ching was appointed as an independent non-executive director of the Company with effect from 25 March 2022.

(vii) Mr. Chan Tze Ching Ignatius was appointed as an independent non-executive director of the Company with effect from 8 June 2023.

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the years ended 31 December 2023 and 2022.

Of the five individuals with the highest emoluments, two (2022: three) are directors of the Group whose emoluments are disclosed above. Details of the remuneration for the year of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and allowances	**5,532**	4,368
Contributions to retirement benefit schemes	**54**	36
Performance related incentive payments	**7,951**	6,170
	13,537	10,574

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

	2023 **HK$'000**	2022 HK$'000
HK$4,000,001 to HK$4,500,000	**2**	–
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,500,001 to HK$6,000,000	**–**	1
	3	2

(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 (2022: Nil).

12. INCOME TAX EXPENSES, NET

	2023 HK$'000	2022 HK$'000
Current tax:		
Hong Kong profits tax	**202,464**	303,412
Other jurisdictions income tax	**2,394,251**	1,950,713
Chinese mainland land appreciation tax ("LAT")	**24,367**	30,906
Chinese mainland withholding income tax	**–**	15,355
	2,621,082	2,300,386
(Over)/under provision in prior years:		
Hong Kong profits tax	**(152,964)**	2,815
Other jurisdictions income tax	**(153,653)**	(29,122)
	(306,617)	(26,307)
Deferred tax, net (Note 23)	**76,134**	35,142
Income tax expenses for the year, net	**2,390,599**	2,309,221

Hong Kong profits tax is calculated at 16.5% (2022:16.5%) of the estimated assessable profits. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSES, NET *(continued)*

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

	2023 HK$'000	2022 HK$'000
Profit before tax	**12,103,547**	10,778,685
Share of profits of		
Joint ventures	**(629,969)**	(275,196)
Associates	**(314,539)**	(333,934)
	11,159,039	10,169,555
Tax at domestic income tax rate of 16.5% (2022: 16.5%)	**1,841,241**	1,677,977
Effect of different tax rates of profit arising from other jurisdictions	**628,630**	473,552
Chinese mainland withholding income tax	**–**	15,355
LAT	**24,367**	30,906
Tax effect of LAT	**(4,021)**	(5,100)
Tax effect of expenses not deductible for tax purpose	**286,699**	296,722
Tax effect of income not taxable for tax purpose	**(185,910)**	(149,498)
Tax effect of tax losses not recognised	**191,332**	165,586
Tax effect of utilisation of previously unrecognised tax losses	**(64,458)**	(127,246)
Overprovision in prior years	**(306,617)**	(26,307)
Others	**(20,664)**	(42,726)
Tax charge for the year	**2,390,599**	2,309,221

13. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Contracts costs	**96,275,709**	85,954,314
Cost of inventories sold	**518,193**	1,397,477
Cost of supply of heat, steam and electricity	**379,871**	392,299
Employee benefits expense (including directors' emoluments):		
Staff costs	**6,318,011**	6,021,770
Contributions to retirement benefit plans	**401,363**	350,718
Share-based payment	**6,570**	34,127
	6,725,944	6,406,615
Impairment of debt securities at FVOCI	**117,782**	–
Depreciation of property, plant and equipment	**552,543**	402,007
Depreciation of right-of-use assets	**122,071**	99,726
	674,614	501,733
Amortisation of concession operating rights (included in costs of sales)	**161,674**	168,262
Amortisation of trademark and licences (included in administrative, selling and other operating expenses)	**17,424**	17,693
Auditor's remuneration:		
Audit services	**11,425**	9,227
Non-audit services	**1,122**	1,248
	12,547	10,475
Short-term lease expense in respect of:		
Plant and machinery	**134,911**	316,744
Land and buildings	**38,924**	33,194
	173,835	349,938
Rental income from operating leases	**(113,826)**	(118,559)
Less: Direct operating expenses from property that generated rental income	**33,024**	26,804
Net rental income	**(80,802)**	(91,755)
Allowance for doubtful debts on trade and other receivables, net	**93,046**	37,697
Exchange losses, net	**161,809**	49,068

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2023

14. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends recognised as distributions during the year:		
2022 Final, paid – HK24 cents per share (2022: 2021 Final, paid – HK20.5 cents per share)	**1,209,028**	1,032,711
2023 Interim, paid – HK27.5 cents per share (2022: 2022 Interim, paid – HK24 cents per share)	**1,385,345**	1,209,028
	2,594,373	2,241,739

The final dividend of HK28.5 cents (2022: HK24 cents) per share amounting to approximately HK$1,435,721,000 (2022: HK$1,209,028,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**9,164,045**	7,956,876

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,037,617**	5,037,617

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 2023 and 2022.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Heat and electricity supply facilities HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2022	4,262,229	2,200,141	1,423,658	430,453	149,363	182,350	8,648,194
Exchange adjustments	(201,400)	(198,176)	(31,066)	(14,044)	(6,363)	(10,175)	(461,224)
Additions	28,636	2,064	111,616	115,515	13,520	91,512	362,863
Reclassification upon the completion of construction	106,931	51,510	11,844	–	–	(170,285)	–
Transfer between property, plant and equipment and investment properties, net	22,159	–	–	–	–	–	22,159
Transfer from right-of-use assets	36,531	–	1,101	–	–	–	37,632
Disposals	(70,883)	(509)	(43,158)	(14,161)	(11,315)	–	(140,026)
At 31 December 2022 and 1 January 2023	**4,184,203**	**2,055,030**	**1,473,995**	**517,763**	**145,205**	**93,402**	**8,469,598**
Exchange adjustments	**(52,009)**	**(74,920)**	**(13,429)**	**(6,823)**	**(2,305)**	**(2,121)**	**(151,607)**
Additions	**165,112**	**12,891**	**179,350**	**135,082**	**23,300**	**46,744**	**562,479**
Reclassification upon the completion of construction	**12,639**	**10,029**	**1,403**	**–**	**–**	**(24,071)**	**–**
Transfer between property, plant and equipment and investment properties, net	**926,675**	**–**	**–**	**–**	**–**	**–**	**926,675**
Disposals	**(26,242)**	**–**	**(85,728)**	**(33,649)**	**(12,167)**	**–**	**(157,786)**
At 31 December 2023	**5,210,378**	**2,003,030**	**1,555,591**	**612,373**	**154,033**	**113,954**	**9,649,359**
Depreciation							
At 1 January 2022	821,258	1,175,883	1,115,515	281,729	110,451	–	3,504,836
Exchange adjustments	(48,777)	(113,598)	(13,505)	(8,844)	(4,670)	–	(189,394)
Charge for the year	155,070	67,319	93,730	72,705	13,183	–	402,007
Transfer between property, plant and equipment and investment properties	(9,211)	–	–	–	–	–	(9,211)
Transfer from right-of-use assets	6,085	–	1,101	–	–	–	7,186
Disposals	(54,045)	(480)	(39,295)	(12,148)	(9,674)	–	(115,642)
At 31 December 2022 and 1 January 2023	**870,380**	**1,129,124**	**1,157,546**	**333,442**	**109,290**	**–**	**3,599,782**
Exchange adjustments	**(19,435)**	**(26,777)**	**(5,752)**	**(3,749)**	**(1,646)**	**–**	**(57,359)**
Charge for the year	**257,409**	**101,607**	**111,489**	**67,964**	**14,074**	**–**	**552,543**
Disposals	**(22,212)**	**–**	**(64,887)**	**(13,803)**	**(9,531)**	**–**	**(110,433)**
At 31 December 2023	**1,086,142**	**1,203,954**	**1,198,396**	**383,854**	**112,187**	**–**	**3,984,533**
Carrying values							
At 31 December 2023	**4,124,236**	**799,076**	**357,195**	**228,519**	**41,846**	**113,954**	**5,664,826**
At 31 December 2022	3,313,823	925,906	316,449	184,321	35,915	93,402	4,869,816

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2023 HK$'000	2022 HK$'000
Land and buildings in Hong Kong under medium term leases	**2,018,092**	1,615,346
Heat and electricity plants in Chinese mainland under medium term leases	**190,279**	213,594
Other premises in Chinese mainland under medium term leases	**1,397,175**	974,138
Freehold land in Macau	**69,049**	63,963
Freehold land in Canada	**419,476**	416,538
Land and buildings in United States of America under medium term leases	**30,165**	30,244
	4,124,236	3,313,823

At 31 December 2023, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities is approximately HK$14,735,000 (2022: HK$416,537,000).

17. LEASES

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

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

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
Prepaid land lease payment (Note)	**368,804**	375,117
Others	**231,528**	194,908
	600,332	570,025
Lease liabilities		
Current	**114,435**	86,671
Non-current	**116,760**	112,195
	231,195	198,866

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

Additions to the right-of-use assets during the year were approximately HK$166,505,000 (2022: HK$183,295,000).

17. LEASES *(continued)*

(b) Amounts recognised in the consolidated income statement

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

	2023	2022
	HK$'000	HK$'000
Depreciation charge of right-of-use assets		
Prepaid land lease payment	**10,232**	10,425
Land and buildings and motor vehicles	**–**	406
Others	**111,839**	88,895
	122,071	99,726

The total cash outflow for leases during the year was approximately HK$311,050,000 (2022: HK$444,882,000).

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

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 9 years (2022: 1 to 9 years), but may have extension options as described in (d) 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.

(d) 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.

(e) Further information about the leasing activities of the Group as a lessor is disclosed in note 47 to the consolidated financial statements.

18. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment property under construction HK$'000	Total HK$'000
At 1 January 2022	5,126,232	–	5,126,232
Transfer between property, plant and equipment and investment properties, net	(19,386)	–	(19,386)
Transfer from properties held for sale	537,300	–	537,300
Transfer from properties under development	–	1,356,000	1,356,000
Exchange adjustments	(141,691)	–	(141,691)
Change in fair value	221,817	–	221,817
At 31 December 2022 and 1 January 2023	**5,724,272**	**1,356,000**	**7,080,272**
Additions	**–**	**146,703**	**146,703**
Transfer between property, plant and equipment and investment properties, net	**(926,675)**	**–**	**(926,675)**
Transfer from properties held for sale	**397,024**	**–**	**397,024**
Transfer to right-of use assets	**(12,804)**	**–**	**(12,804)**
Exchange adjustments	**(66,449)**	**–**	**(66,449)**
Change in fair value	**78,481**	**227,297**	**305,778**
At 31 December 2023	**5,193,849**	**1,730,000**	**6,923,849**

(a) Valuation process of the Group

The fair value of the investment properties has been arrived at based on an open market valuation performed by Jones Lang LaSalle Limited, Colliers International (Hong Kong) Limited, KPMG, 廣東鑫光土地房地產與資產評估諮詢有限公司 and 深圳市深信資產評估土地房地產估價有限公司. They are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

For the investment property under construction, the valuation was arrived at using the residual approach, which essentially involves determination of gross development value ("GDV").

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

18. INVESTMENT PROPERTIES *(continued)*

(b) Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties and, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. All investment properties carried at fair value under level 3 valuation method as at 31 December 2023 and 2022.

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

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2023 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties				
Properties in Hong Kong	**2,513,500**	Market and Income Capitalisation Approach	(1) capitalisation rate	2.8%
			(2) market rent per square foot per month	HK$46–HK$190
			(3) average market price per square foot for office portion	HK$22,700
Properties in Macau	**216,000**	Income Capitalisation Approach	(1) capitalisation rate	3.0%
			(2) market rent per square foot per month	HK$10–HK$15
Properties in Chinese mainland	**85,913**	Direct Comparison Approach	(1) market price per square foot	RMB1,022–RMB3,029
Properties in Chinese mainland	**2,378,436**	Income Capitalisation Approach	(1) capitalisation rate	3.0%–6.5%
			(2) market rent per square foot per month	RMB1–RMB15
Investment property under construction				
Property in Macau	**1,730,000**	Residual Method	(1) estimated costs to completion	HK$42,000,000
			(2) developer's profit margin	7%

18. INVESTMENT PROPERTIES *(continued)*

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

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

Description	Fair value at 31 December 2022 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties				
Properties in Hong Kong	2,998,000	Income Capitalisation Approach	(1) capitalisation rate	2.7%–3.0%
			(2) market rent per square foot per month	HK$60–HK$185
			(3) market price per square foot for office portion	HK$18,039–HK$25,849
Properties in Macau	215,000	Income Capitalisation Approach	(1) capitalisation rate	3.0%
			(2) market rent per square foot per month	HK$10–HK$12
Properties in Chinese mainland	470,480	Direct Comparison Approach	(1) market price per square foot	RMB950–RMB3,030
Properties in Chinese mainland	2,040,792	Income Capitalisation Approach	(1) capitalisation rate	2.8%–6.5%
			(2) market rent per square foot per month	RMB1–RMB16
Investment property under construction				
Property in Macau	1,356,000	Residual Method	(1) estimated costs to completion	HK$153,000,000
			(2) developer's profit margin	15%

For completed investment properties, 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.

Capitalisation rates are estimated by independent valuers and management based on the risk profile of the properties being valued and the market conditions. The lower the rate, the higher the fair value.

For investment property under construction, measurement of the fair value is inversely correlated to the estimated costs to completed and the developer's profit margin.

(c) Leasing arrangements

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

For minimum lease payments receivable on leases of investment properties, please refer to note 47 to the consolidated financial statements for details.

19. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENTS

	2023 HK$'000	2022 HK$'000
Interests in infrastructure project investments	**4,176,891**	5,213,954
Less: Current portion	**(525,589)**	(471,693)
Non-current portion	**3,651,302**	4,742,261

Interests in infrastructure project investments represent funding denominated in RMB advanced to joint ventures for PPP infrastructure projects located in Chinese mainland. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from 5 to 22 years.

The effective interest rates on the infrastructure project investments range from 6.6% to 14.9% (2022: 6.6% to 17.1%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2023 and 2022.

The directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2023 and 2022 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

At 31 December 2023, interests in infrastructure project investments of approximately HK$1,578,414,000 (2022: HK$2,739,757,000) had been pledged to secure banking facilities granted to the Group (Note 36).

20. INTERESTS IN JOINT ARRANGEMENTS

(a) Joint ventures

	2023 HK$'000	2022 HK$'000
Cost of investments, unlisted	**14,858,311**	14,386,505
Share of post-acquisition profits and other comprehensive income, net of dividends	**2,057,927**	2,384,626
	16,916,238	16,771,131

20. INTERESTS IN JOINT ARRANGEMENTS *(continued)*

(a) Joint ventures *(continued)*

Particulars regarding the principal joint ventures as at 31 December 2023 and 2022 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2023	2022	
			%	%	
Nanjing Changjiang Second Bridge Company Limited	Incorporated	Chinese mainland	**65**	65	Operation and management of a toll bridge
長沙中建國際發展有限公司	Incorporated	Chinese mainland	**65**	65	Infrastructure investment
中建(武漢光谷)建設有限公司	Incorporated	Chinese mainland	**50**	50	Infrastructure investment
中建(唐山曹妃甸)工程建設有限公司	Incorporated	Chinese mainland	**72**	72	Infrastructure investment
安徽蚌五高速公路投資管理有限公司	Incorporated	Chinese mainland	**70**	70	Infrastructure investment
貴州正習高速公路投資管理有限公司	Incorporated	Chinese mainland	**30**	30	Infrastructure investment
貴州中建秀印高速公路有限公司	Incorporated	Chinese mainland	**50**	50	Infrastructure investment
貴州雷榕高速公路投資管理有限公司	Incorporated	Chinese mainland	**69**	69	Infrastructure investment
曲阜尼山文旅置業有限責任公司	Incorporated	Chinese mainland	**60**	60	Infrastructure investment
上海臨博海薈城市建設發展有限公司	Incorporated	Chinese mainland	**49**	49	Infrastructure investment
中建國際(襄陽)建設有限公司	Incorporated	Chinese mainland	**70**	70	Infrastructure investment

Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

	2023	2022
	HK$'000	HK$'000
Aggregate carrying value	**16,916,238**	16,771,131
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**629,969**	275,196
Other comprehensive loss	**(448,910)**	(1,209,852)
Total comprehensive income/(loss)	**181,059**	(934,656)

There are no contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2023 and 2022. At 31 December 2023, there are unpaid committed investments relating to the Group's interests in joint ventures of approximately HK$752,952,000 (2022: HK$1,307,381,000).

20. INTERESTS IN JOINT ARRANGEMENTS *(continued)*

(b) 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 2023 and 2022 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of interest held by the Group		Principal activities
			2023	2022	
			%	%	
Leighton – China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
Alchmex – Paul Y Joint Venture	Unincorporated	Hong Kong	**55**	55	Civil engineering works
AJA Joint Venture	Unincorporated	Hong Kong	**31.2**	31.2	Civil engineering works
AJC Joint Venture	Unincorporated	Hong Kong	**30.5**	30.5	Civil engineering works
CSME – Southa Joint Venture	Unincorporated	Hong Kong	**51**	51	Mechanical and electrical engineering works

21. INTERESTS IN ASSOCIATES

	2023	2022
	HK$'000	HK$'000
Unlisted companies		
Cost of investments in associates	**2,725,828**	2,890,203
Share of post-acquisition profits and other comprehensive income, net of dividends	**1,179,777**	1,069,594
	3,905,605	3,959,797
Loans to associates	**2,210,723**	3,522,796
	6,116,328	7,482,593

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2022: HK$494,000) arising from acquisitions of associates in prior years.

The loans to associates of approximately HK$2,207,055,000 (2022: HK$606,818,000) are unsecured, interest free and are not expected to be repaid within twelve months after the end of reporting period. The balances are denominated in HK$ and RMB.

21. INTERESTS IN ASSOCIATES *(continued)*

The remaining loans to associates are unsecured, interest bearing of 9.5% (2022: from 4.75% to 9.5%) per annum and are not expected to be repaid within twelve months after the end of reporting period. The balances are denominated in RMB.

Particulars regarding the principal associates as at 31 December 2023 and 2022 are follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group		Principal activities
				2023	2022	
				%	%	
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI/Macau	Non-voting class B#	**29**	29	Investment holding
澳門水泥廠有限公司	Incorporated	Macau	Ordinary	**31.34**	31.34	Manufacture and sale of ready-mixed concrete
Trillion Vantage Investments Limited ("Trillion Vantage")	Incorporated	BVI/Hong Kong	Ordinary	**20**	20	Investment holding
Macfull Limited	Incorporated	Hong Kong	Ordinary	**20**	20	Property development
六盤水董大公路投資開有限責任公司	Incorporated	Chinese mainland	Ordinary	**25**	25	Infrastructure investment
中建(泉州)城市發展有限公司	Incorporated	Chinese mainland	Ordinary	**35**	35	Property development
福州海建地產有限公司	Incorporated	Chinese mainland	Ordinary	**50**	50	Property development
株洲中海宏洋地產有限公司 (formerly known as 株洲中海地產有限公司)	Incorporated	Chinese mainland	Ordinary	**30**	30	Property development
珠海市海悦房地產開發有限公司 ("珠海市海悦")	Incorporated	Chinese mainland	Ordinary	**20**	20	Property development

Holder of non-voting class B shares of Fast Shift, through Fast Shift's interest in Nova Taipa – Urbanizações, Limitada ("NTUL"), is entitled to 29% (2022: 29%) of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

21. INTERESTS IN ASSOCIATES *(continued)*

During the year, share of profits of associates amounted to approximately HK$163,831,000 (2022: HK$213,931,000) was derived from Fast Shift, Trilion Vantage and 珠海市海悦. Set out below is the aggregate financial information of the Group's associates:

	2023 HK$'000	2022 HK$'000
Aggregate carrying value	**3,905,605**	3,959,797
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**314,539**	333,934
Other comprehensive loss	**(86,535)**	(212,060)
Total comprehensive income	**228,004**	121,874

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2023 and 2022.

22. CONCESSION OPERATING RIGHTS

	2023 HK$'000	2022 HK$'000
Cost		
At 1 January	**6,362,957**	6,869,067
Exchange adjustments	**(195,023)**	(506,110)
At 31 December	**6,167,934**	6,362,957
Amortisation and impairment		
At 1 January	**3,034,891**	3,084,295
Charge for the year	**161,674**	168,262
Exchange adjustments	**(94,888)**	(217,666)
At 31 December	**3,101,677**	3,034,891
Carrying values		
At 31 December	**3,066,257**	3,328,066

22. CONCESSION OPERATING RIGHTS *(continued)*

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province with net carrying amounts of approximately HK$1,505,642,000 (2022: HK$1,643,176,000) and HK$1,560,615,000 (2022: HK$1,684,890,000), respectively, both of which are located in Chinese mainland. 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 Chinese mainland. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2023 and 2022, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform value-in-use calculation of Shanxi Yangquan Yangwu Express (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province using income approach. The assessment relied on the key assumptions, including future traffic volumes, toll fee levels, length of operating rights, maintenance costs and discount rates. An average revenue growth rate of 11% to 13% (2022: 11% to 15%) and a pre-tax discount rate of 10% (2022: 12%) have been used in the value-in-use calculation.

23. DEFERRED TAXATION

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

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Chinese mainland 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 2022	207,706	13,288	131,690	(49,981)	38,304	30,940	5,158	(54,906)	24,765	346,964
Exchange adjustments	(1,810)	–	(1,780)	8,312	–	–	–	–	1,366	6,088
Charged/(credited) to consolidated income statement (Note 12)	153,334	(8,740)	(101,743)	(57,705)	–	–	(753)	52,334	(1,585)	35,142
Charged to investment revaluation reserve	316	–	–	–	–	–	–	–	–	316
At 31 December 2022 and 1 January 2023	**359,546**	**4,548**	**28,167**	**(99,374)**	**38,304**	**30,940**	**4,405**	**(2,572)**	**24,546**	**388,510**
Exchange adjustments	**(1,882)**	**(4)**	**(656)**	**3,161**	**-**	**-**	**-**	**-**	**2,303**	**2,922**
Charged/(credited) to consolidated income statement (Note 12)	**82,298**	**4,083**	**-**	**(8,303)**	**-**	**-**	**-**	**-**	**(1,944)**	**76,134**
At 31 December 2023	**439,962**	**8,627**	**27,511**	**(104,516)**	**38,304**	**30,940**	**4,405**	**(2,572)**	**24,905**	**467,566**

23. DEFERRED TAXATION *(continued)*

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

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**123,170**	119,698
Deferred tax liabilities	**(590,736)**	(508,208)
	(467,566)	(388,510)

At the end of the reporting period, the Group has unused tax losses of approximately HK$6,591,442,000 (2022: HK$6,687,729,000) not recognised in the consolidated financial statements. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of approximately HK$3,217,974,000 (2022: HK$3,478,711,000) that will expire within five years. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, withholding tax is levied on dividends declared to foreign investors from foreign enterprises established in Chinese mainland and applies to earnings after 31 December 2007. The aggregate amount of temporary differences attributable to the unremitted earnings associated with investments in subsidiaries and joint ventures in Chinese mainland for which deferred tax liabilities have not been recognised totalled approximately HK$42,720,135,000 (2022: HK$38,038,137,000) as at 31 December 2023.

24. TRADEMARK, PROJECT BACKLOGS, LICENCES AND GOODWILL

	Trademark	Project backlogs	Licences	Goodwill	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2022	216,708	45,359	191,311	577,664	1,031,042
Exchange adjustments	–	–	(14,014)	–	(14,014)
At 31 December 2022 and 1 January 2023	**216,708**	**45,359**	**177,297**	**577,664**	**1,017,028**
Exchange adjustments	**–**	**–**	**(5,161)**	**–**	**(5,161)**
At 31 December 2023	**216,708**	**45,359**	**172,136**	**577,664**	**1,011,867**
Amortisation					
At 1 January 2022	105,645	45,359	36,272	–	187,276
Charge for the year	10,836	–	6,857	–	17,693
Exchange adjustments	–	–	(2,966)	–	(2,966)
At 31 December 2022 and 1 January 2023	**116,481**	**45,359**	**40,163**	**–**	**202,003**
Charge for the year	**10,835**	**–**	**6,589**	**–**	**17,424**
Exchange adjustments	**–**	**–**	**(1,340)**	**–**	**(1,340)**
At 31 December 2023	**127,316**	**45,359**	**45,412**	**–**	**218,087**
Carrying values					
At 31 December 2023	**89,392**	**–**	**126,724**	**577,664**	**793,780**
At 31 December 2022	100,227	–	137,134	577,664	815,025

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 Chinese mainland 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$116,774,000 (2022: HK$127,184,000) as at 31 December 2023.

24. TRADEMARK, PROJECT BACKLOGS, LICENCES AND GOODWILL *(continued)*

The construction licences with carrying amount of approximately HK$9,950,000 (2022: HK$9,950,000) were granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region ("HKSAR"). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

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

Based on the impairment testing at the end of the reporting period, the management considers that there is no impairment of the Group's construction licences and goodwill.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of equity and debt securities at FVOCI

Equity and debt securities at FVOCI comprise:

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

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

(b) Equity securities at FVOCI

Equity securities at FVOCI comprise the following individual investments:

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Unlisted securities		
Equity securities (Note)	**195,834**	195,947

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

Note: At 31 December 2023, an amount of approximately HK$140,811,000 (2022: HK$140,811,000) included in the carrying amount of equity securities are those issued by subsidiaries of China Overseas Land & Investment Ltd. ("COLI"), a fellow subsidiary of the Group.

(c) Debt securities at FVOCI

Debt securities at FVOCI comprise the following individual investments:

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Listed securities		
Debt securities listed in Hong Kong (Note)	**130,666**	182,512
Debt securities listed in overseas	**62,209**	167,427
	192,875	349,939

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

Note: At 31 December 2023, an amount of approximately HK$45,767,000 (2022: HK$43,207,000) 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.

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

(d) Financial assets at FVOCI are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**140,811**	140,811
RMB	**3,543**	3,656
US$	**192,875**	349,939
Macao Pataca ("MOP")	**51,480**	51,480
	388,709	545,886

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

26. AMOUNTS DUE FROM INVESTEE COMPANIES

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

At 31 December 2023, these amounts include advances to subsidiaries of COLI, a fellow subsidiary of the Group, amounting to approximately HK$211,853,000 (2022: HK$211,853,000).

27. TRADE AND OTHER RECEIVABLES

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables and retention receivables		**112,080,578**	98,919,189
Less: Allowance for doubtful debts		**(125,986)**	(60,240)
		111,954,592	98,858,949
Other receivables		**19,060,374**	20,256,913
Trade and other receivables	(a)	**131,014,966**	119,115,862
Less: Current portion		**(75,414,120)**	(65,830,023)
Non-current portion	(b)	**55,600,846**	53,285,839

27. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK$3,606,773,000 (2022: HK$4,821,288,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements.

(b) The balances of non-current portion are mainly attributable to certain construction related investment projects in Chinese mainland. Certain balances are interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2025 to 2033, with approximately HK$21,193,440,000 in 2025, HK$12,654,963,000 in 2026, HK$7,284,366,000 in 2027 and HK$14,468,077,000 in 2028 to 2033. As a result, they are classified as non-current.

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

	2023 HK$'000	2022 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	**5,124,691**	20,671,014
31–90 days	**8,655,847**	3,281,673
Over 90 days	**92,080,665**	69,308,598
	105,861,203	93,261,285
Retention receivables	**6,093,389**	5,597,664
Other receivables	**19,060,374**	20,256,913
Trade and other receivables	**131,014,966**	119,115,862
Less: Current portion	**(75,414,120)**	(65,830,023)
Non-current portion (Note)	**55,600,846**	53,285,839

Note: Included in the receivables aged over 90 days are receivables attributable to the construction related investment projects amounting to approximately HK$51,734,692,000 (2022: HK$50,960,828,000).

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 2023, the amount of retention receivables expected to be recovered after more than one year is approximately HK$3,309,066,000 (2022: HK$2,933,641,000).

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

At 31 December 2023, trade receivables of approximately HK$11,034,923,000 (2022: HK$13,428,479,000) are pledged to secure banking facilities granted to the Group (Note 36).

27. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts

	2023 HK$'000	2022 HK$'000
At 1 January	**60,240**	24,400
Exchange adjustments	**(419)**	(1,857)
Impairment losses recognised on receivables, net	**93,046**	37,697
Amount written off as uncollectible	**(26,881)**	–
At 31 December	**125,986**	60,240

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.

Other receivables

The analysis of other receivables is as follows:

	Notes	2023 HK$'000	2022 HK$'000
Payments for government targeted repurchase project	(a)	**16,655,594**	13,840,000
Bid and other deposits	(b)	**1,671,975**	1,780,788
Advances receivables	(c)	**279,305**	964,368
Input value-added tax		**–**	3,010,414
Others		**453,500**	661,343
		19,060,374	20,256,913

Notes:

(a) The balance represents amounts paid to local governments for acquisitions of land for construction of government targeted repurchase projects. It will be charged to profit and loss over the period of the contract by reference to the progress towards completion satisfaction of that performance obligation.

(b) The balance represents bid deposits, performance bonds, wage guarantee deposits and other deposits for construction related projects. These balances will be refunded upon completion of tender process or projects.

(c) The balance represents construction and material purchase costs paid on behalf of sub-contractors and employers of construction related projects. It includes balances with fellow subsidiaries amounting to approximately HK$95,371,000 (2022: HK$168,159,000), which are unsecured, interest free and repayable on demand.

27. TRADE AND OTHER RECEIVABLES *(continued)*

Trade and other receivables are denominated in the following currencies:

	2023	2022
	HK$'000	HK$'000
HK$	**4,340,183**	6,137,263
RMB	**125,847,771**	111,545,615
MOP	**595,100**	1,169,976
US$	**59,249**	51,863
Others	**172,663**	211,145
	131,014,966	119,115,862

28. AMOUNTS DUE FROM/(TO) JOINT VENTURES AND LOANS TO JOINT VENTURES

Amounts due from/(to) joint ventures are unsecured, interest free and repayable on demand. The balances are mainly denominated in RMB.

At 31 December 2022, current portion of the loans to joint ventures was unsecured, carrying interest of 4.75% per annum and was expected to be repaid within twelve months after the end of the reporting period. The balances were denominated in RMB. No such balance is noted as at 31 December 2023.

Non-current portion of the loans to joint ventures is unsecured, carrying interest at 4.75% to 5.50% (2022: 5.00% to 5.88%) per annum and is not expected to be repaid within twelve months after the end of the reporting period. The balances are denominated in HK$ and RMB (2022: HK$ and RMB).

29. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Raw materials and consumables	**278,976**	311,627
Work in progress	**10,773**	3,656
Finished goods	**233,103**	274,963
	522,852	590,246

30. PROPERTIES UNDER DEVELOPMENT

	2023 HK$'000	2022 HK$'000
Properties under development	**6,289,737**	6,827,851

Included in the amount are properties under development of approximately HK$4,910,353,000 (2022: HK$6,502,238,000) not expected to be completed and ready for sale within twelve months from the end of the reporting period.

At 31 December 2023, properties under development of approximately HK$253,304,000 (2022: Nil) had been pledged to secure banking facilities granted to the Group (Note 36).

31. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets/(liabilities) related to contracts with customers:

	Notes	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Contract assets related to construction services	(a)	**21,593,655**	18,777,148	13,467,619
Contract liabilities related to	(b)			
Construction services		**(9,482,020)**	(8,014,288)	(9,092,852)
Thermoelectricity business		**(1,036,195)**	(1,152,700)	(1,237,073)
		(10,518,215)	(9,166,988)	(10,329,925)
Less: Current portion		**9,926,742**	8,503,090	9,662,819
Non-current portion		**(591,473)**	(663,898)	(667,106)

Notes:

(a) Contract assets are related to construction services and consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(b) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from construction services.

31. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

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

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Construction services	**4,383,484**	6,250,972
Thermoelectricity business	**411,651**	459,922
	4,795,135	6,710,894
Revenue recognised from performance obligations satisfied/ partially satisfied in previous periods:		
Construction services	**107,560**	93,092

The following table shows the amount of unsatisfied performance obligations:

	2023 HK$'000	2022 HK$'000
Expected to be recognised within one year	**120,953,642**	108,034,667
Expected to be recognised after one year	**96,685,850**	51,973,433
	217,639,492	160,008,100

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For retention receivables, please refer to note 27 to the consolidated financial statements for details.

32. AMOUNTS DUE FROM/(TO) ASSOCIATES

Amounts due from/(to) associates are unsecured, interest free and repayable on demand. The balances are mainly denominated in RMB.

33. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies are unsecured, interest free and repayable on demand.

34. BANK BALANCES AND CASH

	Notes	2023 HK$'000	2022 HK$'000
Bank balances and cash		**28,462,889**	23,881,499
Less: Pledged bank deposits	(a)	**(66,451)**	(6,367)
Non-pledged time deposits with original maturity of over three months		**(4,800)**	(373,951)
Cash and cash equivalents	(b)	**28,391,638**	23,501,181

Notes:

(a) Bank deposits are pledged and earn interest at fixed rates of 0.20% (2022: 0.25% to 2.60%) per annum.

(b) Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 5.630% (2022: 0.001% to 5.080%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

Bank balances include balances with a fellow subsidiary of the Group, which is a non-bank financial institution in Chinese mainland, amounting to approximately HK$14,240,000 (2022: HK$612,300,000).

Bank balances and cash are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**4,918,561**	6,270,944
RMB	**22,440,638**	15,617,709
MOP	**717,055**	1,648,566
US$	**274,864**	256,812
Others	**111,771**	87,468
	28,462,889	23,881,499

In respect of the balance denominated in RMB of the Group's subsidiaries incorporated in Chinese mainland, 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 ageing analysis of trade payables, presented based on the invoice date, is as follows:

	2023 HK$'000	2022 HK$'000
Trade payables, aged:		
0–30 days	**45,951,489**	42,992,914
31–90 days	**2,594,005**	1,562,303
Over 90 days	**9,524,192**	9,106,748
	58,069,686	53,661,965
Retention payables	**7,092,650**	6,820,303
Other payables and accruals	**9,722,213**	9,254,451
	74,884,549	69,736,719

Included in trade payables and retention payables are balances with related companies amounting to approximately HK$13,390,721,000 (2022: HK$14,418,863,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements.

Other payables and accruals mainly comprise staff cost, other tax and other operating expenses payables. Included in other payables and accruals are balances with the immediate holding company and related companies amounting to approximately HK$3,450,000 (2022: HK$1,500,000) and HK$424,566,000 (2022: HK$382,289,000), respectively, which are unsecured, interest free and repayable on demand.

The average credit period on trade and construction cost payables is 60 days. At 31 December 2023, the amount of retention payables expected to be settled after more than one year is approximately HK$3,800,702,000 (2022: HK$3,971,625,000).

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

	2023 HK$'000	2022 HK$'000
HK$	**12,409,893**	11,992,699
RMB	**59,822,419**	54,411,111
MOP	**2,511,401**	3,159,543
US$	**17,341**	19,178
Others	**123,495**	154,188
	74,884,549	69,736,719

36. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank borrowings, secured	**12,089,475**	16,272,083
Bank borrowings, unsecured	**55,735,988**	42,904,781
	67,825,463	59,176,864
Less: Current portion	**(16,515,007)**	(13,719,657)
Non-current portion	**51,310,456**	45,457,207
Carrying amount repayable:		
Within one year or on demand	**16,515,007**	13,719,657
More than one year but not exceeding two years	**17,789,729**	16,551,708
More than two years but not more than five years	**27,643,613**	19,068,083
More than five years	**5,877,114**	9,837,416
	67,825,463	59,176,864

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

The secured bank borrowings are secured by property, plant and equipment, interests in infrastructure project investments, properties under development and trade receivables. The unsecured bank borrowings included the bank borrowings with financial covenants which are required to be fulfilled by the Group to the banks.

Bank borrowings are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	**10,346,196**	12,067,937
RMB	**57,469,217**	46,679,304
Canadian Dollar ("CAD")	**10,050**	429,623
	67,825,463	59,176,864

36. BANK BORROWINGS *(continued)*

The effective interest rates of bank borrowings are as follows:

	2023			2022		
	HK$	**RMB**	**CAD**	HK$	RMB	CAD
	%	**%**	**%**	%	%	%
Bank borrowings, secured	**–**	**4.29**	**4.24**	–	4.53	6.59
Bank borrowings, unsecured	**5.19**	**3.35**	**–**	2.70	3.93	6.20

37. LOANS FROM A FELLOW SUBSIDIARY

As at 31 December 2023, loans from a fellow subsidiary are unsecured, carrying interests of 2.85% (2022: 3.00% to 3.45%) per annum and repayable on demand. The balances are denominated in RMB.

38. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	**60,000,000,000**	**1,500,000**
Issued and paid up:		
At 31 December 2022, 1 January 2023 and 31 December 2023	**5,037,616,668**	**125,940**

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

39. 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 2023	20,486,023	(6,308,247)	337	131,288	(2,519,618)	1,072,497	44,801,941	57,664,221
Profit for the year	-	-	-	-	-	-	9,164,045	9,164,045
Loss on fair value changes of debt securities at FVOCI	-	-	-	(99,090)	-	-	-	(99,090)
Release of investment revaluation reserve to consolidated income statement upon disposal of debt securities at FVOCI	-	-	-	3,835	-	-	-	3,835
Impairment loss on debt securities at FVOCI	-	-	-	117,782	-	-	-	117,782
Exchange differences on translation of subsidiaries	-	-	-	-	(2,139,033)	-	-	(2,139,033)
Exchange differences on translation of joint ventures	-	-	-	-	(448,910)	-	-	(448,910)
Exchange differences on translation of associates	-	-	-	-	(86,535)	-	-	(86,535)
Total comprehensive income/(loss) for the year	-	-	-	22,527	(2,674,478)	-	9,164,045	6,512,094
Capital contribution relating to share-based payment borne by an intermediate holding company (Note 44)	-	6,037	-	-	-	-	-	6,037
Lapse of incentive shares (Note 44)	-	(4,715)	-	-	-	-	4,715	-
Exercise of incentive shares (Note 44)	-	(41,586)	-	-	-	-	41,586	-
2022 final dividend paid	-	-	-	-	-	-	(1,209,028)	(1,209,028)
2023 interim dividend paid	-	-	-	-	-	-	(1,385,345)	(1,385,345)
Transfer to special reserve	-	139,326	-	-	-	-	(129,826)	9,500
Transfer to statutory reserve	-	-	-	-	-	1,172,445	(1,172,445)	-
Total transactions with owners, recognised directly in equity	-	99,062	-	-	-	1,172,445	(3,850,343)	(2,578,836)
At 31 December 2023	20,486,023	(6,209,185)	337	153,815	(5,194,096)	2,244,942	50,115,643	61,597,479

39. SHARE PREMIUM AND RESERVES *(continued)*

Notes:

(a) Special reserve mainly represents merger reserve arose from business combinations under common control, reserve arose from the changes in shareholding of subsidiaries, capital contribution relating to share-based payment borne by an intermediate holding company, work safety funds and insurance general reserve.

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of ordinary shares repurchased.

(c) Statutory reserve of the Group represents a general and development fund reserve applicable to the overseas and Chinese mainland subsidiaries which were established in accordance with the relevant regulations.

(d) Included in retained profits as at 31 December 2023 is the proposed 2023 final dividend of approximately HK$1,435,721,000 (2022: HK$1,209,028,000).

(e) During the year ended 31 December 2022, a wholly-owned subsidiary of the Company disposed of an aggregate of 100,000,000 shares of CSC Development at a price of HK$2.20 per share through private placing to certain independent investors. As a result, the Group's shareholding in CSC Development was reduced from 74.1% to 69.4%. Subsequently, the wholly-owned subsidiary of the Company subscribed an aggregate of 100,000,000 new shares of CSC Development at a price of HK$2.20 per share. As a result, the Group's shareholding in CSC Development was increased from 69.4% to 70.8%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$92,481,000, representing the difference between the cash consideration received for the disposal of partial interest in CSC Development of approximately HK$219,028,000 and the carrying amount of the attributable share of net assets of CSC Development of approximately HK$126,547,000, was credited to the special reserve.

40. PERPETUAL CAPITAL SECURITIES

On 3 December 2019, a subsidiary of the Group issued US$500,000,000 4.0% subordinated perpetual capital securities (the "2019 Perpetual Capital Securities"). The 2019 Perpetual Capital Securities do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the 2019 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of 2019 Perpetual Capital Securities at the distribution rates as defined in the subscription agreements.

On 9 June 2021, a subsidiary of the Group issued US$500,000,000 3.4% subordinated perpetual capital securities (the "2021 Perpetual Capital Securities"). The 2021 Perpetual Capital Securities do not have maturity dates and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the 2021 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position. When the subsidiary or the Company elects to declare dividends to their shareholders, the Group shall make distributions to the holders of 2021 Perpetual Capital Securities at the distribution rates as defined in the subscription agreements.

On 16 November 2023, a subsidiary of the Group issued RMB2,000,000,000 3.50% perpetual medium term notes (the "2023 Perpetual Medium Term Notes"). The 2023 Perpetual Medium Term Notes have a maturity of 3+N years and the distribution payments can be deferred at the discretion of either the subsidiary or the Company. Therefore, the 2023 Perpetual Medium Term Notes 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 2023 Perpetual Medium Term Notes at the distribution rates as defined in the subscription agreements.

41. GUARANTEED NOTES PAYABLE AND CORPORATE BONDS

	Notes	2023 HK$'000	2022 HK$'000
US$250,000,000 3.875% guaranteed notes	(a)	**1,943,562**	1,942,070
RMB2,000,000,000 3.48% corporate bonds	(b)	**–**	2,412,002
RMB500,000,000 3.45% corporate bonds	(c)	**–**	568,182
RMB1,000,000,000 3.52% corporate bonds	(d)	**1,101,322**	1,136,364
RMB1,500,000,000 3.10% corporate bonds	(e)	**1,651,982**	1,704,545
RMB960,000,000 2.98% corporate bonds	(f)	**1,057,269**	1,090,909
RMB1,500,000,000 3.09% corporate bonds	(g)	**1,651,982**	1,704,545
RMB1,040,000,000 2.70% corporate bonds	(h)	**1,145,374**	1,181,819
RMB1,100,000,000 2.88% corporate bonds	(i)	**1,210,404**	–
		9,761,895	11,740,436
Less: Current portion		**(2,753,304)**	(2,980,184)
Non-current portion		**7,008,591**	8,760,252

Notes:

(a) In November 2017, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$250,000,000 (the "2017 Notes"). The 2017 Notes bear fixed interest at the rate of 3.875% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The 2017 Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The 2017 Notes will mature on 29 November 2027 at the principal amount. The fair value of the 2017 Notes at 31 December 2023 was estimated at approximately HK$1,847,996,000 (2022: HK$1,798,271,000), which was determined based on the closing market price of the 2017 Notes at that date and is within level 1 of the fair value hierarchy.

(b) On 30 July 2020, the Company completed its public issuance of corporate bonds (first phase) with a principal amount of RMB2,000,000,000 (the "2020 Bonds I") to professional investors in Chinese mainland. The 2020 Bonds I had a maturity of 3 years and the coupon rate is 3.48% per annum. The 2020 Bonds I were listed on the Shanghai Stock Exchange. The 2020 Bonds I was matured on 29 July 2023 at the principal amount. The fair value of the 2020 Bonds I at 31 December 2022 was estimated at approximately HK$2,278,227,000, which was determined based on the closing market price of the 2020 Bonds I at that date and is within level 1 of the fair value hierarchy.

(c) On 26 October 2020, a subsidiary of the Company completed its public issuance of medium term notes (first phase) with a principal amount of RMB500,000,000 (the "2020 Bonds II") in Chinese mainland. The 2020 Bonds II have a maturity of 3 years and the coupon rate is 3.45% per annum. The 2020 Bonds II were listed on the National Association of Financial Market Institutional Investors. The 2020 Bonds II was matured on 28 October 2023 at the principal amount. The fair value of the 2020 Bonds II at 31 December 2022 was estimated at approximately HK$569,301,000, which was determined based on the closing market price of the 2020 Bonds II at that date and is within level 1 of the fair value hierarchy.

(d) On 31 May 2021, a subsidiary of the Company completed its public issuance of medium term notes (first phase) with a principal amount of RMB1,000,000,000 (the "2021 Bonds I") in Chinese mainland. The 2021 Bonds I have a maturity of 3 years and the coupon rate is 3.52% per annum. The 2021 Bonds I were listed on the China Inter-bank Bond Market. The 2021 Bonds I will mature on 31 May 2024 at the principal amount. The fair value of the 2021 Bonds I at 31 December 2023 was estimated at approximately HK$1,104,967,000 (2022: HK$1,139,398,000), which was determined based on the closing market price of the 2021 Bonds I at that date and is within level 1 of the fair value hierarchy.

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

Notes: *(continued)*

(e) On 29 December 2021, a subsidiary of the Company completed its public issuance of medium term notes (second phase) with a principal amount of RMB1,500,000,000 (the "2021 Bonds II") in Chinese mainland. The 2021 Bonds II have a maturity of 3 years and the coupon rate is 3.10% per annum. The 2021 Bonds II were listed on the China Inter-bank Bond Market. The 2021 Bonds II will mature on 29 December 2024 at the principal amount. The fair value of the 2021 Bonds II at 31 December 2023 was estimated at approximately HK$1,658,128,000 (2022: HK$1,692,563,000), which was determined based on the closing market price of the 2021 Bonds II at that date and is within level 1 of the fair value hierarchy.

(f) On 2 April 2022, a subsidiary of the Company completed its public issuance of medium term notes (first phase) with a principal amount of RMB960,000,000 (the "2022 Bonds I") in Chinese mainland. The 2022 Bonds I have a maturity of 3 years and the coupon rate is 2.98% per annum. The 2022 Bonds I were listed on the China Inter-bank Bond Market. The 2022 Bonds I will mature on 2 April 2025 at the principal amount. The fair value of the 2022 Bonds I at 31 December 2023 was estimated at approximately HK$1,060,018,000 (2022:HK$1,076,782,000), which was determined based on the closing market price of the 2022 Bonds I at that date and is within level 1 of the fair value hierarchy.

(g) On 27 April 2022, a subsidiary of the Company completed its public issuance of medium term notes (second phase) with a principal amount of RMB1,500,000,000 (the "2022 Bonds II") in Chinese mainland. The 2022 Bonds II have a maturity of 3 years and the coupon rate is 3.09% per annum. The 2022 Bonds II were listed on the China Inter-bank Bond Market. The 2022 Bonds II will mature on 27 April 2025 at the principal amount. The fair value of the 2022 Bonds II at 31 December 2023 was estimated at approximately HK$1,658,012,000 (2022:HK$1,686,239,000), which was determined based on the closing market price of the 2022 Bonds II at that date and is within level 1 of the fair value hierarchy.

(h) On 19 August 2022, a subsidiary of the Company completed its public issuance of medium term notes (third phase) with a principal amount of RMB1,040,000,000 (the "2022 Bonds III") in Chinese mainland. The 2022 Bonds III have a maturity of 5 years and the coupon rate is 2.70% per annum. The 2022 Bonds III were listed on the China Inter-bank Bond Market. The 2022 Bonds III will mature on 19 August 2027 at the principal amount. The fair value of the 2022 Bonds III at 31 December 2023 was estimated at approximately HK$1,143,072,000 (2022:HK$1,153,126,000), which was determined based on the closing market price of the 2022 Bonds III at that date and is within level 1 of the fair value hierarchy.

(i) On 21 August 2023, a subsidiary of the Company completed its public issuance of medium term notes (first phase) with a principal amount of RMB1,100,000,000 (the "2023 Bonds") in Chinese mainland. The 2023 Bonds have a maturity of 3 years and the coupon rate is 2.88% per annum. The 2023 Bonds were listed on the Shenzhen Stock Exchange. The 2023 Bonds will mature on 22 August 2026 at the principal amount. The fair value of the 2023 Bonds at 31 December 2023 was estimated at approximately HK$1,205,724,000, which was determined based on the closing market price of the 2023 Bonds at that date and is within level 1 of the fair value hierarchy.

42. DEFINED BENEFIT OBLIGATIONS

Long service payment

The Group is obligated to pay long service payment to qualifying employees in Hong Kong with a minimum of 5 years employment period upon retirement or termination of employment under certain circumstances, in accordance with the Hong Kong Employment Ordinance (the "Employment Ordinance"). Long service payment is calculated based on the last monthly salary of the employees and the number of years of service. There are provisions under the Employment Ordinance permitting employers to offset employees' long service payment against the accrued benefits attributable to employer's contributions to the MPF Scheme. In 2022, the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the "Amendment Bill") was enacted, such that the Company can no longer use accrued benefits arising from MPF mandatory employer contributions to offset employees' long service payment accrued as from the transition date in 2025. The enactment of the Amendment Bill is treated as a plan amendment. Except for the statutory right to offset as described above, the long service payment benefits are unfunded.

The liability recognised in the consolidated statement of financial position in respect of long service payment is the net obligation, representing the present value of the future long service payment benefits reduced by entitlements from accrued benefits arising from MPF contributions made by the Group.

The net long service payment obligation is exposed to interest rate risk, the risk of changes in the longevity at retirement or termination of employment for the Group's employees, expected rate of future salary increase and market risk associated with investment returns of employees' MPF Scheme.

The present value of the net defined benefit obligations was carried out on 31 December 2023 by Towers Watson Hong Kong Limited, an independent qualified professional valuer, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2023	2022
Discount rate (%)	**3.5**	3.5
Expected rate of salary increases (%)	**4.0**	4.0

Movements in the present value of the net defined benefit obligations are as follows:

	2023 **HK$'000**	2022 HK$'000
At 1 January	**–**	–
Service cost	**23,555**	–
At 31 December	**23,555**	–

43. LOAN FROM A JOINT VENTURE

Loan from a joint venture is unsecured, carrying interest at 6.8% (2022: 6.8%) per annum and will be matured in 2024.

44. SHARE-BASED PAYMENTS

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) (the "Incentive Plan (Phase III)") of CSCECL, 18,870,000 incentive shares were granted to certain employees of the Company (including three directors and certain senior management) on 26 December 2018 (the "Grant Date (Phase III)") with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the Grant Date (Phase III) (the "Lock-Up Period (Phase III)"). During the Lock-Up Period (Phase III), these shares are not transferable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date (Phase III). Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

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

In 2022, 5,010,000 incentive shares were exercised in accordance with the Incentive Plan (Phase III). In addition, except for 820,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

During the year, 5,130,000 incentive shares were exercised in accordance with the Incentive Plan (Phase III), no other incentive shares were lapsed or cancelled.

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

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

44. SHARE-BASED PAYMENTS *(continued)*

In 2022, no incentive shares were exercised, lapsed or cancelled.

During the year, 11,250,000 incentive shares were exercised in accordance with the Incentive Plan (Phase IV). In addition, except for 820,000 incentive shares lapsed due to transfer or resignation of directors and employees, no other incentive shares were cancelled.

45. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities					
	Guaranteed notes payable and corporate bonds HK$'000	Lease liabilities HK$'000	Loans from a fellow subsidiary HK$'000	Loan from a joint venture HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2022	12,381,573	109,608	739,706	2,955,665	57,953,280	74,139,832
Cash flows	(177,192)	(94,847)	232,082	–	5,073,422	5,033,465
Exchange adjustments	(470,994)	(5,135)	(62,697)	(228,392)	(3,861,589)	(4,628,807)
Other non-cash movements	7,049	189,240	–	–	11,751	208,040
At 31 December 2022 and 1 January 2023	**11,740,436**	**198,866**	**909,091**	**2,727,273**	**59,176,864**	**74,752,530**
Cash flows	**(1,565,996)**	**(134,273)**	**(223,714)**	**–**	**10,310,448**	**8,386,465**
Exchange adjustments	**(415,236)**	**(8,877)**	**(24,584)**	**(84,101)**	**(1,669,147)**	**(2,201,945)**
Other non-cash movements	**2,691**	**175,479**	**–**	**–**	**7,298**	**185,468**
At 31 December 2023	**9,761,895**	**231,195**	**660,793**	**2,643,172**	**67,825,463**	**81,122,518**

46. CONTINGENT LIABILITIES

As at 31 December 2023, the Group provided guarantees amounted to approximately HK$840,113,000 (2022: HK$$616,383,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in these consolidated financial statements for the guarantees.

47. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group leases its investment properties under operating lease arrangements. All of the properties leased out have committed tenants for the next 1 to 8 years (2022: 1 to 8 years) without termination options granted to tenants.

At 31 December 2023 and 2022, the Group had contracted with tenants for the following future minimum lease payments:

	2023 HK$'000	2022 HK$'000
Within one year	**110,482**	84,330
After one year but within two years	**63,124**	29,577
After two years but within three years	**39,814**	6,737
After three years but within four years	**31,830**	1,008
After four years but within five years	**6,737**	1,586
After five years	**20,099**	11,494
	272,086	134,732

48. COMMITMENTS

At 31 December 2023 and 2022, the Group has the following commitments contracted but not provided for in the consolidated financial statements:

	2023 HK$'000	2022 HK$'000
Contracted but not provided for		
– construction in progress for property, plant and equipment	**23,975**	20,947

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

49. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	2023 HK$'000	2022 HK$'000
Fellow subsidiaries		
Rental income	**3,300**	5,081
Rental expenses	**1,523**	1,741
Security service payments	**28,694**	19,110
Revenue from construction contracts	**3,109,134**	5,222,792
Project consultancy service income	**51,013**	63,614
Construction costs	**6,423,585**	11,456,333
Revenue from connection service	**13,018**	13,548
Insurance premium income	**1,354**	1,327
Interest income on debt securities at FVOCI	**2,884**	2,884
Interest income on deposits	**1,159**	4,112
Interest expenses	**19,399**	29,697
Management fee expenses	**2,246**	3,637
Sales of building materials	**36,109**	17,943
Purchase of construction materials	**85,529**	64,197
Associates		
Purchase of construction materials	**685,692**	445,999
Revenue from construction contracts	**1,065,692**	3,336,650
Interest income	**340**	54,903
Management fee income	**–**	20,533
Project consultancy service income	**6,302**	5,561
Joint ventures		
Revenue from construction contracts	**3,220,521**	5,853,249
Interest income	**13,835**	24,829
Interest expenses	**220,172**	216,546
The immediate holding company		
Revenue from construction contracts	**–**	18,844
Insurance premium income	**2,143**	2,205
Intermediate holding company		
Revenue from construction contracts	**1,270,098**	2,974,441
Related company		
Revenue from construction contracts	**14,738**	156,277
Project consultancy service income	**18,687**	33,893

49. RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant transactions with other government-related entities in Chinese mainland

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

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

- Revenue from construction contract
- Investment income
- Finance costs

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

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

(c) Compensation of key management personnel

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

	2023 **HK$'000**	2022 HK$'000
Short-term benefits	**69,039**	76,787
Post-employment benefits	**265**	270
	69,304	77,057

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

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

50. COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT

	2023 HK$'000	2022 HK$'000
Non-current Assets		
Interests in subsidiaries	**13,084,363**	12,795,322
Current Assets		
Deposits, prepayments and other receivables	**–**	9,634
Amounts due from subsidiaries	**15,703,435**	17,050,437
Amount due from a joint venture	**3,120**	3,120
Tax recoverable	**3,172**	–
Bank balances and cash	**101,846**	66,921
	15,811,573	17,130,112
Current Liabilities		
Other payables	**35,200**	123,441
Tax payable	**–**	935
Bank borrowings	**4,913,009**	1,244,126
Corporate bonds	**–**	2,412,002
	4,948,209	3,780,504
Net Current Assets	**10,863,364**	13,349,608
Total Assets less Current Liabilities	**23,947,727**	26,144,930
Capital and Reserves		
Share capital	**125,940**	125,940
Share premium and reserves (Note)	**21,005,486**	20,771,490
	21,131,426	20,897,430
Non-current Liabilities		
Bank borrowings	**2,816,301**	5,247,500
	23,947,727	26,144,930

On behalf of the Board

Zhang Haipeng	**Wang Xiaoguang**
Director	*Director*

50. COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT *(continued)*

Note:

	Share premium HK$'000	Special reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	20,486,023	76,970	337	293,968	20,857,298
Profit and total comprehensive income for the year	–	–	–	2,124,199	2,124,199
Capital contribution relating to share-based payment borne by an intermediate holding company	–	30,235	–	–	30,235
Lapse of incentive shares	–	(5,513)	–	5,513	–
Exercise of incentive shares	–	(20,743)	–	20,743	–
2021 final dividend paid	–	–	–	(1,032,711)	(1,032,711)
2022 interim dividend paid	–	–	–	(1,209,028)	(1,209,028)
Unclaimed dividends forfeited	–	–	–	1,497	1,497
At 31 December 2022 and 1 January 2023	**20,486,023**	**80,949**	**337**	**204,181**	**20,771,490**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**2,823,622**	**2,823,622**
Capital contribution relating to share-based payment borne by an intermediate holding company	**–**	**4,747**	**–**	**–**	**4,747**
Lapse of incentive shares	**–**	**(4,715)**	**–**	**4,715**	**–**
Exercise of incentive shares	**–**	**(41,586)**	**–**	**41,586**	**–**
2022 final dividend paid	**–**	**–**	**–**	**(1,209,028)**	**(1,209,028)**
2023 interim dividend paid	**–**	**–**	**–**	**(1,385,345)**	**(1,385,345)**
At 31 December 2023	**20,486,023**	**39,395**	**337**	**479,731**	**21,005,486**

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2023 %	Attributable equity interest held 2022 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	550,000,000 ordinary shares of HK$550,000,000	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	500,000 ordinary shares of HK$500,000	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	1,355,569,190 ordinary shares of HK$1,355,569,190 and 844,430,810 non-voting deferred shares of HK$844,430,810	**100**	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Zetson Enterprises Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
China State Construction International Investments Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Construction Finance (Cayman) II Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
China State Construction Finance (Cayman) III Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
China State Construction Hailong Technology Group Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2023 %	2022 %	
Indirectly held by the Company:					
China Overseas Building Construction Limited	Hong Kong	129,999,900 ordinary shares of HK$1,299,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK$50,000,000	**100**	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$19,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK$99,500,000 and 500,000 non-voting deferred shares of HK$500,000	**100**	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK$100,000,000	**100**	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Holding of trade marks
China Overseas Foundation Engineering Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Property investment
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Investment holding
China Overseas Mechanical & Electrical Engineering Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Mechanical and electrical engineering works and project management
Far East Facade (Hong Kong) Limited	Hong Kong	900,000 ordinary shares of HK$188,952,242 and 5,000 non-voting deferred shares of HK$500,000	**70.78**	70.78	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Project management
Treasure Construction Engineering Limited	Hong Kong	150,000,000 ordinary shares of HK$150,000,000	**70.78**	70.78	Building construction
Transcendence Company Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Sales and distribution of construction materials
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
China Overseas Public Utility Investment Limited	BVI	1 ordinary share of US$1	**70.78**	70.78	Investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2023 %	Attributable equity interest held 2022 %	Principal activities
Indirectly held by the Company: *(continued)*					
China Overseas Ports Investment Company Limited (formerly known as Ambition Enterprises Limited)	BVI/Hong Kong	64,100,000 ordinary shares of US$1 each	**100**	100	Investment holding
China Overseas Technology Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Citycharm Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Hailong Construction Technology Company Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Manufacturing and sales of precast structures
Fuller Sky Enterprises Limited	BVI	1 ordinary share of US$1	**70.78**	70.78	Investment holding
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Oceanic Empire Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Value Idea Investments Limited	BVI	1 ordinary share of US$1	**70.78**	70.78	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	**66.27**	66.27	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China State Construction Development Holdings Limited (iii)	Cayman Islands/Hong Kong	2,255,545,000 ordinary shares of HK$0.01 each	**70.78**	70.78	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	20,000,000 ordinary shares of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	**70.78**	70.78	Design, manufacture and installation of curtain walls, aluminium windows and other related products
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	**100**	100	Building construction, civil engineering works and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	**100**	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	**100**	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	**100**	100	Mechanical and electrical engineering works and investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2023 %	2022 %	
Indirectly held by the Company: ***(continued)***					
Far East Facade (Macau) Limited	Macau	MOP25,000	**70.78**	70.78	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	**100**	100	Building construction and road contracting
Gamma North Corporation	United States of America	1 share of US$1	**66.27**	66.27	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	**66.27**	66.27	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
On Success Development Limited	Hong Kong	10,000 shares of HK$1 each	**100**	100	Property investment
Advocate Properties Limited	Hong Kong	10,000,000 shares of HK$1 each	**100**	100	Investment holding
中建投資(珠海)有限公司 (i) (ii)	Chinese mainland	HK$250,000,000	**100**	100	Property investment and management
瀋陽皇姑熱電有限公司 (i) (ii)	Chinese mainland	RMB680,660,000	**70.78**	70.78	Generation and supply of heat and electricity and investment holding
中海建築有限公司 (i) (ii)	Chinese mainland	RMB350,000,000	**100**	100	Building construction, civil engineering works and investment holding
中海監理有限公司 (ii)	Chinese mainland	RMB50,000,000	**70.78**	70.78	Provision of project consultancy service
中建海龍科技有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	Chinese mainland	RMB10,000,000	**100**	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (i) (ii)	Chinese mainland	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)	Chinese mainland	RMB202,000,000	**100**	100	Infrastructure construction and operation

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2023 %	2022 %	Principal activities
Indirectly held by the Company: ***(continued)***					
深圳市中建宏達投資有限公司 (ii)	Chinese mainland	RMB200,000,000	**100**	100	Investment holding
深圳市中海投資有限公司 (ii)	Chinese mainland	RMB500,000,000	**100**	100	Investment holding
中海創業投資（深圳）有限公司 (i) (ii)	Chinese mainland	US$29,800,000	**100**	100	Investment holding
中建國際投資集團有限公司 (i) (ii)	Chinese mainland	US$3,500,000,000	**100**	100	Investment holding
杭州海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
溫州海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB900,000,000	**100**	100	Infrastructure investment
平陽海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資（鎮江）有限公司 (i) (ii)	Chinese mainland	RMB180,000,000	**100**	100	Infrastructure investment
中海物流（深圳）有限公司 (ii)	Chinese mainland	RMB53,437,250	**100**	100	Property investment
上海力進鋁質工程有限公司 (ii)	Chinese mainland	RMB37,958,749	**70.78**	70.78	Design, manufacture and installation of curtain walls, aluminium windows and other related products
遠東幕牆（深圳）有限公司 (ii)	Chinese mainland	RMB70,000,000	**70.78**	70.78	Manufacture of curtain walls, aluminium windows and other related products
龍海海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資（湖州）有限公司 (i) (ii)	Chinese mainland	RMB270,000,000	**100**	100	Infrastructure investment
中建國際投資（杭州）有限公司 (i) (ii)	Chinese mainland	RMB670,000,000	**100**	100	Infrastructure investment
中建國際投資（山東）有限公司 (i) (ii)	Chinese mainland	RMB1,800,000,000	**100**	100	Infrastructure investment
中建國際投資（淮安）有限公司 (i) (ii)	Chinese mainland	RMB900,000	**100**	100	Infrastructure investment
中建國際投資（句容）有限公司 (i) (ii)	Chinese mainland	RMB200,000,000	**90**	90	Infrastructure investment
嘉興海悅建設有限公司 (i) (ii)	Chinese mainland	RMB244,887,980	**100**	100	Infrastructure investment
資陽海悅建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
濱州海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB156,687,746	**100**	100	Infrastructure investment
淮安海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB608,810,000	**100**	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	Chinese mainland	RMB200,000,000	**100**	100	Infrastructure investment
深圳裕龍建築有限公司 (ii)	Chinese mainland	RMB2,000,000	**100**	100	Provision of subcontracting services
山東海龍建築科技有限公司 (ii)	Chinese mainland	RMB30,000,000	**100**	100	Manufacture and sales of precast structures
中建國際投資（台州）有限公司 (i) (ii)	Chinese mainland	RMB283,286,000	**100**	100	Infrastructure investment

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2023 %	Attributable equity interest held 2022 %	Principal activities
Indirectly held by the Company: ***(continued)***					
杭州海榮建設有限公司 (i) (ii)	Chinese mainland	RMB160,000,000	**90**	90	Infrastructure investment
淄博海勝建設有限公司 (i) (ii)	Chinese mainland	RMB394,000,000	**100**	100	Infrastructure investment
鄭州海河建設工程有限公司 (i) (ii)	Chinese mainland	RMB200,000,000	**100**	100	Infrastructure investment
淄博海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB982,377,136	**100**	100	Infrastructure investment
淄博海悅建設有限公司 (i) (ii)	Chinese mainland	RMB50,000,000	**100**	100	Infrastructure investment
淮安海悅建設有限公司 (i) (ii)	Chinese mainland	RMB120,000,000	**100**	100	Infrastructure investment
嘉興海耀建設有限公司 (i) (ii)	Chinese mainland	RMB240,453,977	**100**	100	Infrastructure investment
杭州海悅建設有限公司 (i) (ii)	Chinese mainland	RMB140,000,000	**100**	100	Infrastructure investment
中建國際投資(嘉興)有限公司 (i) (ii)	Chinese mainland	RMB275,000,000	**100**	100	Infrastructure investment
成都海耀建設有限公司 (i) (ii)	Chinese mainland	RMB25,000,000	**100**	100	Infrastructure investment
長沙海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB692,000,000	**90**	90	Infrastructure investment
句容海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB518,500,000	**90**	90	Infrastructure investment
平和海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB175,000,000	**80**	80	Infrastructure investment
濟寧海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB371,831,000	**100**	100	Infrastructure investment
安康中建建設發展有限公司 (i) (ii)	Chinese mainland	RMB150,000,000	**90**	90	Infrastructure investment
淄博海榮建設有限公司 (i) (ii)	Chinese mainland	RMB200,000,000	**99**	99	Infrastructure investment
溫洲海耀建設有限公司 (i) (ii)	Chinese mainland	RMB350,000,000	**100**	100	Infrastructure investment
句容海悅建設有限公司 (i) (ii)	Chinese mainland	RMB234,000,000	**90**	90	Infrastructure investment
南昌海博建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**95**	95	Infrastructure investment
南昌海悅建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**95**	95	Infrastructure investment
龍山海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB78,000,000	**80**	80	Infrastructure investment
成都海旭建設有限公司 (i) (ii)	Chinese mainland	RMB50,000,000	**100**	100	Infrastructure investment
臨沂海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB693,358,189	**100**	100	Infrastructure investment
汝陽縣海耀建設工程有限公司 (ii)	Chinese mainland	RMB58,000,000	**80**	80	Infrastructure investment
杭州海騰建設有限公司 (i) (ii)	Chinese mainland	RMB200,000,000	**100**	100	Infrastructure investment
徐州海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB120,000,000	**100**	100	Infrastructure investment
濟寧海耀建設有限公司 (i) (ii)	Chinese mainland	RMB238,600,000	**99**	99	Infrastructure investment
貴州海投建設有限公司 (i) (ii)	Chinese mainland	RMB250,000,000	**100**	100	Infrastructure investment
淄博海新建設有限公司 (i) (ii)	Chinese mainland	RMB381,935,537	**100**	100	Infrastructure investment
商丘海嘉建築工程有限公司 (ii)	Chinese mainland	RMB200,000,000	**100**	100	Infrastructure investment
宿州海龍建築科技有限公司 (i) (ii)	Chinese mainland	RMB10,000,000	**100**	100	Manufacturing and sales of precast structure
合肥海嘉建築有限公司 (ii)	Chinese mainland	RMB200,000,000	**100**	100	Infrastructure investment

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2023 %	2022 %	Principal activities
Indirectly held by the Company: ***(continued)***					
武穴海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB360,899,100	**90**	90	Infrastructure investment
六安中建國際投資發展有限公司 (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資 (徐州) 有限公司 (i) (ii)	Chinese mainland	RMB361,500,000	**90**	90	Infrastructure investment
濟南海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB70,000,000	**100**	100	Infrastructure investment
湖州海榮建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**80**	80	Infrastructure investment
杭州海旭建設有限公司 (i) (ii)	Chinese mainland	RMB60,000,000	**100**	100	Infrastructure investment
中建國際工程有限公司 (ii)	Chinese mainland	RMB1,000,000,000	**100**	100	Building construction, civil engineering works and investment holding
安徽中建國際投資置業有限公司 (ii)	Chinese mainland	RMB280,000,000	**100**	100	Property development
中建興業投資 (湖南) 有限公司 (ii)	Chinese mainland	RMB200,000,000	**70.78**	70.78	Investment holding
湖南遠東力進建築工程有限公司 (ii)	Chinese mainland	RMB50,000,000	**70.78**	70.78	Consultancy and construction service
十堰海悦建設有限公司 (ii)	Chinese mainland	RMB100,000,000	**80**	80	Infrastructure investment
鄖西海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**75**	75	Infrastructure investment
湖州海旭建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**90**	90	Infrastructure investment
杭州海勝建設有限公司 (i) (ii)	Chinese mainland	RMB92,800,000	**93**	93	Infrastructure investment
邯鄲海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB143,157,900	**95**	95	Infrastructure investment
綿陽海升建設有限公司 (i) (ii)	Chinese mainland	RMB360,000,000	**90**	90	Infrastructure investment
泉州海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB30,000,000	**80**	80	Infrastructure investment
泉州海悦建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**79.99**	79.99	Infrastructure investment
樂平海嘉工程建設有限公司 (ii)	Chinese mainland	RMB50,000,000	**95**	95	Infrastructure investment
十堰海勝建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**80**	80	Infrastructure investment
滁州海嘉同創建設管理有限公司 (i) (ii)	Chinese mainland	RMB588,000,000	**69**	69	Infrastructure investment
濟南海新建設有限公司 (i) (ii)	Chinese mainland	RMB56,000,000	**100**	100	Infrastructure investment
安福海福建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**95**	95	Infrastructure investment
台州海旭建設有限公司 (i) (ii)	Chinese mainland	RMB157,120,000	**90**	90	Infrastructure investment
鹽城海鋭置業有限公司 (i) (ii)	Chinese mainland	RMB300,000,000	**100**	100	Property development
溫州海恒建設發展有限公司 (ii)	Chinese mainland	RMB40,000,000	**100**	100	Infrastructure investment
台州海創建設有限公司 (ii)	Chinese mainland	RMB50,000,000	**100**	100	Infrastructure investment
湖州海嘉建設發展有限公司 (ii)	Chinese mainland	RMB50,000,000	**100**	100	Infrastructure investment
台州海恒建設有限公司 (i) (ii)	Chinese mainland	RMB107,578,000	**100**	100	Infrastructure investment
莆田海恒建設有限公司 (i) (ii)	Chinese mainland	RMB100,000,000	**100**	100	Infrastructure investment
淄博海創置業有限公司 (i) (ii)	Chinese mainland	RMB35,294,100	**51**	51	Property development
鹽城海建置業有限公司 (ii)	Chinese mainland	RMB20,000,000	**55**	55	Property development
江蘇鹽城城投海銘建設發展有限公司 (i) (ii)	Chinese mainland	RMB200,000,000	**80**	80	Infrastructure investment
溫州海鋭建設發展有限公司 (ii)	Chinese mainland	RMB30,000,000	**100**	100	Infrastructure investment

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2023	2022	
			%	%	
Indirectly held by the Company: *(continued)*					
溫州海澤建設發展有限公司 (i) (ii)	Chinese mainland	RMB619,405,301	**100**	100	Infrastructure investment
西安海盛紡織城建設發展有限公司 (i) (ii)	Chinese mainland	RMB44,444,400	**90**	90	Infrastructure investment
洛陽海誠建設發展有限公司 (ii)	Chinese mainland	RMB200,000,000	**80**	80	Infrastructure investment
淮南海嘉建設有限公司 (i) (ii)	Chinese mainland	RMB321,920,000	**100**	100	Infrastructure investment
湖州海創建設有限公司 (ii)	Chinese mainland	RMB135,000,000	**100**	100	Infrastructure investment
溫州海築建設發展有限公司 (ii)	Chinese mainland	RMB253,846,121	**100**	100	Infrastructure investment
溫州海揚建設發展有限公司 (ii)	Chinese mainland	RMB30,000,000	**100**	100	Infrastructure investment
中建澳門(廣東橫琴)發展有限公司 (i) (ii)	Chinese mainland	RMB42,221,520	**100**	100	Investment holding
泰州海鑫建設發展有限公司 (ii)	Chinese mainland	RMB20,000,000	**100**	100	Infrastructure investment
滁州海悅建設發展有限公司 (ii)	Chinese mainland	RMB30,000,000	**100**	100	Infrastructure investment
寧波海昱建設有限公司 (i) (ii)	Chinese mainland	RMB598,775,000	**100**	100	Infrastructure investment
廣東海領建設工程有限公司 (i) (ii)	Chinese mainland	HK$323,060,000	**100**	100	Infrastructure investment
西咸新區海嘉新城建設發展有限公司 (ii)	Chinese mainland	RMB20,000,000	**100**	100	Infrastructure investment
寧波海晉建設有限公司 (i) (ii)	Chinese mainland	RMB264,087,085	**100**	100	Infrastructure investment

Notes:

(i) Registered as foreign owned enterprise

(ii) Limited liability company registered in Chinese mainland

(iii) Listed company

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year, except for China State Construction Finance (Cayman) II Limited and 中建國際投資集團有限公司, which have issued guaranteed notes payable and corporate bonds of US$250,000,000 (2022: US$250,000,000) and RMB7,100,000,000 (2022: RMB6,500,000,000), respectively (Note 41).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Revenue	61,669,678	62,458,009	77,309,614	101,975,265	**113,734,013**
Profit before finance costs	8,190,659	8,342,932	10,901,326	13,160,974	**14,363,348**
Share of profits of					
Joint ventures	452,654	701,944	369,246	275,196	**629,969**
Associates	920,143	1,879,577	782,808	333,934	**314,539**
Finance costs	(2,278,985)	(2,679,977)	(2,668,202)	(2,991,419)	**(3,204,309)**
Profit before tax	7,284,471	8,244,476	9,385,178	10,778,685	**12,103,547**
Income tax expense, net	(1,560,891)	(1,760,302)	(1,949,294)	(2,309,221)	**(2,390,599)**
Profit for the year	5,723,580	6,484,174	7,435,884	8,469,464	**9,712,948**
Profit for the year attributable to:					
Owners of the Company	5,413,208	6,015,368	6,800,879	7,956,876	**9,164,045**
Holders of perpetual capital securities	260,166	407,246	465,132	295,824	**304,788**
Non-controlling interests	50,206	61,560	169,873	216,764	**244,115**
	5,723,580	6,484,174	7,435,884	8,469,464	**9,712,948**

CONSOLIDATED NET ASSETS

	As at 31 December				
	2019	2020	2021	2022	**2023**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	4,240,373	4,819,175	5,143,358	4,869,816	**5,664,826**
Right-of-use assets	486,005	571,372	554,978	570,025	**600,332**
Investment properties	5,067,333	4,643,331	5,126,232	7,080,272	**6,923,849**
Interests in infrastructure project investments	4,747,131	5,713,846	5,726,639	4,742,261	**3,651,302**
Interests in joint ventures	14,012,737	16,453,237	18,388,085	16,771,131	**16,916,238**
Interests in associates	6,300,683	6,829,830	9,347,225	7,482,593	**6,116,328**
Concession operating rights	3,837,846	3,812,526	3,784,772	3,328,066	**3,066,257**
Deferred tax assets	157,833	177,691	173,764	119,698	**123,170**
Trademark, project backlogs and licences	289,117	278,416	266,102	237,361	**216,116**
Goodwill	577,664	577,664	577,664	577,664	**577,664**
Financial assets at fair value through other comprehensive income	658,355	689,958	693,390	545,886	**388,709**
Amounts due from investee companies	211,806	211,806	211,806	231,481	**222,047**
Trade and other receivables	44,317,072	53,729,653	54,434,753	53,285,839	**55,600,846**
Loans to joint ventures	1,020,307	295,761	898,754	827,673	**1,283,721**
	85,924,262	98,804,266	105,327,522	100,669,766	**101,351,405**
CURRENT ASSETS	75,499,641	88,007,041	113,956,903	128,180,363	**147,923,280**
TOTAL ASSETS	161,423,903	186,811,307	219,284,425	228,850,129	**249,274,685**
NON-CURRENT LIABILITIES					
Bank borrowings	(29,347,618)	(35,488,761)	(47,848,335)	(45,457,207)	**(51,310,456)**
Guaranteed notes payables and corporate bonds	(6,216,049)	(9,179,000)	(8,095,418)	(8,760,252)	**(7,008,591)**
Contract liabilities	(688,210)	(656,125)	(667,106)	(663,898)	**(591,473)**
Defined benefit obligations	–	–	–	–	**(23,555)**
Deferred tax liabilities	(403,675)	(399,898)	(520,728)	(508,208)	**(590,736)**
Loan from a joint venture	(2,711,864)	(2,843,602)	(2,955,665)	(2,727,273)	**–**
Lease liabilities	(43,152)	(24,882)	(58,454)	(112,195)	**(116,760)**
	(39,410,568)	(48,592,268)	(60,145,706)	(58,229,033)	**(59,641,571)**
CURRENT LIABILITIES	(71,105,770)	(79,939,492)	(92,922,448)	(102,824,642)	**(115,355,495)**
TOTAL LIABILITIES	(110,516,338)	(128,531,760)	(153,068,154)	(161,053,675)	**(174,997,066)**
NET ASSETS	50,907,565	58,279,547	66,216,271	67,796,454	**74,277,619**

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, Chinese mainland	Commercial	Medium term lease	60,692	100
(c)	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
(d)	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
(e)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, office floors Rooms A, B, E, F on 4th Floor, Rooms B to E on 5th Floor, Rooms A to C and E to F on 6th Floor, Rooms A to E on 7th Floor, 8th Floor, Rooms B to F on 9th Floor, Rooms A, D, E on 10th Floor, Rooms C to F on 11th Floor, Rooms A to B on 12th Floor, Rooms C to F on 16th Floor, Rooms A to E on 18th Floor, 19th Floor and Rooms A to E on 20th Floor, 6 car parking spaces on basement floor and 61 car parking spaces on 2nd and 3rd Floors, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium term lease	101,996	100
(f)	Room 201–401. Building #1, 371 Ding Mao Qiao Road, Zhenjiang, Jiangsu Province, Chinese mainland	Commercial	Medium term lease	389,380	100
(g)	Factory at Lot No. 8, north of Dabieshan Road, south of Yonghe Road, east of Yunshan Road, west of Shuishan Road, Yeji Economic Development Zone, Luan, Anhui Province, Chinese mainland	Industrial	Medium term lease	109,879	100

Particulars of Major Investment Properties (continued)

Address		Use	Lease term	Approximate gross floor area (sq.ft)	Group's interest %
(h)	Factory 1–7 and 15, South of Yinxing Road, east of Jingui Road, Small and Micro Pioneer Park, Yeji Economic Development Zone, Luan, Anhui Province, Chinese mainland	Industrial	Medium term lease	82,754	100
(i)	Yao Li Factory, West of 2nd Industrial Road, Yao Li Industrial Zone, Yeji District, Luan, Anhui Province, Chinese mainland	Industrial	Medium term lease	31,670	100
(j)	China Overseas Logistics Centre, Mingzhu Road, Yantian District, Shenzhen, Guangdong Province, Chinese mainland	Industrial	Medium term lease	474,050	100

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