中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
Stock Code: 03311

Exercise caution in details and implementation
Build a strong foundation to seek greater success

Annual Report **2012**

Vision

The Group focuses on details and advocates putting into practice. Consistently pursuing the professionalism of

"achieving superb quality in each process thus making each property of superb quality"

and taking full advantages of its experience as an international contractor, the Group is committed to offering excellent products and services in excess of their own values, actively performing its responsibilities as a corporate citizen, striving to build up an everlasting business regime.

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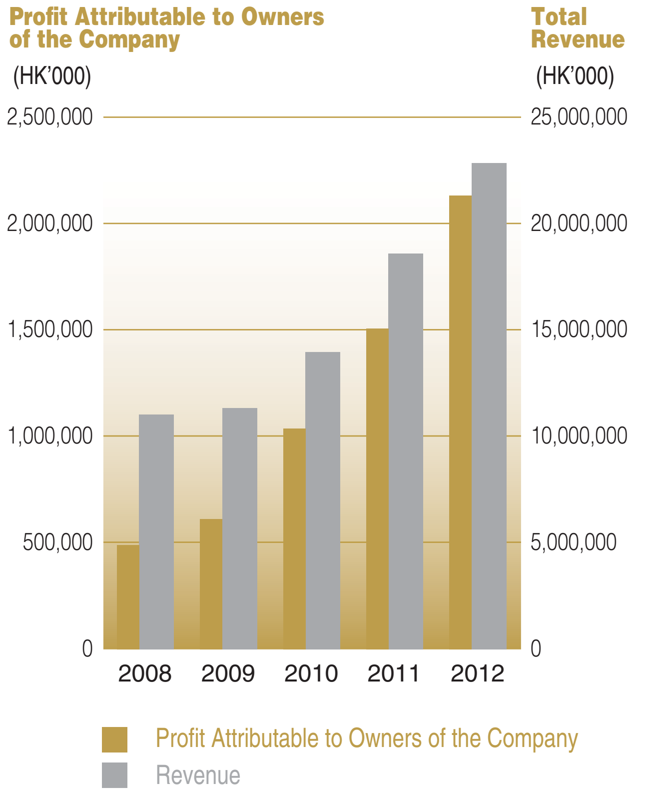
Financial Highlights

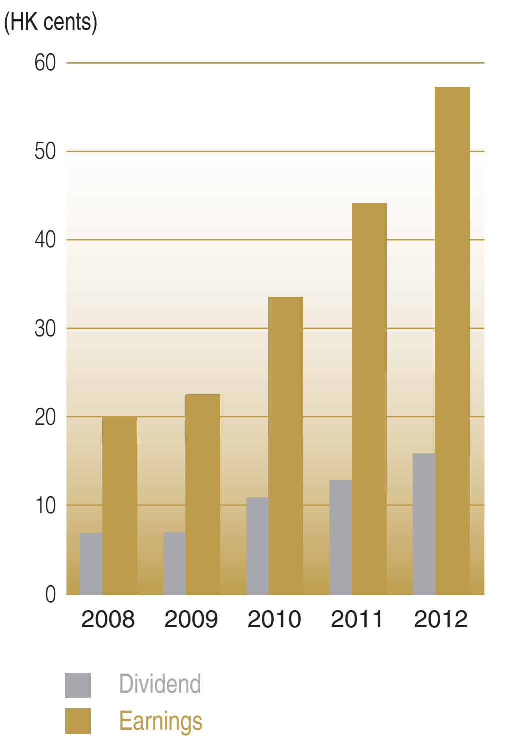
	Per Annual Report For the year ended 31 December				
	2008	2009	2010	2011	**2012**
RESULTS (HK$'000)					
Group Revenue	9,448,033	8,824,024	11,982,871	16,379,311	**19,765,008**
Share of revenue of jointly controlled entities	1,573,372	2,517,974	1,983,966	2,202,768	**3,069,660**
	11,021,405	11,341,998	13,966,837	18,582,079	**22,834,668**
Profit attributable to owners of the Company	489,321	612,531	1,036,278	1,507,405	**2,131,459**
FINANCIAL RATIOS					
Net margin (%)	5.2%	6.9%	8.6%	9.2%	**10.8%**
Current ratio (times)	1.32	1.98	1.08	1.24	**1.64**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	20.06	22.65	33.62(note)	44.22	**57.32**
Dividend (HK cents)	7.00	7.10	11.00	13.00	**16.00**
Net assets (HK$)	1.03	1.46	1.55	2.65	**3.48**
OTHER INFORMATION					
Value of incomplete contracts as at 31 December (HK$ billion)	21.13	24.67	35.48	48.92	**57.69**

Note: The calculation of the basis earnings per share for the year ended 31 December 2011 has accounted for the bonus element of rights issue which was effective from 16 May 2011. The weighted average number of ordinary shares of 2010 has been retrospectively adjusted to reflect the bonus element of rights issue.

Results



Financial Information Per Share



Corporate Structure

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

HONG KONG

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

MACAU

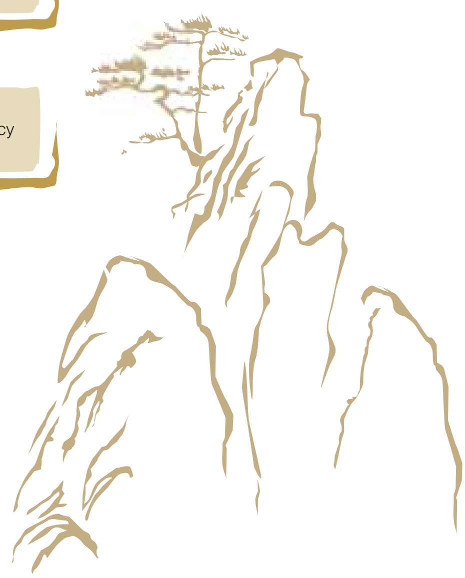
- Building Construction
- Civil Engineering Works
- Foundation Engineering Works
- Mechanical and Electrical Engineering Works
- Other Construction Related Business

MAINLAND CHINA

- Road & Bridge Investments
- Generation and Supply of Heat and Electricity
- "Build – Transfer" and "Build – Operate – Transfer" Projects
- Building Construction
- Pre-cast Structures Production
- Project Consultancy Services

OVERSEAS

- Building Construction
- Curtain Wall System*



* Operate through a listed subsidiary, Far East Global Group Limited.

Board of Directors and Committees

Board of Directors

Chairman and Non-executive Director
Kong Qingping

Executive Directors
Zhou Yong *(Vice-chairman and Chief Executive Officer)*
Tian Shuchen
Zhou Hancheng
Zhang Yifeng *(resigned on 21 March 2013)*
Pan Shujie
Hung Cheung Shew

Non-executive Director
Li Jian

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

Committees

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

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

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

Corporate Information

Authorized Representatives
Kong Qingping
Zhou Yong

Company Secretary
Tse Sui Ha

Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

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

Head Office and Principal Place of Business in Hong Kong
28th Floor, China Overseas Building
139 Hennessy Road, Wanchai
Hong Kong

Auditor
PricewaterhouseCoopers

Legal Advisor
Mayer Brown JSM

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
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank, Limited

Stock Code
03311

Website
www.csci.com.hk

Financial Calendar

Closure of Register of Members – Annual General Meeting

4 June 2013 to 6 June 2013 (both days inclusive)

Annual General Meeting

6 June 2013

Closure of Register of Members – Final Dividend

14 June 2013 to 17 June 2013 (both days inclusive)

Payment of Proposed Final Dividend

5 July 2013

Major Events of the Year 2012

February

Staff of the Group joined the "Community Chest Walks for Millions on New Territories"

Nearly 400 staff of the Group joined "Community Chest Walks for Millions on New Territories" organized by the Community Chest of Hong Kong on 19 February 2012. Fund raised from this event will be used by the Community Chest of Hong Kong to finance its "Services for the Benefits of Family and Children" to help those families in need, so as to unite all families by building up close relationships between family members with mutual love and respect.

The Group was awarded "2011/12 Caring Company Logo"

The Group was conferred the "Caring Company Logo" for four consecutive years, and it had met the criteria in three scopes, namely "Caring for the Community", "Caring for the Employees" and "Caring for the Environment".

March

The Group was honored several golden awards under the Construction Industry Safety Awards Scheme

Organized by the Labour Department, the award presentation ceremony of the "2011/2012 Construction Industry Safety Awards Scheme" was held on 11 March 2012. With various sites joining the scheme, and with its excellent performance in site safety and its effort in creating a safety and healthy working environment, the Group recorded satisfactory results again by winning golden awards under three major categories.

April

The Group obtained Fujian Zhangzhou Limin Jiayuan Affordable Housing

With its owner being the Zhangzhou municipal government, the Group obtained the Fujian Zhangzhou Limin Jiayuan Affordable Housing which has a contract value of approximately HK$2.84 billion and a construction term of 24 months.

May

The Group won various awards under the 2011 Considerate Contractors Site Award Scheme

The award presentation ceremony of the "2011 Considerate Contractors Site Award Scheme" jointly organized by the Development Bureau and the Construction Industry Council was held on 24 May 2012. By virtue of its persistently outstanding performance as a considerate contractor and its unparallel effort in environmental protection, the Group surpassed many large scale construction enterprises in Hong Kong by winning 9 Considerate Contractors Site Awards and 8 Outstanding Environmental Management and Performance Awards.

June

President of China Mr. Hu Jintao visited the construction site of Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2, a project contracted by the Group

On 30 June 2012, accompanied by Sir Donald Tsang Yam-kuen, the Chief Executive of Hong Kong, the President of China Mr. Hu Jintao visited the construction site of Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2, a project contracted by the Group.

Contract Signing Ceremony for the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities

The Contract Signing Ceremony for the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities was held on 15 June 2012. With the Highways Department as the owner, the project has a contract value of HK$8.88 billion. It is expected to be completed in 2017. It is the Group's highest value, wholly-contracted project in Hong Kong.

The Group secured a Hong Kong Housing Authority project

The Group secured the Construction of Public Rental Housing at Sha Tin Area 52 Phase 2. Owner of which is Hong Kong Housing Authority, and the contract value is approximately HK$2.23 billion with the construction term of 32 months.

July

The Group secured the Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment

The Group secured the Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment. The owner of which is Sisters of St Paul de Chartres Hong Kong, and the contract value is approximately HK$1.78 billion with a construction term of 24 months.

The Group won various awards in the Construction Safety Promotional Campaign

The Construction Safety Forum and Award Presentation Ceremony organized by the Occupational Safety and Health Council was held on 12 July 2012. The Group has long been promoting the safety of construction sites and progressively implemented series of new safety management plans and initiatives, targeting to improve management of safety risk and enhance the safety awareness of all labours and sub-contractors. As such, the Group won various awards in this campaign.

The Group raised funds of HK$2.23 billion by way of top-up placing

The Group placed 300,000,000 shares by way of top-up placing at a price of HK$7.57 per share, raising net proceeds of approximately HK$2.23 billion.

August

The Group achieved record-high market capitalization

On 13 August 2012, the market capitalization of the Group reached HK$33.98 billion, a record high since listing of the Company.

The Group announced 2012 Interim Results

The 2012 interim results were announced on 22 August 2012. For the six months ended 30 June 2012, the unaudited profit attributable to the owners of the Company was HK$887 million, representing an increase of 35.8% over the corresponding period last year. It recorded revenue of HK$8,958 million, up 47.5% over the corresponding period last year. Earnings per share were HK24.73 cents, an increase of 23.3% over the corresponding period of last year. The Board resolved the payment of interim dividend of HK$7.0 cents per share.

The Group awarded Production and Quality Award under the 2012 Hong Kong Awards for Industries

The Group was awarded Production and Quality Award under the 2012 Hong Kong Awards for Industries, which was the fourth times of the Company to win this honor, demonstrating the recognition of the Company by the industry in terms of quality management. The award had strengthened the core competitiveness of the Company.

September

The Group was admitted in Hang Seng Corporate Sustainability Index

The Group was admitted in Hang Seng Corporate Sustainability Index, reflecting the outstanding performance of the Group on environmental protection, social responsibilities and corporate governance.

October

The Group extended its affordable housing business to new cities

The Group secured an affordable housing project in Teishan Street, Lushun, Dalian City, Liaoning Province with a contract value of approximately HK$2.50 billion and a construction term of 36 months.

Ground-breaking ceremony of the Phase 1 of Wenzhou Lucheng District Affordable Housing of the Group

The ground-breaking ceremony of a project on a land located at Fengshou, Wuma Street, Lucheng District, Wenzhou was held on 26 October 2012. Mayor of Wenzhou Mr. Chen Jinbiao and other parties attended as honorable guests. Over 300 representatives from other municipal, regional and sub-district offices as well as medias attended the ceremony.

November

Macau subsidiary was honored various awards from "2012 Construction Industrial Safety Award Scheme"

The "2012 Construction Industrial Safety Award Scheme" forum and award presentation ceremony hosted by the Labour Affair Bureau of Macau was held on 29 November. The Macau subsidiary differentiated itself from numerous participants in terms of proper project management and safety awareness and thus won various awards.

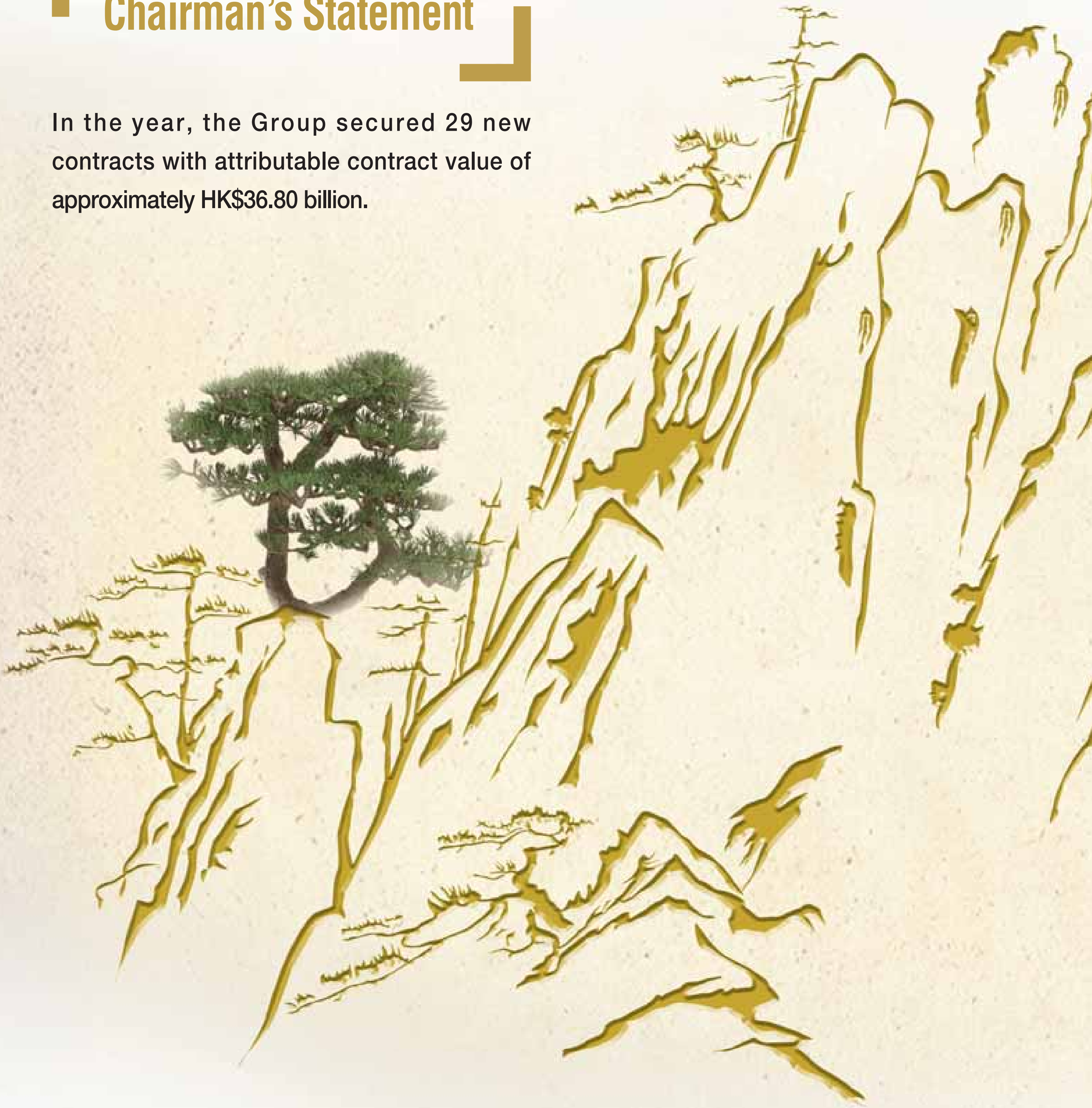
December

Operational Status of the Group for January to December 2012

The value of new contracts for the whole year of 2012 amounted to HK$36.80 billion, representing a year-on-year increase of 21.53%, and 105.14% of the whole year target of 2012. As at 31 December 2012, aggregate value of the contracts on hand of the Company was approximately HK$93.00 billion. Among which, contract value of incomplete projects was approximately HK$57.69 billion, representing a year-on-year increase of 17.93%, which is sufficient for the construction business of the Company for the next three years.

Chairman's Statement

In the year, the Group secured 29 new contracts with attributable contract value of approximately HK$36.80 billion.



Mr. Kong Qingping
Chairman and Non-executive Director

A Trusted Brand Growing through Diligence and Care

Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2012 was HK$2,131 million, representing an increase of 41.4% over last year. Revenue was HK$19,765 million, representing an year over year increase of 20.7% while earnings per share increased by 29.6% to HK57.32 cents.

Final Dividend

The Board recommends payment of a final dividend of HK9.00 cents per share for the year ended 31 December 2012, contributing to an annual total dividends per share of HK16.00 cents, representing an increase of 23.1% as compared to last year.

Review of Operation

In 2012, the European sovereign debt crisis lingered continuously and the "fiscal cliff" issue of the United States raised market attention. As such, the developed economic regimes suffered continuous sluggish, while the emerging economies went down considerably, seriously dragging the pace of the recovery of the world's economy. Following the implementation of a new round of quantitative easing measures and economic stimulating policies, inflation pressure pricked up and there were complicated uncertainties to the recovery of the global economy. Against such backdrop, the Group adhered to the principle of "Self-strengthening and Steady Operation" and exercised the strategy of "Emphasizing Construction Project Contracting, Monitoring Infrastructure Investments" to grasp opportunities in order to ensure sound development amid the changing situations. Thus it was able to achieve remarkable results in its dual-core businesses of infrastructure investment and construction.

Market Conditions

In 2012, the construction markets in Hong Kong and Macau remained buoyant. In the meantime, given the growing downside pressure faced by China's economy, the central government made "stable economic growth" its first priority and successively launched series of economic stimulating measures in order to continue supporting the economic growth by driving the investment in infrastructure sector. In response to the sophisticated environment, the Group made timely adjustment to its business strategy to cope with the changes in external economic and market conditions, and managed to achieve sustainable and healthy development of its construction and investment businesses.

Hong Kong and Macau Regions

The construction industry in Hong Kong and Macau continued to boom, featuring increasing high-end and large-scaled contracting projects and intense market competitiveness. Conforming to the ever-changing market conditions, the Group prioritized the control of tender risk and adhered to its differentiated tender strategy, targeting to high-profile branded, mega-sized projects. Through its meticulous planning, the Group achieved breakthrough on its business development. In 2012, the Group won the construction project of Hong Kong – Zhuhai – Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, which is among the city's "Ten Mega Infrastructure Projects" and has a total contract value of HK$8.88 billion. It was the highest contract value ever among the solely-run projects in the Company's history. The total contract value of new construction projects awarded in Hong Kong and Macau hit the historical high, further reinforcing the Group's leading position in the Hong Kong and Macau markets and also its scale of economy.

The economic growth of Macau stood high. Spurred by the launch of pubic housing and mega casino projects, the construction sector continued to maintain its vigor. By proactively seizing market opportunities, fully capitalizing on the synergy between Hong Kong and Macau and aggressively participating in market rivals, the Group recorded satisfactory results in business development and won various project including the Residential Development of Nova City Phase 4 Taipa.

Mainland China Market

In 2012, the Group devoted much effort in the investment business in Mainland China. It adjusted investment focus in the Mainland China to the affordable housing BT ("Build-Transfer") projects and obtained satisfactory results. In 2012, the Group secured affordable housing projects in Zhangzhou, Tianjin, Wenzhou and Dalian, and developed numerous infrastructural BT projects in Wuhan.

In Mainland China, development of the investment projects were on schedule, risk control and cash flow management were improved and there was good progress in project repurchase. The repurchase considerations of Wuxian Highway Reconstruction and Shahu Passageway BT Project, the Tangshan Binhai Avenue BT Project, the Zhangzhou Ecological Park Relocation Housing Project, and the Chongqing Hechuan Relocation Housing and Public Rental Housing Project were received in advance or as scheduled.

After more than one year upon its launch of operation, the Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) BOT project was progressing well. The daily average toll revenue has increased significantly after the commencement of operations of the coal quality inspection station which helps to enhance traffic flow.

Both traffic flow and toll revenue of the Nanjing No. 2 Yangtze River Bridge grew steadily, while Shenyang Huanggu Thermoelectricity Company Limited further expanded its heat supply area by strengthening internal administration and market expansion.

Overseas Market

The Group marched into facade contracting business in developed countries such as the United States and Canada through its Hong Kong-listed subsidiary Far East Global Group Limited ("FEG"). FEG recorded encouraging results in the business development in North America and successfully marked its foothold in British and Australian markets.

The real estate and construction market of the United Arab Emirates ("UAE") experienced turnaround from bottom trough, yet recovery consumed time. The Group ceased to undertake new projects in the UAE market since 2008, and focuses on commercial management and project account settlement for the time being.

Completed Projects during the Year

In 2012, the Group completed 29 projects.

New Projects Awarded

The Group secured 29 new projects in 2012, with an aggregated attributable contract value of HK$36.80 billion, of which Hong Kong market accounted for 47.8%, Mainland China market accounted for 42.4%, Macau markets accounted for 2.4% and FEG accounted for 7.4%.

8 new contracts were awarded in the first two months of 2013, resulting to an aggregated contract value of approximately HK$10.78 billion.

Projects in Progress

As at 31 December 2012, the Group had a total of 74 projects in progress, amounting to an aggregated attributable contract value of HK$93.00 billion. The attributable contract value of incomplete projects was HK$57.69 billion. As at the end of February 2013, the Group had an aggregated contact value of HK$102.92 billion.

Corporate Governance

The Group strictly complies with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong. With effective monitoring by the Board of Directors, and enhanced communication with the investment community, relevant information was released timely to enhance investors' knowledge and understanding about the Company and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round mechanism involving corporate governance, internal control, risk management and crisis management to continuously improve corporate governance and achieve operation standardization. It also adjusted its strategic plan in a timely manner in order to cope with the sophisticated market conditions. The functions and roles of each dedicated decision-making team were realigned, business units were operating in a more regional-based model, and specialization of management capabilities was enhanced so as to improve management efficiency.

Risk Management

The dedicated management team continued to enhance and carry out full-scale monitoring and controlling of risks; persisted in centralisation of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the "Examination by Three Departments" mechanism. Emphasis was placed on the balance between control and efficiency in order to effectively build a connected mechanism on risk management between the Group, relevant operating units and projects. The Group holds regular quarterly meetings for every operating unit, fully implement the mechanism of centralised decision making in regular meetings of general managers and the "Three Centralisations" management models so as to enhance the headquarters' management capability in terms of human resources, financial resources and material resources, as well as increasing the Group's ability in risk management in respect of construction and investment projects.

Financial Management

The Group's financial management, fund management and external financing have been centrally managed and controlled at the headquarters. In line with its principles of prudent financial management, as at 31 December 2012, the Group had bank balances of HK$6.72 billion, total borrowings of HK$10.05 billion and a net gearing ratio of 24.7%. In 2012, the Group achieved encouraging progress in seeking bank financing and had drawn bank loan of HK$5.03 billion. The Group had sufficient liquidity, and was in a sound financial position. The Group also had committed but unutilised borrowing facilities of HK$10.21 billion which is sufficient to meet the need of its business development.

By holding semi-annual economic activity analysis meetings and occasional financial seminars, the Group conducted regular modification and assessment on its overall strategic plans, operating status and systems establishment so as to ensure healthy expansion and operation of the Group's different business segments. The Group fully utilized the regional platform of Hong Kong, Macau and Mainland China to raise and manage capital, enhanced the synergy between the headquarters and the subsidiaries in terms of investment and financing, and enhanced financial management by strengthening cost management, emphasizing financial planning and stressing on the time value of funds, effectively supporting the development of business operation.

Human Resources Management

The Group has launched a new performance appraisal system and staff ranking system, increased efforts in salary and benefits reform, improved the remuneration system and offered more market-oriented remuneration packages. It further implemented the accountability system for the site contracting and conducted a trial of the system on investment projects. Through campus recruitment and personnel nomination incentive scheme, the Group strived to further improve the internal training and promotion mechanism, enhanced the effort in introducing talents from the construction industry of Hong Kong to Mainland China for investment purpose and strengthened its ability to retain human resources.

Capital Operation

In the first half of 2012, the Group has increased its shareholdings in FEG, a company listed in Hong Kong from 9.3% to 74.1%, for a consideration of about HK$1.27 billion. The acquisition will effectively diversify the relevant business of the Group, bring about synergy between both parties and facilitate the forming of an internationally standardized platform of the Group.

In July 2012, the Group raised fund of HK$2.23 billion by way of top-up share placement. Such fund-raising exercise optimized overall financial structure and broadened capital base which helped to provide development fund for the investment in the affordable housing and infrastructures in Mainland China.

In January 2013, the Company received investment grade ratings from credit rating agencies like Standard & Poor's, Moody's and Fitch. In order to generate new source of fund, the Group proposed bond issuance with proceeds to be used as general working capital.

Corporate Citizenship

The Group cared for the community, actively participated in charity, contributed to the society and raised funds to help people in need. With its innovative and effective safety management reward system, the Group possessed state-of-the-art technology among in the industry. The Group has extensively utilized energy saving, low carbon emission and environmental-friendly construction technologies to build up a harmonious living environment, thus playing a pioneer role and sets a good example for the industry. The Group also put high emphasis on the localisation of its regional companies in order to build a friendly and harmonious working environment for its staff members. The Group's outstanding performance in persistent fulfillment of social responsibility and enhancement of shareholders' value has been widely recognised and was selected as constituent of Hang Seng Corporate Sustainability Index and FTSE China Index during the year.

Key Awards

Leveraging on its prominent performance in terms of quality, safety, environmental protection and technology, the Group obtained various significant awards during 2012. Among which, Construction of Development at Ex-Cheung Sha Wan Police Quarters project and Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) project was awarded Gold Award in Building Sites (Public Sector) and Civil Engineering Sites Category respectively in the "Construction Industry Safety Award Scheme 2011-2012" organised by the Labour Department of Hong Kong. The Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 project was honored Gold Award in the "Considerate Contractors Site Award Scheme 2011" organised by the Development Bureau of Hong Kong; the Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) project and the Design, Build and Operate of Pillar Point Sewage Treatment Works were awarded Gold Award in the Best Safe Working Cycle Site and the Best Safety Culture Site respectively in "The 13th Construction Safety Award" organised by the Hong Kong Occupational Safety and Health Council.

Business Prospects

Looking ahead to 2013, the global economy is undergoing a post-crisis adjustment period. Temporary evading from the "fiscal cliff" crisis, the economy of the United States experiences slow recovery. The European sovereign debt crisis fluctuates as issues such as the financial conditions in Italy deteriorated, resulting to continuous weak Eurozone. Slack growth of the emerging economies, slump of the domestic demand and the continuous looseness of the currency policies further expose the world to the risk of liquidity. It takes time for the world to totally relief from the financial crisis, and the road leading to global recovery is devious. The Group will keep a close eye on the development trend of the macro economy of Mainland China, adjust strategic focus on a timely basis and seize market opportunities so as to maintain stable and healthy operation.

Market Conditions

The Chinese government insists the goal of "stable economic growth" for 2013, with infrastructure investment playing a dominant role to achieve this goal. With positive effect gradually brought by the loosened policies, a rebound of the economy of Mainland China is anticipated. Urbanization will be a new driver to the fast economic growth, while the development of the government-led infrastructural investment will be expedited. In respect of the affordable housing, numerous policies have been launched by the Central government to facilitate the construction of the affordable housing. To further enhance the construction of the affordable housing projects, the central government set up the construction start target of no less than 6.3 million units and basic completion target of no less than 4.7 million units in 2013. Albeit slight decrease from the previous two years in terms of the total number of units, the market volume in relocation housing and public rental housing, in which the Group mainly participates, remained the same as compared to that of 2012.

In 2013, Hong Kong government will continue to conduct the "Ten Mega Infrastructure Projects", of which Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Central-Wan Chai Bypass Tunnel and the Hong Kong – Zhuhai – Macao Bridge have been gradually underway. More large-scaled projects involving MTR Shatin-Central Link, Kai Tak Development and West Kowloon Cultural District will also be implemented in the coming years. Besides, with Hong Kong government providing stable number of public housing, and the "My Home Purchase Plan" to be determined stage by stage, the government projects will be a main driving force of the construction industry for the coming three years.

Series of casino expansions, government infrastructure projects and private construction projects will bring the construction industry in Macau to a climax. The Group will fully capitalize on the synergy between Hong Kong and Macau and place its focus on certain mega casino and public housing projects. Meanwhile, the Group will continue to explore the opportunities for investment-driven contracting projects

Meanwhile, Hong Kong and Macau markets have the problem of labour shortage and insufficient subcontracting resources, while the recently launched projects are mainly large scale, with the quantity of which relatively decreased. The competition in the construction industry is thereby intensified.

In respect of the overseas business, having FEG as its critical platform, the Group aims to maintain stable operations and balance risks. In addition to the prudent development of curtain wall business, the Group will also continue to explore the possibility of transforming its overseas business.

Operation Strategies

The Group will adhere to its vision of "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**" to actively act in response to the complicated international and domestic economic environment. Implementing the development strategy of "Strengthening Management, Innovative Investment", the Group will strive to grasp opportunities, mitigate risks, pursue an enhanced management and guarantee standard, and reinforce the dual-core businesses of infrastructure investment and construction. The Group will also effectively enhance its shareholders' value and market competitiveness.

With firm determination to maintain and enhance the development of its business in Hong Kong and Macau, the Group will fully capitalize on the synergy arising from the integration of both regions so as to maintain the existing market share and secure its position as one of the largest contractors in Hong Kong and Macau. By insisting on differentiated tender strategy, and enhancing the stability and persistency of the tender tactics, the Group will place its emphasis on the design and strategic deployment of mega-sized, high potential projects. It will also focus resources to raise the possibility of winning the tenders. The Group will maintain proper coordination with joint-venture partners and avoid any tendering and inflation exposure. In Macau, the Group will focus on projects including large scale building and government public housings, while improving its business diversification and cross-region operation and management, striving to achieve breakthrough in investment-driven contracting.

As a major platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group will continue to strengthen its investments in the infrastructure construction and affordable housing in Mainland China, endeavoring to expand and strengthen its investment scale, building infrastructure investment as one of its dual-core businesses, and securing larger room for the expansion of scale of economy. Closely observing the State's policies and capturing the opportunities arising from the government's focus on affordable housing projects, the Group will consider affordable housing as its keystone in the expansion of infrastructure investment business in Mainland China. Moderate development effort will be made on other infrastructure projects. The focus of investment and expansion will be leaned towards the affordable housing projects in provincial capital cities and economically-developed cities, as well as projects that feature high profit and quick turnaround in order to strive for better return in investment.

Operation Management

The Group has engaged in construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group puts great emphasis on the promotion of the "5+3" project management model (i.e. coordinated management over the five elements, namely safety, environmental protection, quality, progress and cost, and the three systems, namely flow guarantee system, procedure guarantee system and accountability guarantee system) to launch different projects with balance deployment and refine its project management. On top of this, the Group will continue to explore the regional management model and perfect the performance assessment system of the target-oriented accountability system. By upholding the principle of prudence, moderation, control and profitability, the Group insists to prioritize cash flow management. Also, it will further improve the human resources management system and strengthen the development of its information technology system.

Company Mission

In pursuit of its philosophy to "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**", the Group will continue to fully leverage the advantages of its "**China State Construction**" brand and to focus on details and advocate a pragmatic approach to its work. The Group is committed to offering excellent products and services in excess of their values, actively performing its responsibilities as a corporate citizen, propping up competitiveness and shareholder's value, and striving to build an evergreen business regime.

Appreciation

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

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

Hong Kong, 21 March 2013

Management Discussion and Analysis

Revenue and profit attributable to the owners of the Company were HK$19,765 million and HK$2,131 million, representing a growth of 20.7% and 41.4% respectively as compared with last year.

Overall Performance

For year ended 31 December 2012, the Group recorded consolidated Group revenue of HK$19,765 million and a net profit attributable to owners of the Company for the year of HK$2,131 million, representing a year-on-year increase of 20.7% and 41.4% respectively. With a proposed final dividend per share of HK9.00 cents and an interim dividend per share of HK7.00 cents paid in the year, the total dividends for the year amounts to HK16.00 cents per share, representing an increase of 23.1% as compared to last year.

During the year under review, the Group continued strengthening its strategy of development of dual-core businesses of construction and infrastructure investment. Both sectors have demonstrated impressive results in both performance and growth in the year under review.

In March 2012, the Group acquired Far East Global Group Limited ("FEG") and its subsidiaries (together as the "FEG Group") (Details are set out in note 43 to the consolidated financial statements). The acquisition of FEG Group was accounted for by acquisition method with the FEG Group's result fully consolidated into the Group's result since the completion of the acquisition.

Mr. Zhou Yong
Vice-Chairman and Chief Executive Officer

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

Revenue and Gross Profit

Construction and Infrastructure Investment Business (excluding FEG Group)

During the year under review, the Group carried on construction and related businesses as major businesses in the Hong Kong and Macau while the Group engaged in construction, affordable housing and infrastructure investment businesses in Mainland China. The newly acquired FEG Group is currently managed by a separate management team and thus is considered as a distinct business unit of the Group for analysis purpose. During the year, the Group's major segments continued to deliver impressive results in all three key performance indicators: new projects awarded, revenue and segment results.

Hong Kong, Macau and Overseas

1) *Construction – Hong Kong*

Benefited from the roll out of the major infrastructure projects in the region, the Hong Kong's construction industry has been thriving. Being one of the largest construction contractors in the local market, the Group has tapped the market opportunities and recorded a steady growth in revenue of approximately 6.9% to HK$9,311 million for the year under review (2011: HK$8,708 million). During 2012, the Group successfully completed several major construction projects such as Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin and Construction of Un Chau Estate Phase 5. In addition, the Group also recorded an increased profit contribution from certain large scale projects as they were progressing to the construction peaks in 2012 from their preliminary stages in the last year. Despite there was general rise in material and labour costs in the market, the impact has been mitigated by the Group's stringent cost control system and the availability of the type of construction contract with adjustment of contract price in approximately proportion to the market price of materials and labour going up and down during the construction period. Therefore, with a moderate increase in gross profit ratio for the year to approximate 8.2% (2011: 7.3%), the Group has achieved a robust growth in the gross profit by approximately 20.1% to 765 million (2011: HK$637 million).

During 2012, the Group (itself or via its joint ventures) has successfully secured new contracts of aggregate attributable contract value amounting to approximately HK$17.60 billion, including large-scale projects such as Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities with total contract value of HK$8.88 billion, the largest wholly-conducted contract in the Group's history. As of 31 December 2012, the Group recorded attributable contract value for incomplete works of approximately HK$27.98 billion. Together with the expectation of more new projects in the pipeline for tendering, it is anticipated that this sector will continue to provide a stable income stream to the Group in the short to medium term future.

2) *Construction – Macau*

Backed up by public construction and mega casino, Macau's construction sector market continues to flourish. During the year under review, this sector has recorded an increase in revenue of approximately 253.6% to approximately HK$860 million (2011: HK$243 million) as the Group's building project there reached construction peak. However, in the absence of profit from finalisation of a previously completed project received in last year, the gross profit from this sector dropped to approximately HK$60 million (2011:HK$71 million).

The Company successfully bid a number of new projects with aggregate contract values of approximately HK$0.88 billion and HK$2.47 billion for 2012 and the first two months of 2013 respectively. As at 31 December 2012, total contract value for incomplete works was approximately HK$1.99 billion.

3) *Construction – Overseas*

The Overseas segment represented mainly the construction projects in United Arab Emirates. During the year under review, the Group focused on business administration and project settlement for projects completed in prior years.

Mainland China

Our businesses in Mainland China continued to be one of the key revenue and profit drivers of the Group. During the year under review, this segment delivered a steady growth in revenue and gross profits contribution of 13.0% and 22.8% respectively. Riding on the favourable government policy, the Group has dedicated its effort to expand its affordable housing businesses. For other sectors in the Mainland, the Group focused at the execution of current projects while continued to exercise caution in searching promising and profitable project and investment opportunities.

1) *Investment and Construction of Affordable Housing Projects*

In 2012, the PRC government shifted its focus of its affordable housing to the execution of construction targets with an aim to elevate affordable housing units to a significant portion of total residential housing supply. Leveraged with its expertise in construction business, the Group viewed such policy changes a unique business opportunity and thus determined to devote its effort in expanding its presence in this government-backed sector which is relatively unaffected by the strict austerity measure applied to the real estate market.

The Group has started its first affordable housing Build-transfer ("BT") projects in Tianjin in 2010. Since 2011, the Group's scale of operation has experienced significant growth with its presence extended to other locations such as Chongqing, Zhangzhou, Hangzhou and Wuxi. During 2012, the Group successfully completed and handed over to its BT customers certain sub-phases of its project in Chongqing and Zhangzhou. Settlement of buy-back payments from customers was satisfactory with an aggregate amount of approximately HK$627 million were collected within schedule during the year ended 31 December 2012. As a result of successful project execution, revenue from this division doubled to approximately HK$3,701 million (2011: HK$1,706 million). Together with the improved profit margin of these projects, the gross profit contributed from this division has been boosted by approximately 262.8% to approximately HK$452 million (2011: HK$124 million).

During the year, the Group entered into several BT agreements or framework agreements for new affordable housing projects in Dalian, Wenzhou and Zhangzhou and as such, the total attributable contract value for incomplete works of approximately HK$16.50 billion has been accumulated up to 31 December 2012.

2) *Construction – Cash contract and related business*

As focus has been directed to the construction of affordable housing projects, the group has exercised caution in its traditional construction business and participated in only those projects with quality management and promising profit prospect. As a result, revenue from traditional construction and construction related services has been reduced by approximately 33.7% to HK$1,292 million (2011: HK$1,949 million) with relevant gross profit reduced by approximately 28.8% to HK$225 million (2011: HK$316 million).

3) *Construction and Operation of Infrastructure Projects*

As a major platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group maintained a portfolio of infrastructure investment including Build-Transfer ("BT"), Build-Operate-Transfer ("BOT"), and Transfer-Operate-Transfer ("TOT") arrangements of various transport infrastructure facilities and direct ownership of a thermoelectric plant.

The revenue contributed from this division decreased slightly to approximately 9.3% to approximately HK$3,532 million (2011: HK$3,892 million) and the gross profit from this sector has been improved slightly by 5.1% to approximately HK$809 million (2011: HK$770 million).

1. Currently, the Group has been undertaking the construction of two toll road projects in Shanxi, namely the Class 1 Highway from Yangquan to Niangziguan, Shanxi Province and the Shanxi Wuyu Expressway. These projects are in satisfactory progress and the construction works are expected to be completed in 2013.

2. The Group's first completed BOT project, Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) commenced in May 2011. As the expressway has completed its first full year operation in 2012 and, together with increase in traffic volume, the toll fee income increased significantly to approximately HK$127 million (2011: HK$27 million).

3. During the year 2012, the Group continued its participation in investment of two TOT projects in Nanchang and various BT infrastructure projects in Wuhan and Taiyuan. These projects progressed as planned and generated relatively stable revenue from infrastructure investment projects for the year of approximately HK$139 million (2011: HK$133 million).

4. The Group's thermoelectric plant in Shenyang continued expanding its supply network and the total heat supply area has increased from 11,055,000 sq.m. in 2011 to approximately 12,803,000 sq.m in 2012. As a result, the Group recorded a steady year-on-year growth in revenue from the supply of heat and electricity of approximately 14.8% to HK$522 million (2011: HK$455 million). The construction of the Thermal Power Phase V in Shenyang is in progress and is expected to be completed in 2014. The completion of this new facility will provide extra production capacity by approximately 8,000,000 sq.m. and enable the Group to extend the supply coverage to new region in local.

During the year 2012, the Group has been continuously searching for new investment opportunities with better payback periods and stable returns. Details of new investments is set out in the section under the heading "Utilisation of Financial Resources".

Far East Global Group Limited – Facade Contracting

In March 2012, the Group completed the acquisition of a controlling interest in FEG Group. Therefore, the result of FEG Group since the acquisition was fully incorporated in the Group's consolidated financial statements. FEG Group is specialised in facade engineering with strong presence in both local and overseas markets. During the year under review, FEG Group contributed to the Group revenue of approximately HK$1,053 million out of which approximately HK$603 million, HK$361 million and HK$34 million were attributable to facade engineering projects in North America, Hong Kong and Mainland China respectively.

The Group believes this investment would provide the Group with related business opportunities into facade engineering segment and further its geographical diversification especially in the North America in which FEG Group has strong presence. Expecting the future synergy to be created by sharing the technical and project management capacity and potential cross-selling opportunity, the Group believes that the FEG Group will contribute a future stream of revenue and profit to the Group and an essential platform through which the Group would seek international expansion.

Investment Income

The Group has recorded a significant increase in the investment income of approximately 65.5% to HK$523 million (2011: HK$316 million) which is mainly attributable to the dramatic expansion of the scale of BT projects in various affordable housing and infrastructure projects as a result of which the relevant interest received and receivable significantly increased to approximately HK$305 million (2011: HK$70 million).

Administrative Expenses

Administrative expenses increased by 30.7% from HK$539 million in 2011 to HK$704 million which is mainly the result of the additional cost incurred for the expanding operation in the Mainland China and the consolidation of administrative expenses incurred by the newly acquired FEG Group.

Share of profits of jointly controlled entities (“JCEs”)

The Group operates with joint venture partners for the construction business, toll road operation and infrastructure projects investments. Share of profits for the year was mainly attributable to TOT project on Nanjing No.2 Yangtze River Bridge and BT project on Tangshan Binhai Avenue. During the year, the revenue and the profit after tax contributed from JCEs were HK$3,070 million (2011: HK$2,203 million) and HK$418 million (2011: HK$380 million) respectively.

Finance Cost

During the year, finance costs incurred by the Group was approximately HK$351 million (2011: HK$278 million) (of which HK$111 million (2011: HK$85 million) was capitalised in the qualifying assets), representing an increase of approximately 26.2% as compared with last year. The increase was mainly due to the addition of bank loan financing during the year. The finance costs charged to profit for the year increased by approximately 24.2% to approximately HK$239 million. (2011: HK$193 million).

Earnings Per Share

For the year ended 31 December 2012, basic earnings per share increased by 29.6% to HK57.32 cents (2011: HK44.22 cents). The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$2,131 million (2011: HK$1,507 million) and on the weighted average number of 3,718,288,000 (2011: 3,408,962,000) ordinary shares in issue during year. The increase in the weighted average number of issued shares in the year was the result of the issuing 300,000,000 ordinary shares via top-up share placement in July 2012.

Corporate Finance

Financial Position of the Group

Shareholder’s Equity

The Group has maintained a sound financial position with the shareholders’ equity reached HK$13,510 million as at 31 December 2012 (2011: HK$9,490 million). The increase was mainly attributable to net profit for the year of approximately HK$2,131 million and successfully raised approximately HK$2,230 million via top-up placement of new shares in July 2012.

Bank Balances and Cash

As at 31 December 2012, the Group had bank balances and cash of HK$6,717 million (2011: HK$5,458 million), representing approximately 18% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	2012 **%**
Hong Kong Dollars	**30**
Renminbi	**63**
Macao Patacas	**2**
United States Dollars	**3**
Canadian Dollars	**1**
United Arab Emirates Dirhams	**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.

Borrowings

During the year, the Group drawn down various new term loans, revolving loans, project loans or syndicates loans of an aggregate amount of approximately HK$5,033 million. The total borrowings of the Group (including loans from intermediate holding company) increased by approximately 60.5% to approximately HK$10,045 million as at 31 December 2012 (2011: HK$6,259 million). Among those outstanding borrowings as at 31 December 2012, approximately 47.8% and 51.7% of the balances were denominated in Hong Kong dollars and Renminbi respectively and were bearing interest at rates floating with reference to either HIBOR or PBOC reference rate. The Group is dedicating to optimizing its borrowing structure by exploring new borrowing opportunities to finance new investment initiatives with reasonable cost and risk exposure.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2012 and 2011:

	2012 **HK$'million**	2011 HK$'million
Bank and other borrowings		
On demand or within one year	**48**	358
More than one year but not exceeding two years	**71**	24
More than two years but not more than five years	**6,608**	3,173
More than five years	**3,318**	1,764
Total bank and other borrowings	**10,045**	5,319
Loans from intermediate holding company		
On demand or within one year	**–**	940
Total borrowings	**10,045**	6,259

As at 31 December 2012, the Group had net borrowings of HK$3,328 million (2011: HK$801 million). The Group's net gearing ratio as at 31 December 2012 was approximately 24.7% (2011: 8.4%). As at 31 December 2012, unutilised loan and working capital facilities of HK$10,212 million and guarantee facilities of HK$6,056 million are available to the Group to support its future business development.

Utilisation of Financial Resources

In order to utilise financial resources effectively and efficiently, the Group has the major investments during the year 2012:

1. In March 2012, the Group has acquired the controlling equity interest in FEG. The acquisition can benefit the Group with related diverse business development opportunities and further geographical diversification and obtaining synergies through complementing upstream and downstream chain advantages.

2. During the year 2012, the Group continued its effort in searching for valuable affordable housing projects and infrastructure projects through BT model in the Mainland China. During the year under review, the Group has achieved significant milestones in business expansion such as affordable housing projects in Zhangzhou, Wenzhou and Dalian.

3. During the year 2012, the Group continued the construction of the Phase V of Shenyang Huanggu Thermal Power Plant to increase the production capacity for new supply zone.

Management Polices for Financial Risk

1. Interest Rate Risk

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

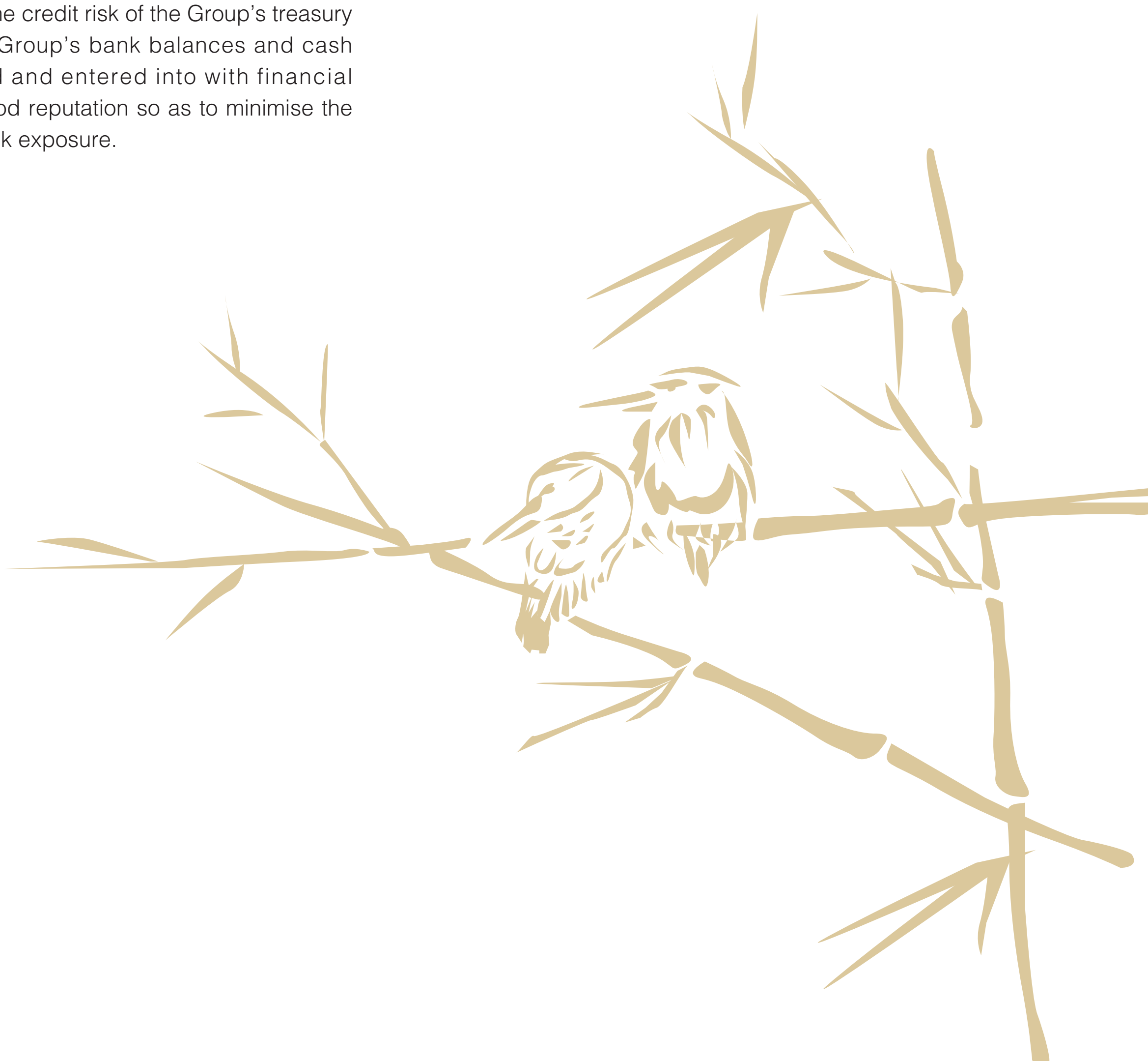
2. Credit Risk

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 associated is based on the reputation and financial position of the customers. In connection with projects in progress (whether in Hong Kong, Macau or overseas), the major customers are the local governments, certain institutional organisations and certain reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

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

3. Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities and convertible bond which classified as either available-for-sale investments of financial assets and at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks and with higher ranking. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the property market in Mainland China for the convertible bond. In addition, management will closely monitor the equity price risk and will consider hedging the risk exposure should the need arise.



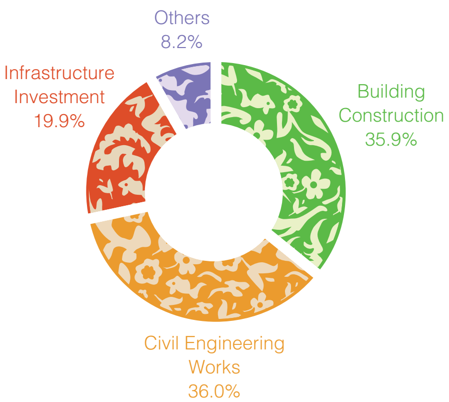
Business Review

At the end of 2012, the Group has 74 projects in progress with an aggregated attributable contract value of HK$93.00 billion.

Major Completed Projects in 2012

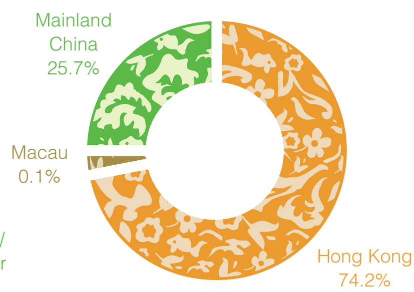
No.	Project Name	Government/ Public Sector	Private Sector
	Building Construction		
1	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin		●
2	Construction of Un Chau Estate Phase 5	●	
3	成都西錦城二期上蓋工程		●
4	Proposed Residential Development at 2A Seymour Road, Hong Kong		●
5	Proposed Industrial Redevelopment at Hoi Shing Road, Tsuen Wan		●
6	Design and Construction of Departmental Quarters for Customs & Excise Department at Tsing Chau Street, Hung Hom	●	
	Civil Engineering Works		
7	Central Reclamation Phase 3	●	
8	Highways Department Term Contract (Management and Maintenance of roads in Sha Tin, Sai Kung and Islands Districts excluding high speed roads)	●	
9	Construction of Interconnection Tunnel and Diaphragm Wall for Main Pumping Station at Stonecutters Island Sewage Treatment Works	●	

By Project Categories



By Customers

By Market

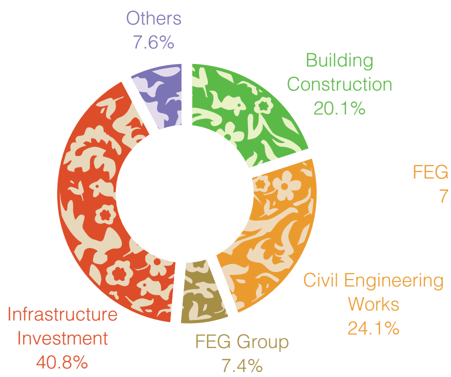


New Projects Awarded in 2012

Summary for the year

- 29 new projects awarded
- Attributable contract value for new projects awarded was HK$36.80 billion
- The Group completed general offer acquisition of Far East Global Group Limited ("FEG") on 23 March 2012. Therefore, group consolidated FEG's backlog amounted HK$1.55 billion as a one-off new contract gain in 2012

By Project Categories



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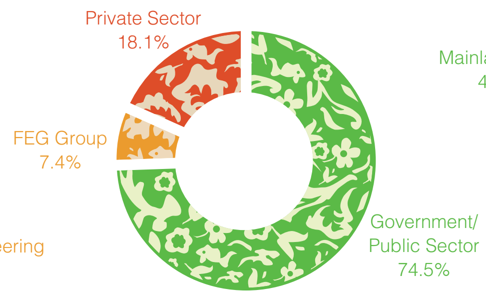

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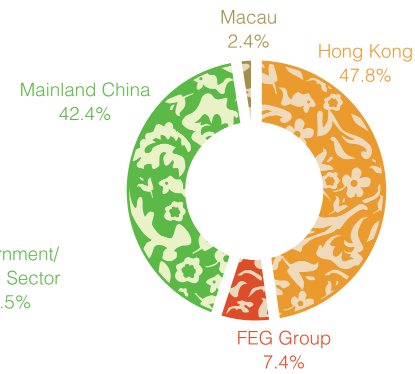


The first two months of 2013

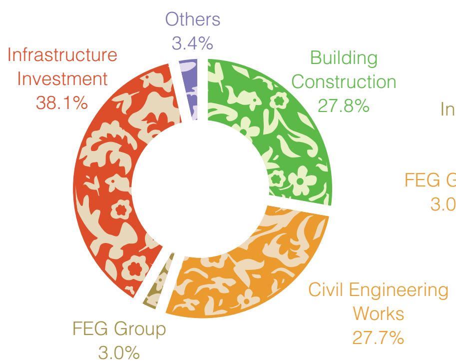
- 8 new projects awarded with a total attributable contract value of HK$10.78 billion

Projects in Progress at the End of 2012

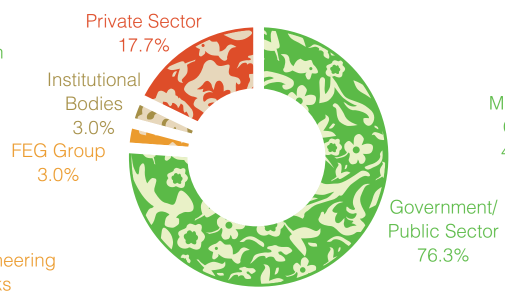
Summary at the end of 2012

- 74 projects in progress
- Total attributable contract value of projects was HK$93.00 billion
- Attributable contract value for incomplete works was HK$57.69 billion

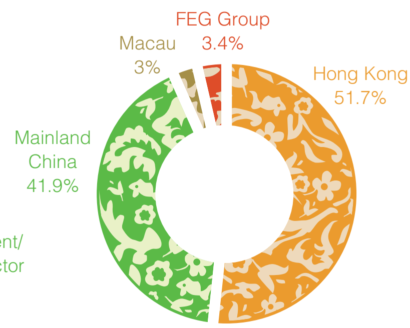
By Project Categories



By Customers



By Market



Projects in Progress at the End of 2012 *(continued)*

Major Projects in Progress – **Hong Kong**

No.	Project Name	Attributable Contract Value HK$'million
	Building Construction	
1	Construction of Public Rental Housing at Sha Tin Area 52 Phase 2	2,233
2	Main Contract Works for Proposed Residential Development at Austin Station Site D at K.I.L. No.11129, Kowloon	2,165
3	Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment	1,776
4	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	1,747
5	Lee Tung Street/McGregory Street, Wanchai, Hong Kong, Superstructure Main Contract (For Site A & B)	1,545
6	Construction of Public Rental Housing at Sha Tin Area 52 Phase 1	1,323
7	Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories	1,272
8	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	1,188
	Civil Engineering Works	
9	Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities	8,875
10	Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	5,377
11	Development at Anderson Road – Site Formation and Associated Infrastructure Works	2,063
12	Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling	1,850
13	Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	1,328

Major Projects in Progress – **Macau**

No.	Project Name	Attributable Contract Value HK$'million
	Building Construction	
1	石排灣公共房屋CN5a地段工程	951
2	Main Contract for Residential Development of Nova City Phase 4, Taipa	808


Lo Wu
Lok Ma Chau
Sheung Shui
Fanling
Tai Po Market
New Territories
Yuen Long
Ma On Shan
Shatin
Tuen Mun
Tsuen Wan
Kowloon
Tsing Yi
Mei Foo
Kowloon Tong
H.K. International Airport
Tseung Kwan O
Hung Hom
Discovery Bay
Tung Chung
Quarry Bay
Central
Admiralty
Mui Wo
Lantau Island
Hong Kong Island
Chai Wan
Macau
MTR
1
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11
12
13

Projects in Progress at the End of 2012 *(continued)*

Major Businesses – **Mainland China**

No.	Project Name	Attributable Contract Value HK$'million
A	**Building Construction**	
	Management Contract Project at Pazhou PZB1401, Guangzhou City	1,987
B	**Infrastructure Investment**	
	Affordable Housing	
1	Zhangzhou Ecological Park Relocation Housing	
2	Chongqing Hechuan Relocation Housing and Public Rental Housing	
3	Wuxi Huishan Vocational Park Relocation Housing	
4	Hangzhou Xiaoshan Beigan Relocation Housing	
5	Hangzhou Xiaoshan Relocation Housing	
6	Phase 1 of Wenzhou Lucheng District Affordable Housing	
7	Fujian Zhangzhou Limin Jiayuan Affordable Housing	
8	Dalian Lvshunkou District Tieshan Street Relocation Housing	
	Infrastructure	
9	Shanxi Wuyu Expressway	
10	Class 1 Highway from Yangquan to Niangziguan, Shanxi Province	
11	Taiyuan South Station Western Square	
12	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City	
13	Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section)	
14	Wuhan East Lake Passageway	
15	Wuhan Yangtze River Avenue	
16	Nanjing No. 2 Yangtze River Bridge	
17	Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge	
18	Shenyang Huanggu Thermal Power Plant	
C	**Pre-cast Structures Production**	
	Shenzhen Hailong Construction Products Plant	


Mainland China
Yellow River
Yangtze River
Pearl River
B18
B8
B9, B10, B13
B11
B16
B3
B12, B14, B15
B17
B4, B5
B2
B6
B1, B7
A
C
Highways
Bridge
Building Construction
Plant

Business in Mainland China

Management Contract Project at Pazhou PZB1401, Guangzhou City

Customer Category: Private Sector
Project Commencement Date: April 2010
Contract Value: HK$1,987 million

Zhangzhou Ecological Park Relocation Housing

Location: Zhangzhou, Fujian
Nature of Business: Build-Transfer Project

Business in Mainland China *(continued)*

Chongqing Hechuan Relocation Housing and Public Rental Housing

Location: Chongqing
Nature of Business: Build-Transfer Project

Wuxi Huishan Vocational Park Relocation Housing

Location: Wuxi, Jiangsu
Nature of Business: Build-Transfer Project

Business in Mainland China *(continued)*

Hangzhou Xiaoshan Beigan Relocation Housing

Location: Hangzhou, Zhejiang
Nature of Business: Build-Transfer Project

Dalian Lvshunkou District Tieshan Street Relocation Housing

Location: Dalian, Liaoning
Nature of Business: Build-Transfer Project

Business in Mainland China *(continued)*

Class 1 Highway from Yangquan to Niangziguan, Shanxi Province

Location: Shanxi, Yangquan

Nature of Business: Build-Operate-Transfer Project

Taiyuan South Station Western Square

Location: Taiyuan, Shanxi

Nature of Business: Build-Transfer Project

Business in Mainland China *(continued)*

Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City

Location: Wuhan, Hubei
Nature of Business: Build-Transfer Project

Wuhan East Lake Passageway

Location: Wuhan, Hubei
Nature of Business: Build-Transfer Project

Major Projects in Hong Kong

Construction of Public Rental Housing at Sha Tin Area 52 Phase 2

Customer Category: Government/Public Sector
Project Commencement Date: July 2012
Contract Value: HK$2,233 million

Main Contract Works for Proposed Residential Development at Austin Station Site D at K.I.L. No.11129, Kowloon

Customer Category: Private Sector
Project Commencement Date: August 2012
Contract Value: HK$2,165 million

Major Projects in Hong Kong *(continued)*

Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment

Customer Category: Private Sector
Project Commencement Date: February 2013
Contract Value: HK$1,776 million

Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2

Customer Category: Government/Public Sector
Project Commencement Date: July 2010
Contract Value: HK$1,747 million

Major Projects in Hong Kong *(continued)*

Construction of Public Rental Housing at Sha Tin Area 52 Phase 1

Customer Category: Government/Public Sector
Project Commencement Date: May 2011
Contract Value: HK$1,323 million

Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories

Customer Category: Private Sector
Project Commencement Date: August 2010
Contract Value: HK$1,272 million

Major Projects in Hong Kong *(continued)*

Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4


Customer Category: Government/Public Sector
Project Commencement Date: May 2009
Contract Value: HK$1,188 million

Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities

Customer Category: Government/Public Sector
Project Commencement Date: May 2012
Contract Value: HK$8,875 million

Major Projects in Hong Kong *(continued)*

Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)

Customer Category: Government/Public Sector
Project Commencement Date: September 2010
Contract Value: HK$5,377 million

Development at Anderson Road – Site Formation and Associated Infrastructure Works

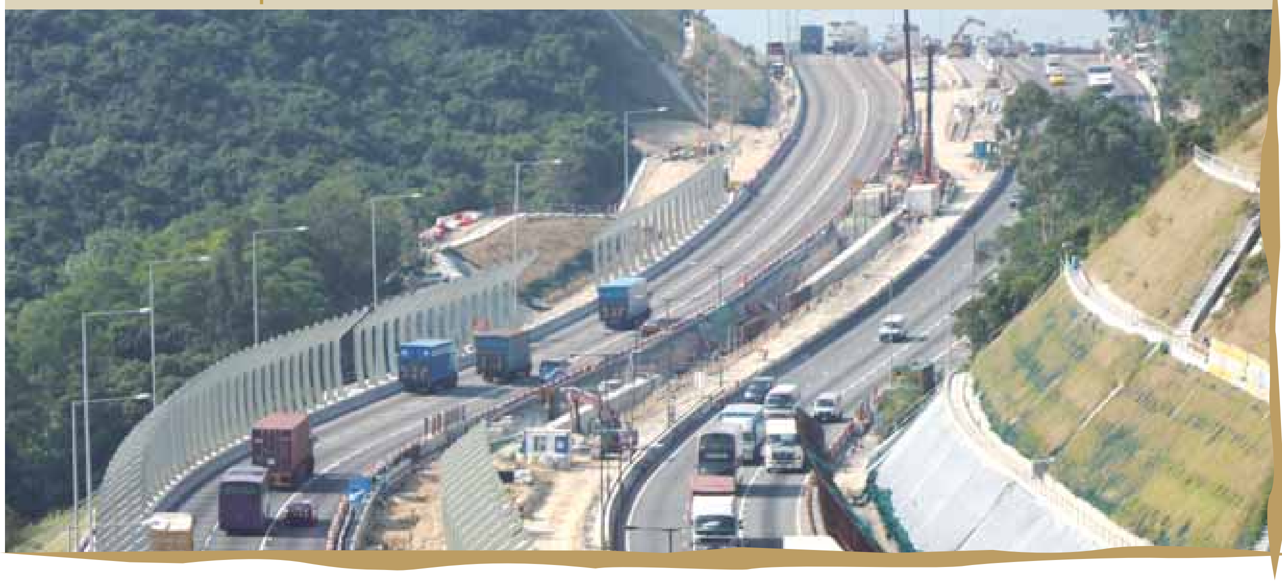
Customer Category: Government/Public Sector
Project Commencement Date: January 2008
Contract Value: HK$2,063 million

Major Projects in Hong Kong *(continued)*

Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling

Customer Category: Government/Public Sector
Project Commencement Date: August 2009
Contract Value: HK$1,850 million

Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section



Customer Category: Government/Public Sector
Project Commencement Date: February 2009
Contract Value: HK$1,328 million

Major Projects in Macau

石排灣公共房屋CN5a地段工程

Customer Category: Government/Public Sector
Project Commencement Date: July 2011
Attributable Contract Value: HK$951 million

Residential Development of Nova City Phase 4, Taipa

Customer Category: Private Sector
Project Commencement Date: April 2012
Contract Value: HK$808 million

Corporate Governance Practices

The Board of Directors (the "Board") recognizes that good corporate governance is fundamental to the smooth and effective operation of the Group and enhances the shareholders' value. The Board is committed to maintain a good corporate governance practice and procedures so as to increase its transparency.

Throughout the year ended 31 December 2012, the Company has applied and complied with all the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 (collectively "Code Provisions") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") except Code Provisions A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings) and E.1.2 (chairman of the board should attend the annual general meeting).

Mr. Kong Qingping, Chairman and Non-executive Director; and Mr. Li Jian, Non-executive Director, both due to other business engagement were unable to attend the annual general meeting of the Company which held on 28 May 2012 ("2012 AGM"). Mr. Zhou Yong, Vice-chairman and Chief Executive Officer, chaired the 2012 AGM to ensure effective communication with shareholders of the Company at such meeting. Other non-executive director and all the independent non-executive directors attended the 2012 AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.

Board of Directors

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

The composition of the Board and the individual attendance (Board Meetings and 2012 AGM) of each director are set out below:

Name		Attended/Eligible to Attend Board Meetings	2012 AGM
Chairman and Non-executive Director			
Kong Qingping		4/4	0/1
Executive Directors			
Zhou Yong	*(Vice-chairman & Chief Executive Officer)*	4/4	1/1
Tian Shuchen		4/4	1/1
Zhou Hancheng		4/4	1/1
Zhang Yifeng	*(resigned on 21 March 2013)*	4/4	0/1
Pan Shujie	*(appointed on 22 August 2012)*	1/1	–
Hung Cheung Shew		4/4	1/1
Non-executive Directors			
Cheong Chit Sun	*(re-designated from executive director to non-executive director on 2 March 2012 and resigned on 22 August 2012)*	3/3	1/1
Li Jian		3/4	0/1
Independent Non-executive Directors			
Raymond Ho Chung Tai		4/4	1/1
Adrian David Li Man Kiu		4/4	1/1
Raymond Leung Hai Ming		4/4	1/1
Lee Shing See		4/4	1/1

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

During the year, four Board meetings were held. Throughout the year, directors also participate in the consideration and approval of non-routine issues of the Company by way of circulated resolutions with supporting explanatory write-up. The vice-chairman and chief executive officer, the executive director and financial controller, and the company secretary at all time answer the non-routine issues enquiries made by the directors.

All directors are given draft notice and agenda for all regular 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 most directors entitled to attend the meeting can spare time to attend in person and have sufficient time to include items that in the agenda for discussion. To ensure that all directors have sufficient information for discussion, the meeting documents will be submitted to all directors three days before the meeting is convened.

All directors keep contact with the company secretary and can obtain the services provided by the company secretary so as to ensure the procedure of the Board meetings, all applicable rules and regulations are complied with. In case of any changes in the governance and compliance 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 advice. 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 through the chairman at the expense of the Company. If the subject under discussion at a Board meeting involves the interests of substantial shareholders or directors and the Board considers that those interests are of significant interest conflicts, the Board will ensure there are sufficient independent directors participating in discussing about and voting on those resolutions. Those directors related to the interests shall abstain from voting on the 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 and news update from time to time which contain the up-to-date performance and information of the Company. Directors can independent access to senior management for information.

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 comply their responsibilities as directors of the Company and their common law duty as directors. One-third of the Board is independent non-executive directors. The Company will review the Board composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company will give an appropriate introduction about the Group's businesses and operations to each newly appointed director.

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 of Rule 3.13 of the Listing Rules and have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent. Independent non-executive directors are able to provide their independent judgment in respect of matters such as the Group's strategy, policy and performance at Board and Board committee meetings, and making significant contribution to the affairs of the Group.

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

As part of the continuous professional development programme, all the Directors namely Mr. Kong Qingping, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Mr. Li Jian, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See read legal and regulatory updates arranged by the Company. In addition, individual directors also participated in other seminars and/or reading relevant materials relating to the roles, functions and duties of a listed company director and further enhancement of their professional development. 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 aware that effective communication can increase productivity and improve teamwork. The Company convened quarterly meeting regularly for the executive directors, senior management, middle management, worksites management and management of overseas subsidiaries (by video-conference). During the meetings, the executive directors reported the Company's overall work progress, delivered the Company's strategy, reviewed the strength and weakness on the Company's work-in-progress and provided sufficient time for the participants to raise questions and express their opinions. Ensured the adequate communication between different levels of management.

Chairman and Chief Executive Officer

Mr. Kong Qingping is chairman and non-executive director of the Company and 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. He also meets non-executive directors without the executive directors present and ensures the good corporate governance practices and procedures of the Company.

Mr. Zhou Yong is executive director, vice-chairman and chief executive officer of the Company and 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.

There is clear division on the roles of chairman and chief executive officer, which are performed by different individuals. This ensures balanced distribution of power and authority so as to avoid concentration of power on the same individual.

Non-executive Directors' Term of Office

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

Remuneration Committee

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

During the year, two Remuneration Committee meetings were held to review and discuss the remuneration policy and annual bonus policy of the Company; consider the terms of the appointment, remuneration and employment letter/services agreement of the newly appointed directors. In order to maintain the independence of the Remuneration Committee, Mr. Zhou Yong ceased to be member of the committee on 18 October 2012. The individual attendance of each director is set out below:

Name		Attended/ Eligible to Attend
Zhou Yong	*(ceased to be member on 18 October 2012)*	1/1
Adrian David Li Man Kiu	*(Chairman)*	2/2
Raymond Ho Chung Tai		2/2
Raymond Leung Hai Ming		2/2
Lee Shing See		2/2

The human resources department reviews the remuneration data of the market and formulates the remuneration policy of the Group and then proposing to the Remuneration Committee for consideration and seeking 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.

Nomination Committee

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

During the year, two Nomination Committee meetings were held. In order to maintain the independence of the Nomination Committee, Mr. Kong Qingping, Mr. Zhou Yong and Mr. Zhang Yifeng ceased to be chairman and/or members of the committee on 18 October 2012. The individual attendance of each director is set out below:

Name		Attended/ Eligible to Attend
Kong Qingping	*(ceased to be Chairman and member on 18 October 2012)*	2/2
Zhou Yong	*(ceased to be member on 18 October 2012)*	2/2
Zhang Yifeng	*(ceased to be member on 18 October 2012)*	2/2
Lee Shing See	*(Chairman) (appointed on 18 October 2012)*	2/2
Raymond Ho Chung Tai		2/2
Adrian David Li Man Kiu		2/2
Raymond Leung Hai Ming		2/2

During the year, the Nomination Committee evaluated the composition and structure of the Board, reviewed the independence of the independent non-executive directors, considered the re-designation and resignation of Dr. Cheong Chit Sun ("Dr. Cheong") and the appointment of Mr. Pan Shujie ("Mr. Pan").

Dr. Cheong needed to contribute more of his time in the businesses and affairs of a newly acquired listed subsidiary, on 2 March 2012 he re-designed as non-executive director of the Company upon completion of the acquisition. In order to further enhance the corporate governance of the Company, Dr. Cheong resigned as non-executive director of the Company on 22 August 2012. After reviewed the structure and the composition of the board; and the business development and corporate strategy of the Company, proposal was made to appoint Mr. Pan as executive director of the Company. Details of Mr. Pan's qualifications and experiences had been submitted to the Nomination Committee for consideration and his appointment was approved by the Board. The newly appointed director received briefings on legal and other responsibilities as a director under statutory regulations and the Listing Rules from the Company's legal advisor. The Company also provided him written guideline on dealing in the Company's securities.

Corporate Governance Functions

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

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

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

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

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

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

During the year, the Board reviewed the composition of and revised the terms of reference of the remuneration committee, the audit committee and nomination committee in accordance with the requirements of the Corporate Governance Code. The Board reviewed and monitored the Company's policies and practices on corporate governance.

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, regulating the financial reporting system, evaluating the internal control procedure and the risk management system of the Company, and reviewing the relationship between the Company and auditor. The Board has adopted written terms of reference for the Audit Committee, which defined the role, authority and function of the Audit Committee. The terms of reference are posted on the websites of the Company and the HKEx.

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

Name		Attended/ Eligible to Attend
Raymond Ho Chung Tai	*(Chairman)*	4/4
Adrian David Li Man Kiu		4/4
Raymond Leung Hai Ming		4/4
Lee Shing See		4/4

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2011; the 2011 Audit Completion Report from Messrs. Deloitte Touche Tohmatsu ("Deloitte"); the connected transactions report; the internal control report; the retirement of Deloitte and appointment of PricewaterhouseCoopers ("PwC") as auditor; the 2012 unaudited first quarter results; the Group accounts for the six months ended 30 June 2012; and the Group's 2012 unaudited third quarter results. Deloitte attended 2011 final results meeting and discussed various accounting issues and finding with the Audit Committee. PwC attended the 2012 unaudited third quarter results meeting and discussed the audit strategy and plan for 2012 Group results with the Audit Committee.

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 issue in accordance with the relevant laws, rules and regulations.

Auditor's Remuneration

The Company's external auditor is PwC, Hong Kong. For the financial year ended 31 December 2012, the fees paid or payable to PwC and other firms of the worldwide network of PwC in respect of services provided to the Group amounted to approximately HK$6,916,000, including audit services fee of the Company of approximately HK$6,480,000 and non-audit services fee of approximately HK$436,000. The non-audit fees included tax services and other services for ad hoc projects.

Directors' Securities Transactions

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

As at 31 December 2012, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows.

As at 31 December 2012, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Mr. Pan Shujie and Mr. Hung Cheung Shew held 3,060,400; 2,273,780; 3,300,000; 1,965,640; 296,000; 167,471 and 581,584 shares of the Company respectively. In addition, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,288,848; 959,247; 639,498; 61; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. All the shares and share options held by the directors in the capacity of beneficial owners.

As at 31 December 2012, Mr. Kong Qingping and Mr. Hung Cheung Shew held 3,935,760 and 10,000 shares in China Overseas Land & Investment Limited ("COLI", an associated corporation of the Company). In addition, Mr. Kong Qingping and Mr. Hung Cheung Shew held 1,359,334 and 97,095 share options of COLI. All the shares and share options held by the directors in the capacity of beneficial owners. The date of grant, exercise price and exercise period of share options of COLI is 18 June 2004; HK$1.118 and 18 June 2005 to 17 June 2014 respectively.

Save as disclosed above, as at 31 December 2012, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

As at 1 January 2012, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,288,848; 959,247; 639,498; 61; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. During the year, none of the director exercise the share options of the Company. All the share options held by the directors in the capacity of beneficial owners. The share options were granted on 14 September 2005 and the exercise price per share option is HK$0.2254 (The exercise price per option on 14 September 2005 was HK$1.03. The exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK$0.2254 immediately after the completion of rights issue on 16 May 2011.). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive). No share options were cancelled and lapsed during the year.

During the year, an aggregate of 703,862 share option of the Company were exercised. The date of exercise of the share options, the total number of share options exercised on each date and the weighted average closing price of the Company's shares immediately before each of the exercise date were 5 June 2012 and 25 June 2012; 566,827 and 137,035; and HK$6.7697 and HK$6.8009.

Save as the share options disclosed above, at no time during the year ended 31 December 2012 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.

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 should provide such explanation and information to the Board so as 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 2012, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of PwC, the external auditor of the Company, are stated in the Independent Auditor's Report of the Company's 2012 Annual Report.

The Board would present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive 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.

Company Secretary

The company secretary supports the chairman, Board and Board committees by ensuring good information flow and Board policy and procedures are followed. The company secretary is an employee of the Company and is appointed by the Board. The company secretary reports to the chairman and chief executive officer, all directors may call upon her for advice and assistance at any time in respect of her duties. The company secretary obtained a practitioner's endorsement of The Hong Kong Institute of Chartered Secretaries and complied with rule 3.29 of the Listing Rules.

Internal Control and Risk Management

The Group has established a stable, sound and effective internal control system to ensure the Group can withstand the changes in its operations and the external environment in respect of finance, operation and risk management so as to safeguard the shareholders' investment and the Company's assets.

Internal Audit. The Intendance and Audit Department is independent of all business lines and is directly responsible for the executive directors so as to ensure the neutrality of control. During the year, the Intendance and Audit Department deeply inspected, investigated and assessed totally four construction site/subsidiaries of the Group, and conducted one trial internal control test for a construction site. The Intendance and Audit Department reviewed and assessed their internal control, financial management, operation management, purchasing and inventories management and cost control management system. All reports are submitted directly to the executive directors and senior management for their perusal and follow-up, if necessary so as to ensure proper management of risks, thereby achieving the business objectives of the Group. The defects were remedial during the year and the systems were strengthened.

Quality, Safety and Environmental Protection. During the year, the Company's policy, working procedure and handbook on quality, safety and health, environmental protection were reviewed and renewed. Quality control procedures also reviewed.

The Company employed independent third party to conduct independent internal control assessments on worksites. The services provider inspected approximately 25 worksites per month, investigated and assessed the quality management, safety management and environmental management system of each worksite. Independent reports were made to the management and the defects were remedial simultaneous. The Procurement Department also conducted independent internal control assessment on worksites quarterly. They mainly focused on the protection on facture and reduction in wastage of major construction materials.

Other than written guideline, the Company believed that proper trainings enhanced the effectiveness of the internal control. During the year, mandatory trainings and workshops on risk assessment, quality, safety and health, environmental protection were conducted for the engineers and worksites management. In order to enrich the knowledge and scientific management, the Company organized workshops and site visits on projects in progress for worksites middle management. All novice workers were required to join a series of six weeks mandatory training on quality, safety and health. The Company believed that the course could lower the accident rate.

In order to instill the consciousness and knowledge on safety and environmental protection, and quality and technology of the Company, during the year, the Company held worksites best working practices competition and worksite civilization construction competition. The “Mid-summer Rainbow” safety promotion activity was spread out again in June to September 2012. It focus on “caring for workers” and heatstroke prevention. “Zero prosecution, zero accident” incentive policy for front – line site management staffs also recorded satisfactorily. The Company continued to carry out workers safety incentive policy, “Worksite Safety Stamp Award Activity” and “Safety Worker Award Scheme” were run smoothly and the message of site safety was promoted successfully to construction workers.

Risk Management. The Risk Management Control Committee with written terms of reference was set up and focuses on strategic risks, financial risks, market risks and operational risks of the Company. The Committee is chaired by the vice-chairman and chief executive officer and includes executive directors and senior representatives from finance and operation departments. The Committee aims to continually identify and strengthen the risk management of the Company, and build up a risk aware and control conscious culture throughout the Company. Departmental specify reports and periodical reports were submitted to the Risk Management Control Committee for review.

The Group will continue to conduct a review of the effectiveness of its internal control system and risk management policies at least once a year.

Staff Discipline

The Company has placed much emphasis on the discipline of its staff as well as business ethics and integrity. The Company has formulated a series of standards on staff discipline and code which are set out in the “Employee Handbook” and displayed in internal website and each worksite. All staff must comply with these standards which are included as one of the important subjects in the orientation course for new recruits. No staff is allowed to ask for or receive any benefits while doing business on behalf of the Group in Hong Kong or other places. To this end, the Company has established a mechanism pursuant to which staff can proceed with reporting if they have any recommendations, doubts or find out any violations. This ensures employees possessing the highest integrity, determination and professionalism to perform their duties and commit themselves to provide services with highest quality in accordance with the business objectives and mission of the Group.

The Company believes that integrity can bring the Company towards success and spreads the message of integrity to all the stakeholders. Before the lunar new year, the vice-chairman and chief executive officer issued open letter to all the Group’s employees and open letter to all the sub-contractors and suppliers of the Group to draw their attention and seek their co-operation not to offer/accept gifts or any kind of advantages. This behavior is serious against the Group’s policy and damages the good working relationship. The open letters are required to be displayed on each worksite.

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 twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself(themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

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

Communication with Shareholders

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

General meeting is a main channel of communication between directors and shareholders. The Company held an annual general meeting during 2012. At the general meeting, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2012 Annual General Meeting was held on 28 May 2012. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, a separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

The Company will publish an online 2012 Corporate Social Responsibility Report in April 2013. The report disclosed the social and environmental aspect of the Company. All Stakeholders can access it on the websites of the Company and the HKEx.

Investor Relations

The Company has been striving to maintain high transparency and communicate 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 contains the latest data and information of the Group so that shareholders, investors and the public can inspect the information about the Company in a timely manner. The Company's website: http://www.csci.com.hk.

There are no change to the Company's Memorandum and Articles of Associations during the financial year 2012. A copy of the latest version of the Company's Memorandum and Articles of Associations is posted on the websites of the Company and the HKEx.

Investor Relations

The Company's main duty in investor relations is to provide information on the Company's latest development strategy, business management, financial information and business progress clearly to shareholders, investors, analysts, banks and media. The Company ensures the dissemination of important information to the market rapidly through different channels. These channels include: results announcements, announcements, press conferences and analyst briefing sessions, disclosure of operating information, road shows and meetings organized by investment institutions. To enhance communication with the investment sector, the Company regularly and irregularly updated the information through website www.csci.com.hk, to ensure that important events during the course of business development of the Company can be transmitted rapidly to the capital market through the website of the Company.

The management of the Company values the feedback of the external investment parties and meets analysts and investors regularly and irregularly to present the latest development strategy and operating conditions to them and communicates with investors in a timely manner. In 2012, the Company actively pushed forward with the promotion of the listed company, organized meetings with analysts and investors over 1,000 persons-time, and attended post-results road shows in Europe, US, Japan, Singapore, Mainland China and Hong Kong with investment banks. Besides, the management has also participated in investment conferences and forums organized by major investment banks.

In 2012, through organizing investor's visiting trip to affordable housing projects in PRC, the Company further strengthens investment community's understanding on the Company's operation. Within the year, more than 50 investors visited the Company's affordable housing projects located in Tianjin, Chongqing and Hangzhou.

The Company provides operating information update on monthly basis and conducts follow-up communications, in order to ensure that investment community to be informed the latest update about the Company. In the meantime, to avoid confusion and misunderstanding on certain market rumors, the Company provides clarification and interpretation in time.

Through the above activities, the communication between the management of the Company and the players of the capital market has been enhanced. Besides, the transparency of different business activities such as the Company's operation and management has also been enhanced. In 2013, the Company will further strengthen its efforts in this respect. To increase investor relations service standard and company transparency will be one of the priority of the company's investor relations function.

Annual results presentation 2011

Major Investor Relations Activities in 2012

Month	Activities
January	The 12th UBS Greater China Conference
	Deutsche Bank China Annual Conference
	BNP Paribas Industrial Corporate Day
	Macquarie Property & Financials Corporate Day
	Citi China Top Pick Corporate Day
March	2011 Annual Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong and Singapore
April	Post-annual Results Road Show in Japan, Europe and US
	Investors Tour to Chongqing Affordable Housing Projects
May	The 4th Macquarie China Conference
	The 17th CLSA China Forum
	BOCI China Forum
	Investors Tour to Tianjin Affordable Housing Projects
	BAML Industrial Corporate Day
	Barclays Bank & Property Corporate Day
June	The 8th JP Morgan China Conference
	Mirae Asset Corporate Day
	CICC Corporate Day
July	HSBC Industrial Corporate Day
	Daiwa Discovery Group Luncheon Meeting
August	2012 Interim Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong, Japan and Singapore
September	Post-interim Results Mainland China Road Shows
	Citigroup Small-Mid Cap Corporate Day
	BAML Industrial Corporate Day
	Kingsway Financial Hong Kong Conference
October	Macquarie Investor Dim Sum Luncheon Meeting
	JP Morgan Small-Mid Cap Corporate Day
	CLSA Corporate Day
November	Citigroup Greater China Investor Conference
	BAML Annual China Conference
	Daiwa Investor Conference Hong Kong
	Macquarie Infrastructure Sector Annual Conference
	CICC Annual Strategy Conference
	Investor Tour to Hangzhou Affordable Housing Projects

Awards and Accolades 2012

Company / Project	Prize	Organization
Chine States Construction International Holdings Limited	2012 Hong Kong Awards for Industries: Productivity and Quality Award	Hong Kong Productivity Council
	Caring Company Logo 2008/2012	The Hong Kong Council of Social Service
	Elected constituents of the Hang Seng Corporate Sustainability Index	Hang Seng Indexes Company Limited
	Elected as constituent of FTSE China Index	FTSE Index
Chine States Construction Engineering (Hong Kong) Limited	Quality Public Housing Construction and Maintenance Awards 2012 New Works Projects – Outstanding Contractors (Building Group) – Bronze	Hong Kong Housing Authority
	Quality Public Housing Construction and Maintenance Awards 2012 Certificate for Premier League Contractors	Hong Kong Housing Authority
	Quality Public Housing Construction and Maintenance Awards 2012 New Works Projects – Outstanding Contractors (Piling Group) – Outstanding Prize	Hong Kong Housing Authority
Chine States Construction Engineering (Hong Kong) Limited – Machinery Department	1st Safe Lifting Operation Competition Tower Crane Group (Bronze Award)	Occupational Safety & Health Council etc.
Design, Build and Operate Pillar Point Sewage Treatment Works	The 13th Construction Safety Award Best Safety Culture Site (Gold Award)	Occupational Safety & Health Council etc.
	The 13th Construction Safety Award Best Safe Working Cycle Site (Silver Award)	Occupational Safety & Health Council etc.
	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site Award (Silver Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Bronze Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	Construction Industry Safety Award Scheme 2011/2012 Civil Engineering Sites (Gold Award)	Labour Department of Hong Kong etc.
	The 13th Construction Safety Award Best Safe Working Cycle Site (Gold Award)	Occupational Safety & Health Council etc.
	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site Award (Silver Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Bronze Award)	Development Bureau of Hong Kong and Construction Industry Council etc.

Company / Project	Prize	Organization
Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	Construction Industry Safety Award Scheme 2011/2012 Building Sites (Public Sector) (Silver Award)	Labour Department of Hong Kong etc.
	The Occupational Health Award 2011-12 Hearing Conservation Best Practices Award (Excellence Award)	Occupational Safety & Health Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Bronze Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site (Silver Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling	Hong Kong Awards for Environmental Excellence 2011 Construction Industry (Certificate of Merit)	The Environmental Campaign Committee etc
Construction of Interconnection Tunnel and Diaphragm Wall for Main Pumping Station at Stonecutters Island Sewage Treatment Works	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.

Company / Project	Prize	Organization
Construction of Siu Sai Wan Complex	Quality Building Award 2012 (Certificate of Merit Award)	HKIE etc.
	Green Building Award 2012 Grand Award, New Building Category, Completed Building – Hong Kong	The Hong Kong Green Building Council and The Professional Green Building Council
Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site Award (Gold Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Quality Public Housing Construction & Maintenance Awards 2012 Outstanding Contractor certificate – the innovative use of simulation technology of building information（傑出承建商證書 – 建築信息模擬技術之創新使用）	Hong Kong Housing Authority
Construction of a Joint-use Complex at Bailey Street, To Kwa Wan Reclamation	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site Award (Bronze Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Design and Construction of 2*300 – Place Student Hostels (Site 1) for the Chinese University of Hong Kong	Considerate Contractors Site Award Scheme 2011 Considerate Contractors Site Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
	Considerate Contractors Site Award Scheme 2011 Outstanding Environmental Management and Performance Award (Merit Award)	Development Bureau of Hong Kong and Construction Industry Council etc.
Construction of Public Rental Housing at Sha Tin Area 52 Phase 1	Quality Public Housing Construction & Maintenance Awards 2012 Outstanding Contractor certificate – the innovative use of simulation technology of building information（傑出承建商證書–建築信息模擬技術之創新使用）	Hong Kong Housing Authority
Construction of Development at Ex-Cheung Sha Wan Police Quarters	Construction Industry Safety Award Scheme 2011/2012 Building Sites (Public Sector) (Gold Award)	Labour Department of Hong Kong etc.
Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories	Construction Industry Safety Award Scheme 2011/2012 Building Sites (Private Sector) (Silver Award)	Labour Department of Hong Kong etc.
Proposed Industrial Redevelopment at Hoi Shing Road, Tsuen Wan	Construction Industry Safety Award Scheme 2011/2012 Building Sites (Private Sector) (Bronze Award)	Labour Department of Hong Kong etc.

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 to our society.

Staff Development and Personal Growth

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

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. We provide our people with job transfer opportunities among our global locations. A total of 95 employees had been rotated worldwide over the last 3 years. As of end of 2012, the Group had a total of 8,266 employees (excluding staff of our joint-venture projects), of which, 3,690 persons were in Hong Kong and Macau, 3,855 of them were in Mainland China, and 721 were working overseas.

Staff Recruitment Programme

Besides getting seasoned professionals from the open market, the Group also organized campus recruitment programmes to grasp young engineers from 4 universities in Hong Kong. Not least, hired graduates with top caliber from well-known universities in Mainland China through its "Recruitment Programme for the Son of the Sea" enable the Group to recruit outstanding young talents from other establishments in an effective manner.

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self value-adding. The Group has put aside capital to set up the "Staff Education Fund". The Group will also hammer out training programmes according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 4,700 participants took part in the courses during the period. In order to cope with the Group's business development on an international scale, the Group commenced the training on "overseas business development strategy and operation" for all of the Group's management staff and recruited professional instructors from overseas to conduct the "Modern Safety Management" courses, which enhance the management concept of the management staff in a forward-looking manner and optimize the quality of management of the Group as a whole.

By means of its all-rounded "Manpower Development Scheme", "Trainee Engineer Scheme A Training Programme" and its "Apprentice Training Scheme", the Group provides opportunities for its staff for exposure in different capacities, which help to enhance the overall quality of its staff and to provide a reserve of capable people for its team. The Group has also made use of its advantage in overseas business to hammer out the "International Plan for Cultivating Talents", with the system of exchange of people and rotation, selection and dispatching of talented staff to learn in overseas regions so as to broaden their vision with the international exposure, thereby effecting the training of people for the international arena.

Incentive Mechanism

The Group fully recognizes that the effectiveness of a system depends on its implementation. Rewards systems are designed and strictly executed to ensure that company compensation and benefits are competitive and allocated on the basis of merit. With the implementation of the "Site Contracting Responsibility System" and the "System of Departmental Operation and Management Objectives and Responsibilities", all the departments of the Group have to determine their business indicators and plans according to the annual financial planning and budget presented by the financial department as the key basis for their respective performance assessment. Various incentive mechanisms include "Award of Outstanding Staff" and "Award of Outstanding Trainers" are implemented to all locations to extend our recognition towards remarkable staff contribution. To maintain a competitive remuneration position within the marketplace and set reasonable pay level to its staff, the Group carries out regular benchmarking and salary survey with the industry.

Through various kinds of activities, the Group encourages staff members to care about society

Environmental Protection and Promotion

As a socially responsible contractor, the Group always champion green management in construction planning in order to create a pleasant environment to our society. The Group has adopted technologically innovative measures and green practices to reduce carbon footprint and help avert global warming, take up our corporate responsibility to improve the environment.

In line with the raising concern of the community on building environmental performance and expectation of clients on green building construction, as an pioneer, the Group invited green building professionals organized in-house BEAM Plus training to enable staff responsible for tendering and project operation have thorough understanding on the green building assessment standard. The Group also encouraged and sponsored staff participated in BEAM Pro training and gaining the BEAM Pro status to provide endless professional inputs to project management. Currently, a number of our staff members have obtained the qualification of BEAM Pro.

With the concerted efforts of the Group, the results were remarkable. In 2012, the Group's projects won a number of awards, including the "Class of Excellence for the Wastewi$e Label" and the "Class of Excellence for the Energywi$e Label", in "The Hong Kong Awards for Environmental Excellence" led by the Environmental Campaign Committee alongside the Environmental Protection Department and in conjunction with nine organizations. The Widening of Tolo Highway/Fanling Highway Project won the Sectoral Award in Construction Industry in "The Hong Kong Awards for Environmental Excellence" in 2011. Three projects won the Outstanding Environmental Management and Performance Award (Bronze Award); while five other projects won the Outstanding Environmental Management and Performance Award (Merit Award) under Considerate Contractors Site Award Scheme 2011-2012. Our Siu Sai Wan Complex project won the Grand Award of the Green Building Award 2012 which recognizes our efforts in sustainable development and green building.

Same as previous years, the Group is actively committed to environmental activities. In the yearly "China State Environmental Protection Day", the Group participated in the "Sharp Island and Tiu Chung Chau Geotour" organized by district community. Through the guided tour, staff acquired the knowledge and appreciated the works on geo-conservation. All the Group's construction sites organized the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable material.

The Group also required all subcontractors to comply with our environmental policies, regular site meetings were held with subcontractors to discuss environmental protection related issues. Moreover, the Group also organized training on environmental management systems for its staff and subcontractors to arouse their awareness on environmental protection and promote resources saving. Our staff were also encouraged to explore and adopt low carbon and innovative construction methods to save energy and resources throughout the execution of the construction project, thereby achieving continual improvement and cost saving in the long run.

The Group has organized a myriad of exciting activities after work, including interest groups, sport games, photography classes, social gatherings and travelling trips. The Group held the "2013 Annual Dinner" during the year to share the joy with the staff in recognition of their hardwork and contribution to the Group. Activities including tuition classes under "The Gas Station for Schoolwork" which was co-organized with Hong Kong Single Parents Association, "Walk for Environment 2012" were organized to encourage staff members to care about society and contribute back to society. The Group also took part in the "Hong Kong Walk for Millions", the "2012 Hopewell Bowling Charity League", and the "BOCHK Outward Bound Corporate Challenge 2012". Such activities enriched the leisure life of the staff and provided opportunities of communication and exchange with colleagues and family members, and became an important part of team building and staff relationship.

Considerate Contractors Site Award Scheme 2011-2012

The Group won several awards in the Construction Industry Safety Award Scheme

The Group and Community

"Serve the Community" has always been the Group's corporate objective. The Group has been committed to constructing various kinds of projects, and has been setting a good example as a corporate citizen. Trying its best to fulfill the duties of a corporate citizen is an integral part of its core values. The Group takes the initiative to participate in all kinds of social activities and encourages its staff to do the same for the benefit of the needed and the community.

With the active participation of its staff, the Group provides strong support to all kinds of social activities such as the "Community Chest Walks for Millions Hong Kong Island and Kowloon", the "2012 Hopewell Bowling Charity League", the "BOCHK Outward Bound Corporate Challenge 2012", the "Walk for the Environment 2012" organized by the Conservancy Association, so as to help needy people in the community and call for our staff's care for society.

Community Chest Walks for Millions Hong Kong Island and Kowloon

Every year, the Group insists on the participation of the Community Chest Walks for Millions organized by the Community Chest of Hong Kong. More than 400 staff from COHL Group took part in the "Community Chest Walks for Millions Hong Kong Island and Kowloon" to support social welfare organizations whose targets are families and children and to help those families in need, so as to unite all families by building up close relationships between family members with mutual love and respect.

The annual charity event "Community Chest Walks for Millions"

2012 Hopewell Bowling Charity League

Held on 28 October at the Hong Kong Bowling City in Kowloon Bay, this activity aimed at raising fund for the charity organization "St James Settlement". Through which, team spirit of all staff was cultivated and, by encouraging each other during the game, their mutual trust and support were improved. This activity demonstrated the passion and energy of all staff of the Group in participating social welfare activities on the one hand, while on the other hand provided an opportunity for staff to test their bowling skill by having a contest with teams from other large enterprises.

Team spirit of all staff was cultivated through this activity

BOCHK Outward Bound Corporate Challenge 2012

On 9 December 2012, our sodality for the second year called in nearly 90 staff from the headquarter and four listed companies under the Group to form "Team of Ocean" for the "BOCHK Outward Bound Corporate Challenge 2012" held at the Chinese University of Hong Kong.

In its 27th anniversary, the "Outward Bound Corporate Challenge" was not only a charity activity, but also helped to enhance team spirit and the mutual encouragement, trust and support among staff of all participating enterprises through creative and interesting games. Organized by the Outward Bound Hong Kong, endorsed by BOCHK and with COHL Group being invited as sponsor, the activity for this year embodied a cooperative relationship between banks and commercial enterprises and their new dynamic of joining hands to commit to, and promote the importance of, corporate social responsibilities. With a meaningful objective, fund raised from the activity will be used to provide trainings for teenagers and children from the vulnerable groups.

There were a total of 59 teams from 49 enterprises to take part in the games on that day. A team from PricewaterhouseCoopers, a newly engaged auditor of the Group, also enjoyed the games with our "Team of Ocean".

Tree Planting Activity

On the International Labour Day, i.e. 1 May 2012, more than 60 staff and their family members from three listed companies (stock codes: 688, 3311 and 830) were called in by the Overseas Chinese Women's Club to participate in the "Tree Planting to Save the Environment"（全城環保植樹日）which was organized by the ECO Foundation and sponsored by the China Overseas Charity Foundation. They planted 60 fruit trees in an environmental protection farm at San Tin Village, New Territories. The full-heartedly participation of the environmental friendly activity helped all staff and their family members to release pressure from heavy workload, homework and housework, and to contribute to the urban greening and environmental protection of Hong Kong. This tree planting activity arose the staff's awareness of saving the environment and enabled them to access to the nature. It was also an ideal family event.

Tree Planting to Save the Environment

"Walk for the Environment 2012" organized by the Conservancy Association

Over 100 staff members and their families were arranged to participate in "Walk for the Environment 2012" organized by the Conservancy Association. The activity allowed them to get close to the nature and experience the historic, geographical and ecological features of local villages in Hong Kong, and also convey the message of environmental awareness to the next generation.

Charity Walk organized by the Hong Kong Island Social Services Charitable Foundation

We took part in the "Charity Walk organized by the Hong Kong Island Social Services Charitable Foundation" on 6 May. Through which, staff were encouraged to achieve balance of life and they were able to experience the nature with their families after work. It also demonstrated that the Group is enthusiastic for charity and community activities and is actively performing its corporate social responsibilities.

Charity Walk organized by the Hong Kong Island Social Services Charitable Foundation

Directors and Organization

1. Mr. Kong Qingping
2. Mr. Zhou Yong
3. Mr. Tian Shuchen
4. Mr. Zhou Hancheng
5. Mr. Zhang Yifeng
6. Mr. Pan Shujie
7. Mr. Hung Cheung Shew

Board of Directors

Mr. KONG Qingping

Chairman and Non-executive Director

Aged 57, was appointed as Director of the Company on 21 April 2004 and subsequently appointed as Chairman and designated as a Non-executive Director of the Company on 1 June 2005. Mr. Kong holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture, a degree of Executive Master of Business Administration from Harbin Institute of Technology and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong is a guest professor at Harbin Institute of Technology and at Hong Kong Polytechnic University. Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He has been a director of certain subsidiaries of the Group since 1996. Mr. Kong has more than 31 years' extensive experience in management of corporate affairs, construction projects and property development. Currently, Mr. Kong is the Vice President of China State Construction Engineering Corporation Limited ("CSCECL", listed on The Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited ("COHL") and its certain subsidiaries, the Chairman of China Overseas Land & Investment Ltd. ("COLI"), and the Honorable Chairman (but not a Director) of China Overseas Grand Oceans Group Limited ("COGO"). Mr. Kong also acted as Chief Executive of COLI from 2001 to May 2007. COLI and COGO are companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award – Executive Director of Listed Companies (SEHK – Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He was also conferred the honorary title of University Fellow by The Hong Kong Polytechnic University in 2013. Mr. Kong is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed as a National Committee Member of the 11th and 12th Chinese People's Political Consultative Conference in 2008 and 2013 respectively.

Mr. ZHOU Yong

Executive Director, Vice-chairman and Chief Executive Officer

Aged 42, was appointed as a Director of the Company on 21 April 2004 and subsequently was designated as an Executive Director and Vice-chairman of the Board of Directors of the Company on 1 June 2005 and 9 June 2005 respectively. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined CSCEC in 1994 and was seconded to the Group in 1996. He has been a director of certain subsidiaries of the Group since 2001. Currently, Mr. Zhou is a director of COHL and the chairman and non-executive director of Far East Global Group Limited ("FEG", a subsidiary of the Company and listed on the main board of the Stock Exchange). He was awarded the "Director of the Year Award – Executive Director of Listed Companies (SEHK – Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 20 years' construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specializes in investment and development new business startup, formulating and executing business strategies for companies. He oversees the overall operation of the Group.

Mr. TIAN Shuchen

Executive Director

Aged 47, was appointed as an Executive Director of the Company on 12 August 2010. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 24 years' experience in construction engineering and project management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 43, was appointed as a Director of the Company on 21 April 2004 and subsequently was designated as an Executive Director of the Company on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics, holds a degree of Master of Business Administration from The University of Sheffield (UK) and was awarded the title of Senior Accountant. He is Fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 17 years' experience in corporate finance, financial accounting and investment management.

Mr. ZHANG Yifeng

Executive Director

Aged 58, was appointed as an Executive Director of the Company on 21 October 2009. Mr. Zhang graduated from Logistical Engineering University of PLA and Murdoch University (Australia). He is a member of the Hong Kong Institute of Engineers. Mr. Zhang joined the Group in 1993 and was appointed as deputy general manager of the Company in September 2005. Mr. Zhang has been a director of certain subsidiaries of the Group since 2004. He has over 35 years' experience in construction engineering and project management. Mr. Zhang has resigned as Executive Director of the Company with effect from the conclusion of the Board Meeting of the Company held on 21 March 2013.

Mr. PAN Shujie

Executive Director

Aged 48, was appointed as an Executive Director of the Company on 22 August 2012. Mr. Pan graduated from the Southeast University (formerly known as Nanjing Institute of Technology) and the University of Warwick (UK). He is a member of the Hong Kong Institute of Engineers and a member of the Chartered Institute of Building (UK). Mr. Pan joined CSCEC in 1987 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 1999. Mr. Pan has over 21 years' experience in civil project management.

Mr. HUNG Cheung Shew

Executive Director

Aged 54, was appointed as an Executive Director of the Company on 8 June 2011. Mr. Hung graduated from the 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. Mr. Hung acted as a non-executive director of FEG from 17 June 2011 to 15 August 2012. Mr. Hung has over 31 years' experience in construction management and planning.

Mr. LI Jian

Non-executive Director

Aged 53, was appointed as a Non-executive Director of the Company on 19 October 2011. Mr. Li graduated from Chongqing Institute of Architectural Engineering (now known as Chongqing University), obtained a certificate of completion in Executive Master of Business Administration (EMBA) Series of Courses from Guanghua School of Management, Peking University and was awarded the title of professor level senior engineer. Mr. Li is a member of The Chartered Institute of Building (MCIOB). He joined CSCEC in 1982 and assigned to work overseas. Currently, Mr. Li is a Deputy Chief Economist and an Executive General Manager (Overseas Operations) of CSCECL. Mr. Li has more than 36 years' experience in Mainland China and overseas construction engineering. Mr. Li was granted "Outstanding Project Manager of National Construction Enterprises" and "International Excellent Project Manager" titles.

Dr. Raymond HO Chung Tai

SBS, MBE, S.B. St. J., JP

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

Aged 73, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Ho holds a Doctorate in Civil Engineering from the City University of London, UK, an Honorary Doctorate in Business Administration from the City University of Hong Kong, an Honorary Doctorate in Laws from University of Manchester, UK, a Postgraduate Diploma for Advanced Studies in Soil Mechanics and Foundation Engineering from the Victoria University of Manchester, UK and a Bachelor's degree in Engineering from the University of Hong Kong. Dr. Ho has been in charge of numerous projects of engineering and environmentally-related works of considerable magnitude and varied nature, including all the infrastructure works of Shatin New Town and Tseung Kwan O New Town, all the new railways stations and all major infrastructure works of Kowloon Canton Railway Line from Kowloon Tong to Lo Wu (now called the East Rail) and the associated bridges, roadworks and geotechnical works. He has also been involved in major projects of tunnels, bridges, flyovers, roads, dockyards, wharfs, hospitals, hotels, incineration plant, composting plant, high-rise commercial/residential buildings, geotechnical work, environmental studies and environmental engineering projects as well as project management. Dr. Ho held top positions in many organizations such as President of the Hong Kong Institution of Engineers, Founding Council Chairman of the City University of Hong Kong and Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and Member of ITDC, Member of the first, second, third and fourth Legislative Council (Engineering Functional Constituency) and member of the Provisional Legislative Council, Chairman of Transport Advisory Committee, Hong Kong Affairs Adviser, Member of Consultative Committee on the New Airport and Related Projects, Member of the Gas Safety Advisory Committee and Member of the Commission on Strategic Development. Dr. Ho was Chairman, Director and Partner of a number of companies or companies of groups of companies such as the Maunsell Consultants Asia Ltd. in addition to its international company Guy Maunsell International Ltd. from January 1976 to August 1993. Currently, Dr. Ho is Board Member of the Airport Authority Hong Kong, Chairman of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council, and Chairman of Guangdong Daya Bay Nuclear Plant and Lingao Nuclear Plant Nuclear Safety Consultative Committee. He is also a director of various private companies in Hong Kong, and Independent Non-executive Director of GCL-Poly Energy Holdings Ltd. and Deson Development International Holdings Limited, companies listed on the main board of the Stock Exchange.

Mr. Adrian David LI Man Kiu JP

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

Mr. Li, aged 39, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. He holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. Mr. Li is Deputy Chief Executive of The Bank of East Asia, Limited, with responsibility for the bank's Hong Kong business. He is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. Mr. Li is a board member of The Community Chest of Hong Kong, a member of the HKSAR Government-mandated Banking Industry Training Advisory Committee, Chairman of the VTC's Banking and Finance Industry Training Board, and a member of the MPF Industry Schemes Committee of the MPFA. He is an Advisory Committee member of the Hong Kong Baptist University's School of Business, a Vice President of The Hong Kong Institute of Bankers' Council and a Steering Committee member of the Asian Financial Forum. He also serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. Mr. Li is an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited, COSCO Pacific Limited and dual Hong Kong and Shanghai-listed Shanghai Fosun Pharmaceutical (Group) Co., Ltd. He is also an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited and an Alternate Director of Malaysia-listed AFFIN Holdings Berhad. The aforesaid companies are all listed in Hong Kong, unless stated otherwise.

Dr. Raymond LEUNG Hai Ming

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

Aged 58, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from Chinese University of Hong Kong and a bachelor degree in Applied Science in Civil Engineering and a Master degree in Applied Science. Dr. Leung is Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society for Civil Engineers, Institution of Civil Engineers (UK) and Senior Member of Institute of Electrical and Electronics Engineers. He has more than 36 years of experience in engineering, investment, construction and project management. Currently, Dr. Leung is director of various private companies in Hong Kong and independent non-executive director of Elec & Eltek International Company Limited, a company listed on the main boards of the Stock Exchange and Singapore Exchange Securities Trading Limited. Dr. Leung is also the chairman and chief executive officer of C & L Holdings Ltd. engaging in investment and business consultancy.

Mr. LEE Shing See GBS, OBE, JP

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

Aged 70, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee graduated from the University of Hong Kong in 1964. He is Fellow of both The Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). Mr. Lee joined The Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including 2 months as a Permanent Secretary). He is a Director of the Hong Kong Cyberport Management Company Limited, a Member of the Development Committee of the West Kowloon Cultural District Authority, a Chairman of the Construction Industry Council, a member of Environmental Impact Assessment Appeal Board Panel, a Board Member of the Airport Authority Hong Kong, the Convener of the Panel on Promoting Testing and Certification Services in Construction Materials Trade of Hong Kong Council for Testing and Certification and a member of Education, Employment & Training Task Force of Commission on Poverty. Mr. Lee has over 47 years' experience in engineering and construction. He is an independent non-executive director of Chun Wo Holdings Limited, a company listed on the main board of the Stock Exchange.

Senior Management

Mr. WU Mingqing

Deputy General Manager

Aged 48. He graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Accountant. Mr. Wu joined CSCEC in 1986 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2002. Mr. Wu has over 26 years' experience in finance management, construction engineering, infrastructure investment and project management. He assists in managing the Group's infrastructure investment operation in Mainland China.

Mr. ZHOU Wenbin

Deputy General Manager

Aged 46. He graduated from Zhongnan University of Economics and Law, obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 24 years' experience in corporate finance, accounting and investment management. He assists in managing the Group's financial management.

Mr. JIANG Shaojie

Deputy General Manager

Aged 49. He graduated from Shenyang Architectural and Civil Engineering University and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 30 years' experience in construction engineering and project management. He is responsible for the Group's integrated management operations on quality and technology.

Mr. ZHAO Xiaoqi

Assistant General Manager

Aged 39. He graduated from Tsing Hua University and obtained the MBA degree from Renmin University of China. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 16 years' experience in human resources management and personnel administration. He is responsible for the Group's human resources management.

Mr. WONG Wing Yuk

Assistant General Manager

Aged 55. He graduated from the Plymouth Polytechnic (UK) and obtained the MBA degree from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 26 years' experience in construction engineering and contract management. He assists in managing the Group's overseas operations.

Mr. LAU Wing Shing

Assistant General Manager

Aged 53. He graduated from the University of Warwick (UK) and City University of Hong Kong, respectively, obtained a Master degree of Science (MSc) and a Master degree of Laws (LL.M.). Mr. Lau is a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Engineers, a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed by Planning, Lands Branch, Development Bureau as a member of the Appeal Tribunal Panel (Buildings Ordinance). Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 31 years' experience in contract and project management. He assists in managing the Group's building construction, mechanical & electrical engineering operations, and joint venture projects.

Mr. CHAN Wai Hung

General Manager of Civil Engineering Department

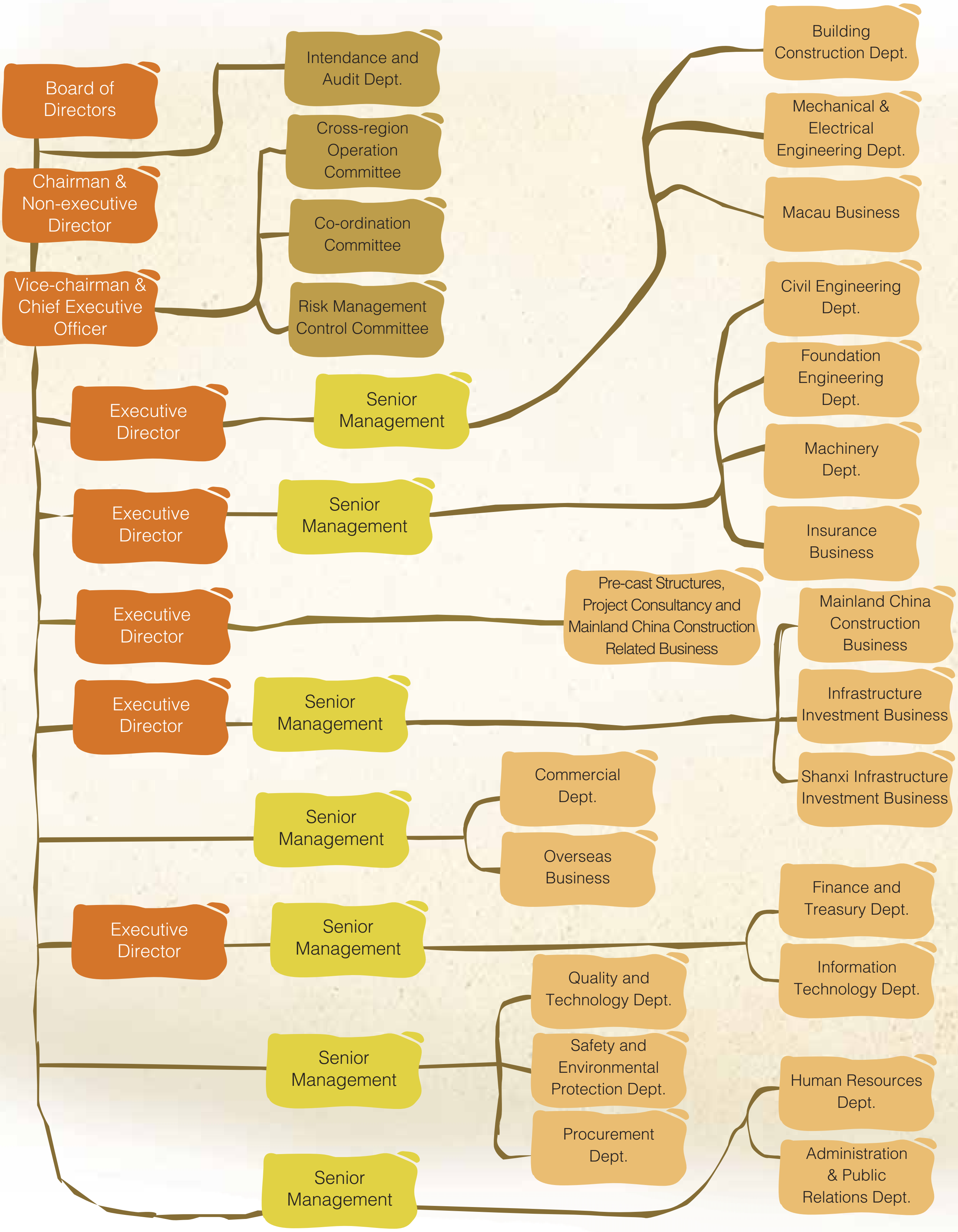
Aged 55. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and City University of Hong Kong. Mr. Chan is a member of The Hong Kong Institution of Engineers and Registered Professional Engineer (Civil) of the Hong Kong Engineers Registration Board. He is also a Chartered Engineer of The Engineering Council (UK) and member of The Institution of Civil Engineers. He joined the Group in 1989 and has been a director of certain subsidiaries of the Group since 1998. Mr. Chan has over 33 years' experience in contract and project management. He assists in managing the Group's civil engineering operations.

Mr. ZHANG Haipeng

Director and General Manager of China Construction Engineering (Macau) Company Limited

Aged 37. He graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined CSCEC in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Mr. Zhang has over 10 years' experience in construction engineering management. He is responsible for the Group's operations in Macau.

Organization Chart



Directors' Report

The Directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding and provides corporate management services. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements.

An analysis of the Group's performance for the year by segments is set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 90 and 91 respectively.

An interim dividend of HK7.00 cents per share amounting to HK$272,121,000 was paid to the shareholders during the year. The Board now recommends the payment of a final dividend of HK9.00 cents per share to the shareholders on the register of members on 17 June 2013, amounting to approximately HK$349,870,000.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 182 and 183.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Investment Properties

Details of investment properties of the Group are set out on page 184.

Share Capital

The Company's total issued share capital as at 31 December 2012 was 3,887,447,383 ordinary shares of HK$0.025 each ("Shares").

During the year, the Company issued 703,862 new Shares pursuant to the Company's Share Option Scheme. Pursuant to a subscription agreement entered into between China Overseas Holdings Limited ("COHL") and the Company dated 18 July 2012, the Company issued and allotted 300,000,000 new Shares at HK$7.57 per Share to COHL on 25 July 2012.

Details of movements during the year in the share capital of the Company are set out in note 37 to the 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 on page 95.

Directors

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

Chairman and Non-executive Director
Mr. Kong Qingping

Executive Directors

Mr. Zhou Yong	*(Vice-chairman and Chief Executive Officer)*
Mr. Tian Shuchen	
Mr. Zhou Hancheng	
Mr. Zhang Yifeng	*(Resigned on 21 March 2013)*
Mr. Pan Shujie	*(Appointed on 22 August 2012)*
Mr. Hung Cheung Shew	

Non-executive Directors

Dr. Cheong Chit Sun	*(Re-designated from Executive Director to Non-executive Director on 2 March 2012 and resigned on 22 August 2012)*
Mr. Li Jian	

Independent Non-executive Directors
Dr. Raymond Ho Chung Tai
Mr. Adrian David Li Man Kiu
Dr. Raymond Leung Hai Ming
Mr. Lee Shing See

Notes:

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Tian Shuchen and Dr. Raymond Leung Hai Ming, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Pan Shujie appointed by the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election at that meeting.

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

Information regarding directors' emoluments is set out in note 10 to the consolidated financial statements.

With effect from 1 February 2013, the monthly salary of Mr. Hung Cheung Shew was changed from HK$146,200 to HK$155,700. During the year, the remuneration committee approved that person who acting as chairman of remuneration committee and nomination committee will be entitled an additional fee of HK$110,000 per annum (as same as audit committee chairman). Therefore, Mr. Adrian David Li Man Kiu and Mr. Lee Shing See will be entitled to receive an addition amount of HK$110,000 per annum as fee for acting as chairman of remuneration committee and nomination committee from their dates of appointment. The directors' fees of Mr. Kong Qingping, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Mr. Pan Shujie, Mr. Li Jian, Dr. Raymond Ho Chung Tai and Dr. Raymond Leung Hai Ming remain unchanged.

Confirmation of Independence

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

Directors' Service Contracts

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

Management Contracts

No contract 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.

Substantial Shareholders

As at 31 December 2012, the register of substantial shareholders maintained by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue[1]
China Overseas Holdings Limited[2] ("COHL")	Beneficial owner	2,218,813,659	2,218,813,659	57.08
China State Construction Engineering Corporation Limited[3] ("CSCECL")	Interest of a controlled corporation/ beneficial owner	2,218,813,659	2,218,813,659	57.08
China State Construction Engineering Corporation[4] ("CSCEC")	Interest of a controlled corporation/ beneficial owner	2,218,813,659	2,218,813,659	57.08

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2012 (i.e. 3,887,447,383 ordinary shares).

2. Amongst the total number of 2,218,813,659 Shares held by COHL, 2,122,675,308 Shares was held as beneficial owner while the balance of 96,138,351 Shares was interests of controlled corporations.

3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 2,218,813,659 Shares directly owned by COHL.

4. CSCECL is held as to 55.07% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,218,813,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2012, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Connected and Related Party Transactions

Details of connected transactions are set out on pages 83 to 88. Save as the related party transactions disclosed in note 48 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Hung Cheung Shew and Dr. Cheong Chit Sun held directorship in the Company's ultimate holding company, and/or its subsidiaries which are engaged in construction, property development and related business.

The board of directors of the Group operates independently of the boards of these companies. The Group is capable of carrying on its business independently of, and at arms length from the businesses of these companies.

Emolument Policy

The emolument policy of the employees of the Group was approved by the Remuneration Committee.

The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trend.

The Company has adopted a share option scheme as an incentive to Directors and eligible persons, details of the scheme is set out in note 45 to the consolidated financial statements.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The Assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation to 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 benefit schemes amounting to approximately HK$55.34 million. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

Pre-emptive Rights

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

Public Float

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

Charitable Donations

Charitable Donations made by the Group during the year amounted to HK$257,081 (2011: HK$114,500).

Major Customers and Suppliers

In 2012, the Group's largest customer accounted for approximately 17.6% (2011: 21.2%) of the Group's revenue. The five largest customers of the Group accounted for approximately 48.0% (2011: 57.0%) of the Group's revenue. The Group's largest supplier accounted for approximately 4.6% (2011: 1.7%) of the Group's purchases. The five largest suppliers of the Group accounted for 11.1% (2011: 6.2%) of the Group's purchases for the year.

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

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

During the year neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2012, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 31 December 2012 is set out below:

	HK$'000
Non-current assets	15,449
Current assets	1,366,922
Current liabilities	(1,757,620)
Net Liabilities	(375,249)
Reserves	(375,249)
Total Equity	(375,249)

As at 31 December 2012, the Group shared the accumulated losses of these unincorporated affiliated companies amounted to HK$118,848,000.

Auditor

Messrs. Deloitte Touche Tohmatsu ("Deloitte") had acted as auditor of the Company since its incorporation. Deloitte retired and did not offer themselves for re-appointment as auditor of the Company for the year ended 31 December 2012 in the annual general meeting of the Company held on 28 May 2012.

The consolidated financial statements for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers ("PwC") who retire and, being eligible, offer themselves for re-appointment as auditor of the Company.

A resolution to re-appoint PwC 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
Kong Qingping
Chairman and Non-executive Director

Hong Kong, 21 March 2013

Continuing Connected Transactions under the Listing Rules

1. **CSC Group Engagement Agreement**

The directors of China Overseas Land & Investment Ltd. ("COLI", an associate of the Company) expect that COLI Group will continue to invite the Company and its subsidiaries ("Group") to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time.

On 2 April 2009, the Company and COLI entered into an engagement agreement ("CSC Group Engagement Agreement") for a term of three years commencing from 1 July 2009 and ending on 30 June 2012. Pursuant to the CSC Group Engagement Agreement, the aggregate amount of total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$1,000 million, for each of the two years ending 31 December 2011 shall not exceed HK$2,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$1,000 million (i.e. the CSC Group Engagement Cap).

The maximum total contract sum that may be awarded to the Group for each year/period under the CSC Group Engagement Agreement, i.e. the CSC Group Engagement Cap, exceed 2.5% of the applicable percentage ratios calculated pursuant to the then Listing Rules. As such the CSC Group Engagement Agreement is subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

A circular dated 23 April 2009 containing details of the CSC Group Engagement Agreement has been despatched to the shareholders of the Company. The CSC Group Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 May 2009.

For the period from 1 January 2012 to 30 June 2012, the total contract sum awarded to the Group under the CSC Group Engagement Agreement was HK$19,349,778.

2. **Master Security Services Agreement**

It is expected that the Group will continue to invite members of the COLI Group which hold the relevant licenses to provide security services in Hong Kong to participate in competitive tender for the security services to the work sites of the Group in Hong Kong from time to time.

On 2 April 2009, COLI and the Company entered into a master security services agreement ("Master Security Services Agreement") for a term of three years commencing from 1 July 2009 and ending on 30 June 2012. Pursuant to the Master Security Services Agreement, the maximum total contract sum that may be awarded by the Group to the COLI Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$15 million, for each of the two years ending 31 December 2011 shall not exceed HK$30 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$15 million (i.e. the Security Services Cap).

The maximum total contract sum may be awarded by the Group to COLI Group for each year/period under the Master Security Services Agreement, i.e. the Security Services Cap, is less than 2.5% of the applicable percentage ratios calculated pursuant to the then Listing Rules. As such the Master Security Services Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Security Services Agreement was made on 2 April 2009.

For the period from 1 January 2012 to 30 June 2012, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK$11,926,000.

3. Master Lease Agreement

It is expected that the Group may continue to lease certain properties located at China Overseas Building (139 Hennessy Road, Wanchai, Hong Kong) and any additional properties owned by the COLI Group as offices of the Group from the COLI Group.

On 2 April 2009, COLI and the Company entered into a master lease agreement ("Master Lease Agreement") for a term of three years commencing from 1 July 2009 and ending on 30 June 2012. Pursuant to the Master Lease Agreement, the rent payable by the Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$6 million, for each of the two years ending 31 December 2011 shall not exceed HK$12 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$6 million (i.e. the Lease Cap).

The maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the Group to the COLI Group for each year/period under the Master Lease Agreement, i.e. the Lease Cap, is less than 2.5% of the applicable percentage ratios calculated pursuant to the then Listing Rules. As such the Master Lease Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Lease Agreement was made on 2 April 2009.

For the period from 1 January 2012 to 30 June 2012, the aggregate amount made by the Group to the COLI Group under the Master Lease Agreement amounted to HK$5,208,450.

4. Agreement in relation to Connection Services for Heating Pipes

It is expected that the Company (through Shenyang Huanggu Thermoelectricity Company Limited 瀋陽皇姑熱電有限公司 "SHTCL", a wholly-owned subsidiary of the Company) shall provide connection services for heating pipes for the real estate project(s) located in Shenyang and developed by COLI.

On 18 June 2010, COLI and the Company entered into an agreement ("Connection Services Agreement") commencing on 1 July 2010 and ending on 31 December 2012. Pursuant to the Connection Services Agreement, the maximum contract sums awarded by COLI to the Company for the period between 1 July 2010 and 31 December 2010 shall not exceed HK$100 million, for the period between 1 January 2011 and 31 December 2011 shall not exceed HK$150 million, and for the period between 1 January 2012 and 31 December 2012 shall not exceed HK$150 million (i.e. the Cap).

The maximum total contract sums awarded by COLI to the Company for the period/year under the Connection Services Agreement, i.e. the Cap, is less than 5% of the applicable percentage ratios pursuant to the Listing Rules. As such the Connection Services Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Connection Services Agreement was made on 18 June 2010.

For the year ended 31 December 2012, the total contract sum awarded to the Group under the Connection Services Agreement was HK$69,816,049.

5. Renewal of the Master Dubai Construction Agreement

As stated in the Company's listing document dated 14 June 2005, China State Construction Engineering Corporation ("CSCEC", the ultimate holding of the Company) has in anticipation of the Group's intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group (i.e. CSCEC and its subsidiaries including COLI (but excluding the Group)) will be engaged in the construction market in, among others, Dubai except, among other things, in joint venture with the Group.

On 19 November 2007, the Company entered into a Master Dubai Construction Agreement with CSCEC. Pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company and payment of fee, tender for and/or enter into contracts in construction works in Dubai.

As the initial term of the Master Dubai Construction Agreement expired on 31 December 2010, the Company and CSCEC agreed in writing to renew the Master Dubai Construction Agreement for a further term of three years commencing from 1 January 2011 to 31 December 2013 ("Renewed Term").

During the Renewed Term, the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2013 shall not exceed HK$5,000 million. The relevant fee thereon calculated on 2.5% basis would be HK$125 million (i.e. the "New Annual Caps").

The Fee receivable under the Master Dubai Construction Agreement is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. The Company is required to comply with the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirements, under the Listing Rules.

An announcement containing the particulars of the renewal of the Master Dubai Construction Agreement was made on 17 November 2010.

For the year ended 31 December 2012, there was no contract in Dubai awarded to the CSCEC Group and the relevant fee thereon calculated under the Master Dubai Construction Agreement was nil.

6. CSCECL Sub-construction Engagement Agreement

It is expected that (i) the Group may continue to engage the China State Construction Engineering Corporation Limited ("CSCECL", the Company's intermediate holding company) Group as Contractors upon successful tender and (ii) the CSCECL Group may continue to engage the Group as Contractors upon successful tender.

On 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement, whereby: (i) the Group may engage the CSCECL Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 November 2011 and 31 December 2011 shall not exceed HK$13,000 million, for the financial year ending 31 December 2012 shall not exceed HK$8,000 million, for the financial year ending 31 December 2013 shall not exceed HK$10,000 million and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK$12,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and (ii) the CSCECL Group may engage the Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 November 2011 and 31 December 2011 is nil, for each of the two financial years ending 31 December 2013 shall not exceed HK$3,000 million, and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK$3,000 million (i.e. the CSC Sub-construction Engagement Cap).

The maximum total contract sum that may be awarded to the CSCECL Group (i.e. the CSCECL Sub-construction Engagement Cap) and the Group (i.e. CSC Sub-construction Engagement Cap) for each year/period under the CSCECL Sub-construction Engagement Agreement exceed 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the CSCECL Sub-construction Engagement Agreement is subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

A circular dated 7 October 2011 containing details of the CSCECL Sub-construction Engagement Agreement has been despatched to the shareholders of the Company. The CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 October 2011.

For the year ended 31 December 2012, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Sub-construction Engagement Cap) was HK$950,459,306. There was no contract awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSC Sub-construction Engagement Cap).

7. **COHL Construction Engagement Agreement**

It is expected that China Overseas Holdings Limited ("COHL", the Company's holding company) Group may engage the Group as contractor (on the basis of "Build-Transfer" mode) for the COHL Group's construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC upon successful tender.

On 20 September 2011, the Company and COHL entered into the COHL Construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the COHL Group to the Group for the period between 1 November 2011 and 31 December 2011 shall not exceed RMB5,000 million (approximately HK$6,097 million), for each of the two financial years ending 31 December 2013 shall not exceed RMB5,000 million (approximately HK$6,097 million), and for the period between 1 January 2014 and 31 October 2014 shall not exceed RMB5,000 million (approximately HK$6,097 million) (i.e. the COHL Construction Engagement Cap).

The maximum total contract sum that may be awarded to the Group for each year/period under the COHL Construction Engagement Agreement, i.e. the COHL Construction Engagement Cap, exceed 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the COHL Construction Engagement Agreement is subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

A circular dated 7 October 2011 containing details of the COHL Construction Engagement Agreement has been despatched to the shareholders of the Company. The COHL Construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 October 2011.

For the year ended 31 December 2012, there was no contract awarded by the COHL Group to the Group under the COHL Construction Engagement Agreement (i.e. COHL Construction Engagement Cap).

8. **New Master CSC Group Engagement Agreement**

As mentioned in item 1 of this section, the CSC Group Engagement Agreement expired on 30 June 2012. The directors of COLI expect that the COLI Group will continue to invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time. In this connection, on 18 May 2012, COLI and the Company entered into a new engagement agreement ("New Master CSC Group Engagement Agreement") for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master CSC Group Engagement Agreement, the aggregate amount of total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the New Construction Works Cap).

The maximum total contract sum that may be awarded for each year/period under the New Master CSC Group Engagement Agreement, i.e. the New Construction Works Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master CSC Group Engagement Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master CSC Group Engagement Agreement was made on 18 May 2012.

For the period from 1 July 2012 to 31 December 2012, the total contract sum awarded to the Group under the New Master CSC Group Engagement Agreement was HK$21,250,679.

9. New Master Security Services Agreement

As mentioned in item 2 of this section, the Master Security Services Agreement expired on 30 June 2012. The directors of the Company expected that the Group will continue to invite members of the COLI Group which hold the relevant licenses to provide security services in Hong Kong to participate in competitive tender for the security services to the work sites of the Group in Hong Kong from time to time. In this connection, on 18 May 2012, COLI and the Company entered into a new master security services agreement ("New Master Security Services Agreement") for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master Security Services Agreement, the maximum total contract sum that may be awarded by the Group to the COLI Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$25 million, for each of the two years ending 31 December 2014 shall not exceed HK$50 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$25 million (i.e. the New Security Services Cap).

The maximum total contract sum for the provision of the security services by the COLI Group for each year/period under the New Master Security Services Agreement, i.e. the New Security Services Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master Security Services Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master Security Services Agreement was made on 18 May 2012.

For the period from 1 July 2012 to 31 December 2012, the total contract sum awarded to the COLI Group under the New Master Security Services Agreement was HK$9,038,170.

10. New Master Lease Agreement

As mentioned in item 3 of this section, the Master Lease Agreement expired on 30 June 2012. The directors of the Company expect that the Group will continue to lease properties from the COLI Group from time to time. In this connection, on 18 May 2012, COLI and the Company entered into a new master lease agreement ("New Master Lease Agreement") for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master Lease Agreement, the maximum aggregate rental for leasing of properties for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$9 million, for each of the two years ending 31 December 2014 shall not exceed HK$18 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$9 million (i.e. the New Lease Cap).

The maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the Group to the COLI Group for each year/period under the New Master Lease Agreement, i.e. the New Lease Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master Lease Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master Lease Agreement was made on 18 May 2012.

For the period from 1 July 2012 to 31 December 2012, the aggregate amount made by the Group to the COLI Group under the New Master Lease Agreement amounted to HK$7,412,025.

11. FE-CSCECL Sub-construction Engagement Agreement

On 11 June 2012, CSCECL and Far East Global Group Limited ("FEG", a non-wholly subsidiary of the Company) entered into the FE-CSCECL Sub-construction Engagement Agreement, whereby the CSCECL Group may engage the FEG Group as its subcontractor for provision of contracting service, supply, project consultancy service and project management service in relation to exterior facade works to the CSCECL Group's construction works for the period commencing from 16 July 2012 and ending on 30 June 2015 provided that the maximum total contract sum that may be awarded by the CSCECL Group to the FEG Group under the FE-CSCECL Sub-construction Engagement Agreement for the period between 16 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the CSCECL Works Cap).

The maximum total contract sum that may be awarded for each year/period under the FE-CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Works Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the FE-CSCECL Sub-construction Engagement Agreement is subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the FE-CSCECL Sub-construction Engagement Agreement was made on 11 June 2012.

For the period from 16 July 2012 to 31 December 2012, there was no contract awarded by the CSCECL Group to the FEG Group under the FE-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Cap).

Pursuant to rule 14A.37 of the Listing Rules, the above Continuing Connected Transactions have been approved by the Board and have been reviewed by the Independent Non-executive Directors of the Company, who confirmed that these Continuing Connected Transactions were entered into:

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

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

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

In accordance with rule 14A.38 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"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

(3) the relevant cap amount have not been exceeded during the financial year ended 31 December 2012; and

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

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

The continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 90 to 181, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Income Statement

For the year ended 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Group revenue	5	**19,765,008**	16,379,311
Costs of sales		**(17,355,293)**	(14,581,127)
Gross profit		**2,409,715**	1,798,184
Investment income	7	**523,458**	316,296
Other income and other gains, net	8	**75,394**	85,705
Gain on fair value changes of investment in convertible bonds	26	**56,827**	20,314
Administrative expenses		**(704,139)**	(538,680)
Distribution and selling expenses		**(5,505)**	(15,523)
Other operating expenses		**(30,430)**	(22,954)
Share of profits of			
Jointly controlled entities		**417,741**	379,947
Associates		**18,255**	13,702
Finance costs	9	**(239,375)**	(192,690)
Profit before tax		**2,521,941**	1,844,301
Income tax expense	12	**(385,440)**	(334,122)
Profit for the year	13	**2,136,501**	1,510,179
Attributable to:			
Owners of the Company		**2,131,459**	1,507,405
Non-controlling interests		**5,042**	2,774
		2,136,501	1,510,179
Earnings per share (HK cents)	15		
Basic		**57.32**	44.22
Diluted		**56.44**	43.45

Group revenue	**19,765,008**	16,379,311
Share of revenue of jointly controlled entities	**3,069,660**	2,202,768
	22,834,668	18,582,079

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**2,136,501**	1,510,179
Other comprehensive income		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	**(1,047)**	–
Gain/(loss) on fair value changes of available-for-sale investments, net of tax	**95,256**	(11,777)
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	**(21,625)**	–
Exchange differences on translation of foreign operations	**77,269**	254,118
Other comprehensive income for the year, net of tax	**149,853**	242,341
Total comprehensive income for the year, net of tax	**2,286,354**	1,752,520
Total comprehensive income attributable to:		
Owners of the Company	**2,279,277**	1,749,746
Non-controlling interests	**7,077**	2,774
	2,286,354	1,752,520

Consolidated Statement of Financial Position

At 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Non-current Assets			
Property, plant and equipment	16	**2,190,951**	1,870,033
Investment properties	17	**40,044**	41,063
Interests in infrastructure project investments	18	**915,049**	673,224
Prepaid lease payments	19	**182,291**	184,978
Interests in jointly controlled entities	21	**2,735,493**	2,589,828
Interests in associates	22	**36,156**	29,237
Concession operating rights	23	**5,501,701**	4,926,465
Trademark, project backlogs and licences	24	**252,551**	9,950
Goodwill	24	**577,664**	–
Available-for-sale investments	25	**497,861**	490,842
Investment in convertible bonds	26	**296,827**	240,000
Amounts due from investee companies	27	**361,471**	356,085
Trade and other receivables	30	**3,186,846**	919,473
		16,774,905	12,331,178
Current Assets			
Interests in infrastructure project investments	18	**8,506**	23,490
Inventories	28	**185,374**	149,559
Properties held for sale		**158,608**	158,608
Amounts due from customers for contract work	29	**5,458,682**	2,937,900
Trade and other receivables	30	**6,559,777**	4,736,191
Deposits and prepayments		**523,278**	234,679
Amount due from an intermediate holding company	32	**–**	72,159
Amounts due from jointly controlled entities	33	**149,130**	185,237
Amounts due from fellow subsidiaries	32	**633,822**	423,284
Amounts due from related companies	32	**26,939**	10,990
Tax recoverable		**15,054**	6,217
Pledged bank deposits	34	**1,291**	4,992
Deposits with financial institutions	34	**516**	848
Bank balances and cash	34	**6,716,913**	5,457,812
		20,437,890	14,401,966

At 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Current Liabilities			
Amounts due to customers for contract work	29	1,219,729	1,282,035
Trade payables, other payables and accruals	35	6,498,270	5,175,888
Deposits received and advances from customers		1,138,919	699,874
Amount due to immediate holding company	32	16,019	208,218
Amount due to an intermediate holding company	32	132,692	676,461
Amounts due to jointly controlled entities	33	655,667	501,666
Amounts due to fellow subsidiaries	32	2,136,175	1,398,076
Amount due to an associate	32	33,495	6,125
Amount due to a related company	32	–	16,851
Current tax payables		594,570	313,787
Borrowings	36	48,780	357,716
Obligations under finance leases	41	1,158	–
Loan from an intermediate holding company	42	–	940,151
		12,475,474	11,576,848
Net Current Assets		7,962,416	2,825,118
Total Assets less Current Liabilities		24,737,321	15,156,296
Capital and Reserves			
Share capital	37	97,186	89,668
Share premium and reserves	38	13,412,638	9,400,684
Equity attributable to owners of the Company		13,509,824	9,490,352
Non-controlling interests		343,144	6,724
		13,852,968	9,497,076
Non-current Liabilities			
Borrowings	36	9,996,359	4,961,268
Deferred income	39	520,791	421,938
Deferred tax liabilities	40	362,265	276,014
Obligations under finance leases	41	4,938	–
		10,884,353	5,659,220
		24,737,321	15,156,296

On behalf of the Board

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

Statement of Financial Position

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current Assets			
Interests in subsidiaries	20	**4,918,602**	2,171,869
Current Assets			
Deposits and prepayments		**17,438**	15,750
Amounts due from subsidiaries	31	**6,728,486**	7,082,129
Tax recoverable		**855**	–
Bank balances and cash	34	**25,386**	131,849
		6,772,165	7,229,728
Current Liabilities			
Other payables		**8,033**	9,937
Current tax payables		**1,019**	785
		9,052	10,722
Net Current Assets		**6,763,113**	7,219,006
Total Assets less Current Liabilities		**11,681,715**	9,390,875
Capital and Reserves			
Share capital	37	**97,186**	89,668
Share premium and reserves	38	**8,584,529**	6,301,207
		8,681,715	6,390,875
Non-current Liability			
Borrowing	36	**3,000,000**	3,000,000
		11,681,715	9,390,875

On behalf of the Board

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company				
	Share capital HK$'000 (note 37)	Share premium and reserves HK$'000 (note 38)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	74,486	4,544,964	4,619,450	3,950	4,623,400
Profit for the year	–	1,507,405	1,507,405	2,774	1,510,179
Loss on fair value changes of available-for-sale investments, net of tax	–	(11,777)	(11,777)	–	(11,777)
Exchange differences arising on translation of foreign operations	–	254,118	254,118	–	254,118
Total comprehensive income for the year	–	1,749,746	1,749,746	2,774	1,752,520
Issue of ordinary shares upon exercise of share options	248	2,073	2,321	–	2,321
Issue of ordinary shares upon rights issue	14,934	3,569,254	3,584,188	–	3,584,188
Share issuance expenses	–	(34,971)	(34,971)	–	(34,971)
2010 final dividend paid	–	(215,177)	(215,177)	–	(215,177)
2011 interim dividend paid	–	(215,205)	(215,205)	–	(215,205)
At 31 December 2011	89,668	9,400,684	9,490,352	6,724	9,497,076
Profit for the year	–	**2,131,459**	**2,131,459**	**5,042**	**2,136,501**
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	**(1,047)**	**(1,047)**	–	**(1,047)**
Gain on fair value changes of available-for-sale investments, net of tax	–	**95,256**	**95,256**	–	**95,256**
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	–	**(21,625)**	**(21,625)**	–	**(21,625)**
Exchange differences arising on translation of foreign operations	–	**75,234**	**75,234**	**2,035**	**77,269**
Total comprehensive income for the year	–	**2,279,277**	**2,279,277**	**7,077**	**2,286,354**
Issue of ordinary shares upon exercise of share options	**18**	**140**	**158**	–	**158**
Issue of ordinary shares upon placement	**7,500**	**2,263,500**	**2,271,000**	–	**2,271,000**
Share issuance expenses	–	**(41,297)**	**(41,297)**	–	**(41,297)**
Acquisition of a subsidiary (note 43)	–	–	–	**306,041**	**306,041**
Disposal of partial interest in a subsidiary (note 38 (a)(ii))	–	**33,527**	**33,527**	**23,302**	**56,829**
2011 final dividend paid	–	**(251,072)**	**(251,072)**	–	**(251,072)**
2012 interim dividend paid	–	**(272,121)**	**(272,121)**	–	**(272,121)**
At 31 December 2012	**97,186**	**13,412,638**	**13,509,824**	**343,144**	**13,852,968**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**2,521,941**	1,844,301
Adjustments for:		
Finance costs	**239,375**	192,690
Investment income	**(523,458)**	(316,296)
Gain on fair value changes of investment in convertible bonds	**(56,827)**	(20,314)
Share of profits of jointly controlled entities	**(417,741)**	(379,947)
Share of profits of associates	**(18,255)**	(13,702)
Gain on disposal of property, plant and equipment	**(7,992)**	(16,139)
Exchange gain, net	**(9,612)**	(2,417)
Depreciation of property, plant and equipment	**110,906**	83,859
Depreciation of investment properties	**1,019**	1,058
Amortisation of concession operating rights	**138,744**	90,267
Amortisation of trademark and projects backlogs	**19,466**	–
Amortisation of prepaid lease payments	**3,851**	4,674
Allowance for doubtful debts on trade and other receivables	**–**	1,074
Operating cash flows before working capital changes	**2,001,417**	1,469,108
Increase in concession operating rights	**(675,056)**	(669,070)
Decrease in income receivables from infrastructure project investments	**43,776**	48,342
Increase in inventories	**(31,620)**	(31,848)
Increase in amounts due from customers for contract work	**(2,243,326)**	(2,743,619)
Increase in trade and other receivables	**(3,627,316)**	(1,475,544)
(Increase)/decrease in deposits and prepayments	**(273,738)**	48,268
Changes in net balances with an intermediate holding company	**(471,610)**	(508,129)
Increase in amounts due from fellow subsidiaries	**(210,538)**	(275,188)
Increase in amounts due from related companies	**(15,949)**	(10,990)
(Decrease)/increase in amounts due to customers for contract work	**(98,316)**	662,323
Increase in trade payables, other payables and accruals	**1,086,398**	1,058,977
Increase in deposits received and advances from customers	**439,545**	11,029
Increase in amount due to immediate holding company	**7,801**	51,218
Increase in amounts due to fellow subsidiaries	**739,099**	1,284,476
Increase/(decrease) in amount due to an associate	**27,370**	(43,120)
(Decrease)/increase in amount due to a related company	**(16,851)**	16,851
Increase in deferred income	**104,446**	157,536
Net cash used in operations	**(3,214,468)**	(949,380)
Income taxes paid	**(126,660)**	(60,943)
Income taxes refunded	**1,314**	5,828
NET CASH USED IN OPERATING ACTIVITIES (note a)	**(3,339,814)**	(1,004,495)

	NOTE	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Interests received		**85,454**	58,568
Purchases of property, plant and equipment		**(402,206)**	(522,200)
Proceeds from disposal of property, plant and equipment		**11,984**	30,108
Increase in interests in infrastructure project investments		**(206,965)**	(52,237)
Purchases of prepaid lease payments		**(1,235)**	(4,506)
Proceeds from disposal of properties held for sale		**–**	910
Acquisition of properties held for sale		**–**	(150,985)
Advance to jointly controlled entities		**(60,729)**	(13,149)
Dividends received from jointly controlled entities (note b)		**372,182**	297,447
Dividends received from associates		**11,336**	19,017
Dividends received from unlisted available-for-sale investments		**140,243**	139,660
Dividends received from listed available-for-sale investments		**74**	1,754
Proceeds from disposal of a jointly controlled entity		**892**	39,557
Acquisition of listed available-for-sale investments		**(38,817)**	(54,192)
Proceeds from disposal of unlisted available-for-sale investments		**19,834**	–
Proceeds from disposal of listed available-for-sale investments		**23,400**	–
Repayment of other receivables		**123,335**	352,568
Advance of other receivables		**–**	(308,375)
Decrease in pledged bank deposits		**29,382**	1,428
Decrease in deposits with financial institutions		**332**	791
Acquisition of a subsidiary	43	**(565,954)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(457,458)**	(163,836)

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Finance costs paid	**(350,656)**	(277,856)
Dividends paid to owners of the Company	**(523,193)**	(430,382)
Advance from jointly controlled entities	**154,001**	164,889
Payment to a fellow subsidiary pursuant to common control combination	**–**	(845,000)
Repayment to an intermediate holding company	**(940,151)**	(1,614,458)
Repayment to immediate holding company	**(200,000)**	–
New bank loans raised	**5,033,380**	2,345,381
Repayment of bank loans	**(411,505)**	–
Repayment of finance leases	**(951)**	–
Share issuance expenses paid	**(41,297)**	(34,971)
Proceeds from issue of ordinary shares on exercise of share options	**158**	2,321
Proceeds from issue of ordinary shares on placing	**2,271,000**	–
Proceeds from issue of ordinary shares on rights issue	**–**	3,584,188
Proceeds from partial disposal of interests in a subsidiary	**56,829**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**5,047,615**	2,894,112
INCREASE IN CASH AND CASH EQUIVALENTS	**1,250,343**	1,725,781
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**5,457,812**	3,728,104
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,835**	3,927
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6,711,990**	5,457,812
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**6,716,913**	5,457,812
Bank overdrafts	**(4,923)**	–
	6,711,990	5,457,812

Notes:

(a) The net cash used in operating activities included net cash outflows of administrative expenses amounting to approximately HK$667 million (2011: HK$510 million). Excluded the expenditure for the build-transfer ("BT") and build-operate-transfer ("BOT") projects amounting to approximately HK$4,226 million (2011: HK$1,293 million), the net cash generated from operating activities for the year was approximately HK$886 million (2011: HK$289 million).

(b) The cash inflow was mainly attributable to the cash dividend received from Nanjing Changjiang Second Bridge Company Limited, a jointly controlled entity of the Group engaged in operation and management of a toll bridge in the PRC.

1. General and Basis of Preparation of Consolidated Financial Statements

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 Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited ("COHL") (incorporated in Hong Kong) and 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 ("PRC") and controlled by the 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 (the "Group") are the construction business, project consultancy services, supply of heat and electricity, provision of connection services, infrastructure project investments, toll road operation, trading of precast structures, building materials and asphalts and facade contracting business. The principal activities of its subsidiaries, jointly controlled entities and associates are set out in notes 50, 21 and 22, respectively.

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

The consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2013.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and investment in convertible bonds, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of an amendment to the existing standard

The following amendment to the existing standard is relevant to the operations of the Group and effective for the accounting period of the Group beginning on 1 January 2012:

HKFRS 7 (amendment), 'Disclosures – Transfers of financial assets'

The amendment promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset. The adoption of the above amendment had no material financial impact on the consolidated financial statements of the Group.

(b) Standards and amendments which are not yet effective

The following standards and amendments to existing standards, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them:

	Applicable for accounting periods of the Group beginning on
HKAS 1 (amendment), 'Presentation of items of other comprehensive income'	1 January 2013
HKAS 19 (revised 2011), 'Employee benefits'	1 January 2013
HKAS 27 (revised 2011), 'Separate financial statements'	1 January 2013
HKAS 28 (revised 2011), 'Investments in associates and joint ventures'	1 January 2013
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 11, 'Joint arrangements'	1 January 2013
HKFRS 12, 'Disclosure of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013
Annual improvements 2009-2011 cycle	1 January 2013
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance'	1 January 2013
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'	1 January 2014

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards and amendments which are not yet effective *(continued)*

HKFRS 9, 'Financial Instruments'

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39, 'Financial Instruments: Recognition and Measurement' to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in consolidated income statement.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated income statement. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in consolidated income statement.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10, 'Consolidated Financial Statements'

HKFRS 10 replaces the parts of HKAS 27, 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and HK (SIC)-Int 12, 'Consolidation – Special Purpose Entities'. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards and amendments which are not yet effective *(continued)*

HKFRS 11, 'Joint Arrangements'

HKFRS 11 replaces HKAS 31, 'Interests in Joint Ventures' and HK (SIC)-Int 13, 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12, 'Disclosure of Interests in Other Entities'

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

HKFRS 13, 'Fair Value Measurement'

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

These four standards are effective for annual periods beginning on or after 1 January 2013. The directors anticipate that these four standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Group has already commenced an assessment of the impact of these four standards, except for HKFRS 10, 'Consolidated financial statements' which management assessed having no impact to subsidiaries classification upon adoption, certain of which may be relevant to the operations of the Group and may give rise to changes in accounting policies, disclosures, classification and remeasurement of certain items in the consolidated financial statements.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards and amendments which are not yet effective *(continued)*

Amendments to HKAS 1, 'Presentation of Items of Other Comprehensive Income' and other revised standards and amendments

The amendments to HKAS 1 retain the option to present consolidated income statement and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to consolidated income statement; and (b) items that may be reclassified subsequently to consolidated income statement when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The directors anticipate that the application of the HKAS 1 (Amendment) and other revised standards and amendments will have no material impact on the results and the financial position of the Group except for certain changes in presentation of the Group's consolidated financial statements.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations – common control combinations

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

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

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Business combinations – common control combinations *(continued)*

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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 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.

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

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 in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income 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 other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(c) Joint Ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant entity and classified according to the nature of the items. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are initial recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated income statement.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of jointly-controlled entities' in the consolidated income statement.

2. Summary of Significant Accounting Policies *(continued)*

2.3 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 makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), 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 prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other income and other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

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

(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:

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

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

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

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

2. Summary of Significant Accounting Policies *(continued)*

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

Construction in progress represents buildings 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 within 'other income and other gains, net' in the consolidated income statement.

2.6 Leasehold land and building

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

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

2. Summary of Significant Accounting Policies *(continued)*

2.7 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. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives, using the straight-line method.

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.

Investment properties are depreciated on a straight-line basis as follows:

Buildings on freehold land	50 years
Land and buildings on land under medium-term leases	Over the shorter of the term of the relevant leases and estimated useful life of buildings ranging from 20 to 50 years

2.8 Interests in infrastructure project investments

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

The Group's interests in the infrastructure project investments are classified as loans and receivables in accordance with HKAS 39 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.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination.

2. Summary of Significant Accounting Policies *(continued)*

2.9 Intangible assets *(continued)*

(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.

(c) Concession operating rights

The Group applies the intangible asset model to account for the toll expressway. 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, 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 is carried at cost less accumulated amortisation and any accumulated impairment losses.

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

Gains or losses arising from derecognition of a concession operating right are measured at 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.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated on initial recognised.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

2. Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets *(continued)*

(a) Financial assets at fair value through profit or loss *(continued)*

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at financial assets at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at financial assets at fair value through profit or loss.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'interests in infrastructure project investments', 'amounts due from investee companies', 'amounts due from jointly controlled entities, fellow subsidiaries, intermediate holding company and related companies', 'trade and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

(c) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets *(continued)*

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'investment income' when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'investment income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'investment income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'investment income' when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of Significant Accounting Policies *(continued)*

2.11 Impairment of financial assets *(continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.12 Impairment of non-financial assets

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

2.13 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.

2.14 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.

2.15 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of Significant Accounting Policies *(continued)*

2.15 Construction contracts *(continued)*

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

2.16 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.

2.17 Cash and cash equivalents

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

2.18 Trade payables, other payables and accruals

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

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

2.19 Borrowings

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

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

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

2. Summary of Significant Accounting Policies *(continued)*

2.20 Borrowing costs

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

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

2.21 Share capital

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

2.22 Deferred income

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

2.23 Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of Significant Accounting Policies *(continued)*

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the granter, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

2.25 Leases

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

(a) The Group as lessor

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

(b) The Group as lessee

(i) Operating lease

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

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

(ii) Finance lease

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

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

2. Summary of Significant Accounting Policies *(continued)*

2.26 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 the People's Republic of China ("PRC"), the subsidiaries in the PRC 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 the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

(b) Employee leave entitlements

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

2.27 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

(b) Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

2. Summary of Significant Accounting Policies *(continued)*

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(a) Construction contracts

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract, after making due allowances for contingencies. Provisions are made for any foreseeable losses when they are identified. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable..

When the outcome of a cost-plus construction contract including construction services of the infrastructure under service concession arrangements can be estimated reliably, revenue is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

(b) Project consultancy contracts

Income from project consultancy contract is recognised on an accrual basis when project consultancy services are provided.

(c) Supply of heat, steam and electricity

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

(d) Connection service income

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 upon the completion of services provided for the relevant connection works and the corresponding costs incurred can be measured reliably. Connection service attributable to the continuing heat and steam transmission is recorded as deferred income and amortised on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating license of the relevant entities.

2. Summary of Significant Accounting Policies *(continued)*

2.28 Revenue recognition *(continued)*

(e) Income from infrastructure project investments

Income from infrastructure project investments 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.

(f) Toll Revenue

Toll revenue from the operation of toll expressways is recognised at the time of usage.

(g) Sales of goods

Revenue from sales of goods are recognised when goods are delivered and title has been passed.

(h) Lease of machinery

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

(i) Insurance income

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

(j) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(k) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount or revenue can be measured reliably).

(l) Services income

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

2. Summary of Significant Accounting Policies *(continued)*

2.29 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 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.

2.30 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 income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

2.31 Dividend distribution

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

3. Financial Risk Management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, primarily with respect to the Renminbi and United States dollar, hence exposures to exchange rate fluctuation arise. The Group and the Company currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

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

3. Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

At 31 December 2012, if Hong Kong dollar had weakened/strengthened 5% against Renminbi with all other variables held constant, the consolidated profit before tax for the year would have been HK$67,719,000 higher/lower (2011: HK$30,097,000), respectively.

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

(ii) Interest rate risk

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

The Group is also exposed to fair value interest rate risk in relation to fixed interest debt securities, fixed-rate loans from an intermediate holding company and fixed deposits. Interest rate risk on fixed deposits is considered immaterial due to short maturity. Management will also consider hedging significant interest rate exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2011: 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 (2011: 50) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2012 would decrease/increase by HK$33,863,000 (2011: decrease/increase by HK$18,653,000).

3. Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group is exposed to price risk through its investments in listed equity securities and investment in convertible bonds. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

If the prices of the respective listed equity securities had been 10% (2011: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK$633,000 (2011: increase/decrease by HK$10,882,000).

If the input to the valuation of convertible bonds for the fair value of the underlying unquoted shares of the issuer of convertible bonds had been 10% (2011: 10%) higher/lower, the Group's profit for the year would increase by HK$14,299,000/decrease by HK$1,761,000 (2011: increase by HK$26,675,000/decrease by HK$16,169,000).

(b) Credit risk

As at 31 December 2012, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The credit risk on amounts due from investee companies is limited because the counterparties have strong financial position which engaged in property development and investment in the PRC and Macau.

The credit risk on interests in infrastructure project investments and long term trade receivables are limited because the counterparties are PRC government-related entities. The credit risk on loan receivable is limited because the counterparty is a PRC government-related entity with good settlement history and the loan is covered by a bank guarantee.

Other than concentration of credit risk on liquid funds, interests in infrastructure project investments and amounts due from investee companies, long term trade receivables and loan receivable, the Group does not have any other significant concentration of credit risk. Trade receivables, amounts due from investee companies, jointly controlled entities, fellow subsidiaries, intermediate holding company and a related company consist of a large number of parties, spread across diverse industries and geographical areas.

3. Financial Risk Management *(continued)*

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

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
THE GROUP						
At 31 December 2012						
Trade payables, other payables and accruals	**5,601,735**	**165,449**	**259,098**	**446,888**	**2,637**	**6,475,807**
Amount due to immediate holding company	**16,019**	**–**	**–**	**–**	**–**	**16,019**
Amount due to an intermediate holding company	**132,692**	**–**	**–**	**–**	**–**	**132,692**
Amounts due to jointly controlled entities	**655,667**	**–**	**–**	**–**	**–**	**655,667**
Amounts due to fellow subsidiaries	**2,136,175**	**–**	**–**	**–**	**–**	**2,136,175**
Amount due to an associate	**33,495**	**–**	**–**	**–**	**–**	**33,495**
Borrowings	**213,606**	**241,793**	**474,492**	**7,376,258**	**4,170,205**	**12,476,354**
Obligations under finance leases	**593**	**594**	**1,133**	**2,692**	**2,612**	**7,624**
	8,789,982	**407,836**	**734,723**	**7,825,838**	**4,175,454**	**21,933,833**
At 31 December 2011						
Trade payables, other payables and accruals	4,414,851	300,768	241,481	184,325	17,972	5,159,397
Amount due to immediate holding company	208,218	–	–	–	–	208,218
Amount due to an intermediate holding company	676,461	–	–	–	–	676,461
Amounts due to jointly controlled entities	501,666	–	–	–	–	501,666
Amounts due to fellow subsidiaries	1,398,076	–	–	–	–	1,398,076
Amount due to an associate	6,125	–	–	–	–	6,125
Amount due to a related company	16,851	–	–	–	–	16,851
Borrowings	431,247	83,457	174,802	3,534,271	2,259,510	6,483,287
Loan from an intermediate holding company	22,846	961,373	–	–	–	984,219
	7,676,341	**1,345,598**	**416,283**	**3,718,596**	**2,277,482**	**15,434,300**
THE COMPANY						
At 31 December 2012						
Other payables	**8,033**	**–**	**–**	**–**	**–**	**8,033**
Borrowing	**24,874**	**24,874**	**49,747**	**3,024,874**	**–**	**3,124,369**
	32,907	**24,874**	**49,747**	**3,024,874**	**–**	**3,132,402**
At 31 December 2011						
Other payables	9,937	–	–	–	–	9,937
Borrowing	23,261	23,261	46,523	3,069,784	–	3,162,829
	33,198	23,261	46,523	3,069,784	–	3,172,766

3. Financial Risk Management *(continued)*

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 24.7% as at 31 December 2012 (2011: 8.4%). The increase was mainly attributable to the increase in new bank loans raised, which have been substantially invested in "build and transfer" and "build, operate and transfer" projects.

3.3 Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	31 December 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Investment in convertible bonds	–	–	296,827	296,827
Available-for-sale investments				
Listed equity and debt securities	153,392	–	–	153,392
Unlisted club debenture, investment funds and certificate of deposits	–	–	42,283	42,283
Unlisted equity securities	–	–	302,186	302,186
	153,392	–	641,296	794,688

3. Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

	31 December 2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Investment in convertible bonds	–	–	240,000	240,000
Available-for-sale investments				
Listed equity and debt securities	232,473	–	–	232,473
Unlisted equity securities	–	–	258,369	258,369
	232,473	–	498,369	730,842

The following table presents the changes in level 3 instruments for the years ended 31 December 2012 and 2011:

	Financial assets at fair value through profit or loss HK$'000	**Available-for-sale investments** HK$'000
At 1 January 2011	219,686	206,896
Change in fair value	20,314	–
Additions	–	51,473
At 31 December 2011	240,000	258,369
Change in fair value	**56,827**	**44,266**
Disposals	**–**	**(12,781)**
Acquisition of a subsidiary	**–**	**54,637**
Exchange adjustments	**–**	**(22)**
At 31 December 2012	**296,827**	**344,469**

The change in fair value of financial assets at fair value through profit or loss and available-for-sale investments in level 3 were recognised in profit for the year and other comprehensive income respectively.

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 available-for-sale investments.

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.

3. Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- Market value provided by the issuers as its 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 carrying values of the Group's other financial assets and liabilities approximate their fair values.

There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications.

4. 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.

4.1 Percentage of completion of construction works

The Group recognises the revenue according to the percentage of completion of the individual contract of construction works. The percentage of completion 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 percentage of completion 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.

4.2 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 contractors/suppliers/vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

4. Critical Accounting Estimates and Judgements *(continued)*

4.3 Impairment of receivables and amounts due from related parties

The policy for allowance for bad and doubtful debt of the Group is determined by the management based on the evaluation of collectability and aging analysis of accounts and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and borrower. If the financial positions of customers and borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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

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

4.5 Impairment of concession operation rights

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

In arriving at the recoverable amount of the concession operation rights, the management exercised their judgment with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operation rights. As a result, the management considered that the recoverable amounts are above their carrying amounts and no impairment was made accordingly.

4.6 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.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

4.7 Estimate of fair value of financial assets

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

5. Group Revenue

Group revenue/turnover represents the revenue arising from construction contracts, project consultancy services, supply of heat and electricity, provision of connection services, infrastructure project investments, toll road operation, sales of precast structures, building materials and asphalts, facade contracting and machinery leasing and insurance contracts.

As part of the Group's performance evaluation, management also monitor the operating activities carried out by its jointly controlled entities. The analysis of the Group's share of revenue of jointly controlled entitles and the share of results of jointly controlled entities are regularly provided to management. As a result, management believe that additional disclosure of the Group's share of revenue of jointly controlled entities (in addition to the consolidated income statement and this note to the consolidated financial statements prepared under HKFRS), together with the share of results of jointly controlled entities, enable readers to better understand how management oversees the results and performance of the jointly controlled entities in the reportable segments.

An analysis of the Group revenue is as follows:

	2012 HK$'000	2011 HK$'000
Revenue from construction contracts	16,787,164	14,431,313
Revenue from construction contracts under service concession arrangements	685,934	748,750
Revenue from project consultancy services	263,556	228,640
Revenue from supply of heat and electricity	499,717	439,070
Revenue from provision of connection services	22,485	15,866
Revenue from infrastructure project investments	138,922	132,734
Toll revenue	127,186	26,695
Sales of precast structures, building materials and asphalts	108,541	252,289
Revenue from facade contracting business	1,053,430	–
Revenue from machinery leasing, insurance contracts and others	78,073	103,954
	19,765,008	16,379,311

6. Segment Information

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 jointly controlled entities, and (ii) geographical locations where the Group's subsidiaries operate, namely Hong Kong, regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ("UAE") and India) for the years ended 31 December 2012 and 2011.

In March 2012, the Group completed the acquisition of additional equity interests in FEG, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of SEHK. Since then, the FEG Group became subsidiaries of the Group. Since the FEG Group is currently managed by a separate business team, the chief operating decision maker regards FEG Group as a distinct reportable segment and assesses its performance based on its overall result.

6. Segment Information *(continued)*

Segment Information *(continued)*

Segment revenue and results for the years ended 31 December 2012 and 2011 are as follows:

	Segment revenue		Gross profit/(loss)		Segment result	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment						
Hong Kong	**9,311,412**	8,707,677	**765,336**	637,389	**637,009**	522,002
Regions in the PRC	**8,525,362**	7,547,348	**1,485,874**	1,209,908	**1,656,071**	1,124,244
Macau	**859,535**	243,086	**59,632**	71,188	**171,945**	224,480
Overseas (note)	**15,269**	(118,800)	**(13,594)**	(120,301)	**(2,205)**	(94,692)
FEG Group	**1,053,430**	–	**112,467**	–	**6,136**	–
	19,765,008	16,379,311	**2,409,715**	1,798,184	**2,468,956**	1,776,034
Share of revenue/results of jointly controlled entities	**3,069,660**	2,202,768			**417,741**	379,947
Total	**22,834,668**	18,582,079			**2,886,697**	2,155,981
Unallocated corporate expenses					**(204,000)**	(167,285)
Acquisition related costs (note 43)					**(20,013)**	–
Amortisation of trademark and project backlogs from acquisition of a subsidiary					**(10,010)**	–
Non-recurring investment income, other income and other gains, net					**33,560**	14,279
Share of profits of associates					**18,255**	13,702
Gain on fair value changes of investment in convertible bonds					**56,827**	20,314
Finance costs					**(239,375)**	(192,690)
Profit before tax					**2,521,941**	1,844,301

Note: The segment revenue of overseas segment includes the reversal of revenue from certain construction contracts recognised in prior year.

Measurement

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

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts while the segment revenue of regions in the PRC comprises the revenue from construction contracts, construction contracts under service concession arrangements, project consultancy service, supply of heat and electricity, provision of connection services, infrastructure project investments, toll revenue, sales of precast structures, building materials and asphalts and facade contracting.

6. Segment Information *(continued)*

Measurement *(continued)*

Segment revenue of FEG Group represents revenue from facade contracting business derived from Hong Kong, the PRC and overseas operations.

Share of revenue of the Group's jointly controlled entities comprises mainly revenue from construction contracts, toll fee and infrastructure investment projects.

The revenue, gross profit/(loss) and results of the Group are allocated based on reportable segments. Taxation is not allocated to reportable segments.

Reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, amortisation of trademark and project backlogs from acquisition of a subsidiary, non-recurring investment income, other income and other gains, net, finance costs, share of profits of associates, gain on fair value changes of investment in convertible bonds and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Hong Kong		Regions in the PRC		Macau		Overseas		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Allowance for doubtful debts on trade and other receivables	**–**	–	**–**	1,074	**–**	–	**–**	–	**–**	1,074
Depreciation of property, plant and equipment and investment properties and amortisation of intangible assets, prepaid lease payments and concession operating rights	**16,236**	4,178	**190,608**	172,518	**6,321**	2,770	**14,573**	392	**227,738**	179,858
Net gain on disposal of property, plant and equipment	**6,458**	8,533	**1,189**	387	**22**	–	**323**	7,219	**7,992**	16,139

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,190,103**	286,207	**238,882**	138,686
Regions in the PRC	**7,247,175**	6,579,686	**207,078**	295,125
Macau	**134,601**	136,074	**5,302**	88,296
Overseas	**173,323**	30,522	**99,714**	93
	8,745,202	7,032,489	**550,976**	522,200

6. Segment Information *(continued)*

Other geographical information *(continued)*

Non-current assets excluded financial instruments, and interests in jointly controlled entities and associates.

The information of FEG Group was allocated to the Hong Kong, regions in the PRC and overseas sections (included North America) in accordance with the locations that FEG 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

Revenue from three (2011: three) customers in Hong Kong and regions in the PRC reportable segment amounted to approximately HK$3,485,000,000, HK$2,211,000,000 and HK$2,058,000,000 (2011: HK$3,474,000,000, HK$2,529,000,000 and HK$2,121,000,000), which individually represent more than 10 percent of the Group's total revenue.

7. Investment Income

	2012 HK$'000	2011 HK$'000
Interest income on:		
Bank deposits	35,251	54,277
Debt securities	6,240	5,154
Imputed interest on amounts due from investee companies	6,861	45,124
Loan receivables	20,475	24,975
Amounts due from customers for contract work and trade receivables	284,589	44,885
	353,416	174,415
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary (note 43)	21,625	–
Dividend income from:		
Listed available-for-sale investments	74	1,754
Unlisted available-for-sale investments	140,243	139,660
Others	8,100	467
	523,458	316,296

8. Other Income and Other Gains, Net

	2012 HK$'000	2011 HK$'000
Service income received from a jointly controlled entity	**1,275**	2,823
Commission income	**8,853**	3,334
Rental of properties	**7,801**	7,755
Service income	**25,756**	34,901
Gain on disposal of property, plant and equipment, net	**7,992**	16,139
Sales of scrapped materials	**1,877**	6,475
Exchange gain, net	**9,612**	2,417
Others	**12,228**	11,861
	75,394	85,705

9. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within five years	**162,494**	60,315
Interest on bank loan not wholly repayable within five years	**157,122**	123,440
Interest on other loans wholly repayable within five years	**388**	–
Interest on loans from an intermediate holding company	**14,581**	85,166
Finance leases charge	**58**	–
Others	**16,013**	8,935
Total finance costs	**350,656**	277,856
Less: Amounts capitalised in concession operating rights	**(40,075)**	(85,166)
Amounts capitalised in amounts due from customers for contract work	**(60,906)**	–
Amounts capitalised in construction in progress	**(10,300)**	–
	239,375	192,690

During the year, the Group has capitalised borrowing costs on qualifying assets. Borrowing costs were capitalised at a weighted average rate of its general borrowings of 3.0%.

10. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the thirteen (2011: thirteen) directors were as follows:

For the year ended 31 December 2012

	Kong Qingping HK$'000	Zhou Yong HK$'000 (note a)	Zhang Yifeng HK$'000	Cheong Chit Sun HK$'000 (note c)	Zhou Hancheng HK$'000	Tian Shuchen HK$'000	Hung Cheung Shew HK$'000 (note d)	Li Jian HK$'000 (note e)	Pan Shujie HK$'000 (note f)	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2012 HK$'000
Fees	1,000	–	–	150	–	–	–	300	–	360	360	250	273	2,693
Other emoluments														
Salaries and allowances	–	3,427	1,200	1,517	1,056	960	1,807	–	320	–	–	–	–	10,287
Contributions to retirement benefit schemes	–	14	14	9	14	14	14	–	5	–	–	–	–	84
Performance related incentive payments (note g)	–	3,916	2,200	500	2,400	2,600	2,000	–	2,300	–	–	–	–	15,916
Total emoluments	1,000	7,357	3,414	2,176	3,470	3,574	3,821	300	2,625	360	360	250	273	28,980

For the year ended 31 December 2011

	Kong Qingping HK$'000	Zhou Yong HK$'000 (note a)	Yip Chung Nam HK$'000 (note b)	Zhang Yifeng HK$'000	Cheong Chit Sun HK$'000 (note c)	Zhou Hancheng HK$'000	Tian Shuchen HK$'000	Hung Cheung Shew HK$'000 (note d)	Li Jian HK$'000 (note e)	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2011 HK$'000
Fees	1,000	–	–	–	–	–	–	–	75	360	250	250	250	2,185
Other emoluments														
Salaries and allowances	–	2,760	877	1,200	1,853	1,056	960	970	–	–	–	–	–	9,676
Contributions to retirement benefit schemes	–	12	5	12	12	12	12	7	–	–	–	–	–	72
Performance related incentive payments (note g)	–	3,481	200	2,200	800	2,400	2,400	1,000	–	–	–	–	–	12,481
Total emoluments	1,000	6,253	1,082	3,412	2,665	3,468	3,372	1,977	75	360	250	250	250	24,414

Notes:

(a) Mr. Zhou Yong is also the chief executive officer of the Company.

(b) Mr. Yip Chung Nam resigned as an executive director of the Company on 7 June 2011.

(c) Mr. Cheong Chit Sun re-designated from executive director to non-executive director of the Company on 2 March 2012 and resigned on 22 August 2012.

(d) Mr. Hung Cheung Shew was appointed as an executive director of the Company on 8 June 2011.

(e) Mr. Li Jian was appointed as a non-executive director of the Company on 19 October 2011.

(f) Mr. Pan Shujie was appointed as an executive director of the Company on 22 August 2012.

(g) The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

10. Directors' and Chief Executive's Emoluments *(continued)*

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the year ended 31 December 2012 and 2011.

The five highest emolument individuals in the Group are all directors of the Company in both years.

11. Senior Management Emoluments

The emoluments of the senior management for the years ended 31 December 2012 and 2011 were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**20,406**	22,303
Contributions to retirement benefit schemes	**110**	120
	20,516	22,423

The emoluments of the senior management for 2012 and 2011 were within the following bands:

	2012 **No. of** **employees**	2011 No. of employees
HK$1,000,000 or less	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**3**	2
More than HK$2,500,000	**5**	5
	8	10

12. Income Tax Expense

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong	47,672	41,165
Other jurisdictions	353,905	280,163
	401,577	321,328
(Over)/underprovision in prior years:		
Hong Kong	(12,563)	(32,946)
Other jurisdictions	(20,466)	5,512
	(33,029)	(27,434)
Deferred tax (note 40)	16,892	40,228
Income tax expense for the year	385,440	334,122

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	2,521,941	1,844,301
Share of profits of		
Jointly controlled entities	(417,741)	(379,947)
Associates	(18,255)	(13,702)
	2,085,945	1,450,652
Tax at domestic income tax rate of 16.5% (2011: 16.5%)	344,181	239,358
Tax effect of expenses not deductible for tax purpose	5,666	9,574
Tax effect of income not taxable for tax purpose	(52,859)	(38,062)
Overprovision in prior years	(33,029)	(27,434)
Tax effect of tax losses not recognised	36,260	44,077
Tax effect of deductible temporary differences not recognised	(440)	117
Tax effect of utilisation of previously unrecognised tax losses	(31,642)	(9,529)
Effect of different tax rates of profit arising from other jurisdictions	105,628	74,493
Deferred taxation on undistributed earnings of PRC subsidiaries and jointly controlled entities (note 40)	2,481	24,851
Others	9,194	16,677
Tax charge for the year	385,440	334,122

13. Profit for the Year

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
– current year	6,802	6,572
– under-provision in prior year	12	747
	6,814	7,319
Depreciation of property, plant and equipment	225,519	157,112
Less: Amounts capitalised in contracts in progress	(114,613)	(73,253)
	110,906	83,859
Gross rental income from investment properties	(9,004)	(9,241)
Less: Direct expenses from investment properties that generated rental income during the year	1,203	1,486
	(7,801)	(7,755)
Employee benefits expense including directors' emoluments:		
Staff costs	1,602,914	1,320,287
Contributions to retirement benefit plans	55,339	41,281
Less: Amounts capitalised in contracts in progress	(1,057,105)	(790,201)
	601,148	571,367
Depreciation of investment properties	1,019	1,058
Amortisation of concession operating rights (included in costs of sales)	138,744	90,267
Amortisation of trademark and project backlogs	19,466	–
Amortisation of prepaid lease payments	3,851	4,674
Allowance for doubtful debts on trade and other receivables	–	1,074
Operating lease rentals in respect of:		
Plant and machinery	224,153	194,697
Land and buildings	33,392	23,625
	257,545	218,322
Less: Amounts included in contracts in progress costs	(235,896)	(196,655)
	21,649	21,667
Contracts in progress costs recognised as expense	16,743,930	14,075,160
Raw materials and consumables used	322,103	415,861

14. Dividends

	2012 HK$'000	2011 HK$'000
Dividends recognised as distributions during the year:		
2011 Final, paid – HK7.00 cents (2011: 2010 Final HK6.00 cents) per share	251,072	215,177
2012 Interim, paid – HK7.00 cents (2011: 2011 Interim HK6.00 cents) per share	272,121	215,205
	523,193	430,382

The final dividend of HK9.00 cents (2011: HK7.00 cents) per share amounting to approximately HK$349,870,000 (2011: HK$251,072,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	2,131,459	1,507,405

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,718,288	3,408,962
Effect of dilutive potential ordinary shares in respect of share options	58,444	60,047
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,776,732	3,469,009

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
THE GROUP							
COST							
At 1 January 2011	344,884	1,145,287	651,109	91,890	67,333	111,107	2,411,610
Exchange adjustments	15,410	60,912	5,420	1,821	1,640	6,481	91,684
Additions	85,457	57,067	124,163	30,998	28,106	196,409	522,200
Reclassification upon the completion of construction	–	117,281	1,693	–	–	(118,974)	–
Disposals	(807)	(1,251)	(63,516)	(8,233)	(18,533)	–	(92,340)
At 31 December 2011	444,944	1,379,296	718,869	116,476	78,546	195,023	2,933,154
Exchange adjustments	**(337)**	**(247)**	**(458)**	**(22)**	**(26)**	**(90)**	**(1,180)**
Additions	**38,642**	**44,551**	**165,312**	**29,308**	**20,277**	**119,255**	**417,345**
Acquisition of a subsidiary (note 43)	**105,772**	**–**	**11,187**	**14,045**	**2,627**	**–**	**133,631**
Reclassification upon the completion of construction	**5,714**	**33,472**	**–**	**59**	**–**	**(39,245)**	**–**
Disposals	**–**	**–**	**(52,862)**	**(21,980)**	**(11,579)**	**–**	**(86,421)**
At 31 December 2012	**594,735**	**1,457,072**	**842,048**	**137,886**	**89,845**	**274,943**	**3,396,529**
DEPRECIATION							
At 1 January 2011	78,200	309,412	465,232	66,191	38,130	–	957,165
Exchange adjustments	4,631	16,716	3,775	1,119	974	–	27,215
Charge for the year	18,584	58,196	55,556	11,249	13,527	–	157,112
Disposals	(262)	(484)	(57,386)	(7,296)	(12,943)	–	(78,371)
At 31 December 2011	101,153	383,840	467,177	71,263	39,688	–	1,063,121
Exchange adjustments	**(129)**	**(111)**	**(357)**	**(38)**	**2**	**–**	**(633)**
Charge for the year	**28,765**	**65,998**	**93,170**	**23,712**	**13,874**	**–**	**225,519**
Disposals	**–**	**–**	**(52,358)**	**(20,858)**	**(9,213)**	**–**	**(82,429)**
At 31 December 2012	**129,789**	**449,727**	**507,632**	**74,079**	**44,351**	**–**	**1,205,578**
CARRYING VALUES							
At 31 December 2012	**464,946**	**1,007,345**	**334,416**	**63,807**	**45,494**	**274,943**	**2,190,951**
At 31 December 2011	343,791	995,456	251,692	45,213	38,858	195,023	1,870,033

16. Property, Plant and Equipment *(continued)*

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

	2012 HK$'000	2011 HK$'000
Land and buildings in Hong Kong under medium-term leases	**91,191**	36,955
Heat and electricity plants in the PRC under medium-term leases	**146,895**	158,752
Other premises in the PRC under medium-term leases	**76,705**	63,821
Freehold land in Macau	**83,264**	84,263
Freehold land in Canada	**22,388**	–
Freehold land in the United States of America	**44,503**	–
	464,946	343,791

At 31 December 2012, the carrying amount of the Group's land and building pledged as security for the Group's banking facilities amounting to approximately HK$22,386,000 (2011: Nil).

At 31 December 2012, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK$38,417,000 (2011: Nil).

17. Investment Properties

	HK$'000
COST	
At 1 January 2011	54,044
Exchange adjustments	298
At 31 December 2011	54,342
Exchange adjustments	–
At 31 December 2012	**54,342**
DEPRECIATION	
At 1 January 2011	12,006
Exchange adjustments	215
Charge for the year	1,058
At 31 December 2011	13,279
Exchange adjustments	–
Charge for the year	**1,019**
At 31 December 2012	**14,298**
CARRYING VALUES	
At 31 December 2012	**40,044**
At 31 December 2011	41,063

The carrying value of investment properties shown above comprises properties situated on:

	2012 **HK$'000**	2011 HK$'000
Land and building in Macau:		
Freehold land	**20,945**	21,372
Medium-term leases	**17,525**	18,022
Others	**1,574**	1,669
	40,044	41,063

The fair value of the Group's investment properties at 31 December 2012 is approximately HK$136,665,000 (2011: HK$121,341,000).

The fair value of the investment properties has been arrived at based on an open market valuation performed by CBRE Valuation & Advisory Services – Greater China and 珠海立信資產評估事務所. Both of them are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals are measured using the cost model and are classified and accounted for as investment properties.

18. Interests in Infrastructure Project Investments

	2012 HK$'000	2011 HK$'000
Interests in infrastructure project investments	**923,555**	696,714
Less: Portion due within one year included in current assets	**(8,506)**	(23,490)
Portion due after one year	**915,049**	673,224

Interests in infrastructure project investments represent fundings denominated in Renminbi advanced to joint ventures for "build and transfer" and "transfer, operate and transfer" infrastructure projects located in the PRC. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 10.34% to 27.66% (2011: 11.70% to 24.92%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2012 and 2011.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2012 and 2011 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

19. Prepaid Lease Payments

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land located in the PRC under medium-term leases	**182,291**	184,978

20. Interests in Subsidiaries

	THE COMPANY	
	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**1,439,519**	1,439,519
Less: impairment loss recognised	**(3,650)**	(3,650)
	1,435,869	1,435,869
Loans to subsidiaries	**–**	736,000
Amounts due from subsidiaries	**3,482,733**	–
	4,918,602	2,171,869

20. Interests in Subsidiaries *(continued)*

The loans to subsidiaries with the carrying amount of approximately HK$736,000,000 were unsecured, interest bearing at HIBOR plus 2.85% (2011: HIBOR plus 2.85%) per annum and fully repaid in 2012.

The amounts due from subsidiaries are unsecured, interest free and have no specific repayment terms.

Details of principal subsidiaries are set out in note 50. FEG is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The market value of the Group's investment as at 31 December 2012 in FEG amounted to approximately HK$2,442,487,000.

21. Interests in Jointly Controlled Entities

Jointly Controlled Entities

	2012 **HK$'000**	2011 HK$'000
Cost of investments, unlisted	**1,093,001**	1,093,982
Share of post-acquisition profits and other comprehensive income, net of dividends	**1,642,492**	1,495,846
	2,735,493	2,589,828

21. Interests in Jointly Controlled Entities *(continued)*

Jointly Controlled Entities *(continued)*

Set out below are the particulars of the principal jointly controlled entities at 31 December 2012 and 2011, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group		Principal activities
			2012	2011	
			%	%	
			(note)	(note)	
China State – China Railway Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering works
China State – Leighton Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
China Overseas Building – Bordon Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
Hoi Hing Building Materials Co., Limited	Incorporated	Hong Kong	**50**	50	Trading of building materials
Leighton – China State – John Holland Joint Venture	Unincorporated	Macau	**30**	30	Building construction
Leighton – China State Joint Venture	Unincorporated	Macau	**50**	50	Building construction
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering works
Long Faith Engineering Limited	Incorporated	Hong Kong	**50**	50	Engineering works
Pratibha – China State Joint Venture	Unincorporated	India	**40**	40	Building construction
中建(唐山)基礎設施開發建設有限公司	Incorporated	PRC	**50**	50	Investment and construction of road
China State & Shanghai Tunnel Foundation Joint Venture	Unincorporated	Hong Kong	**50**	50	Foundation engineering works

21. Interests in Jointly Controlled Entities *(continued)*

Jointly Controlled Entities *(continued)*

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2012 % (note)	2011 % (note)	Principal activities
Maeda-China State Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering works
Nanjing Changjiang Second Bridge Company Limited	Incorporated	PRC	**65**	65	Operation and management of a toll bridge
Penta-Ocean-Concentric-Alchmex Joint Venture	Unincorporated	Hong Kong	**26**	26	Civil engineering works
Krueger – China State M & E Joint Venture	Unincorporated	Hong Kong	**50**	50	Mechanical and electrical engineering works

Note: Under the joint venture agreements, all operating and financial decisions of the above entities have to be jointly approved by the Group and the joint venture partners. Therefore, these entities are classified as jointly controlled entities of the Group.

To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	31 December 2012 HK$'000	31 December 2011 HK$'000
Current assets	**2,304,216**	1,248,985
Non-current assets	**4,684,104**	5,060,264
Current liabilities	**2,313,639**	1,561,051
Non-current liabilities	**1,939,188**	2,154,866

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Income recognised in consolidated income statement	**3,183,308**	2,259,064
Expenses recognised in consolidated income statement	**2,765,567**	1,879,117

21. Interests in Jointly Controlled Entities *(continued)*

Jointly Controlled Operations

In addition to the construction and engineering projects undertaken by certain jointly controlled entities as listed above, the Group has also established joint ventures with outside contractors to undertake construction projects in the form of jointly controlled operations.

Particulars regarding the joint ventures as at 31 December 2012 and 2011 are as follows:

Name of joint venture	Form of business structure	Place of establishment	Percentage of interest held by the Group		Principal activities
			2012	2011	
			%	%	
			(note)	(note)	
Atal-Degremont-China State Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering works
Chit Cheung-China Overseas-ATAL Joint Venture	Unincorporated	Hong Kong	**13.0**	13.0	Civil engineering works
China State – ATAL Joint Venture	Unincorporated	Hong Kong	**56.4**	56.4	Civil engineering works
China State – Shanghai Tunnel Joint Venture	Unincorporated	Hong Kong	**76.7**	76.7	Civil engineering works

Note: Under the joint venture agreements, each partner of the above entities uses its assets and resources and bears its own costs and takes a share of the revenue and expenses for the joint venture project. The percentage of interest held by each joint venturer was solely for common cost allocation purposes.

21. Interests in Jointly Controlled Entities *(continued)*

Jointly Controlled Operations *(continued)*

At 31 December 2012 and 2011, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operations are as follows:

	2012 HK$'000	2011 HK$'000
Assets	**60,595**	77,701
Liabilities	**60,304**	77,469

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Income	**410,525**	436,403
Expenses	**278,748**	368,025

22. Interests in Associates

	2012 HK$'000	2011 HK$'000
Unlisted company		
Cost of investments in associates	**22,607**	22,607
Share of post–acquisition profits, net of dividends	**13,549**	6,630
	36,156	29,237

Included in the cost of investments in associates is a goodwill of approximately HK$494,000 (2011: HK$494,000) arising from acquisitions of associates in prior years.

At 31 December 2012 and 2011, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation and operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group 2012	2011	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	**31.5%**	31.5%	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	**40.0%**	40.0%	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	**20.0%**	20.0%	Operation of slaughterhouse

22. Interests in Associates *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	382,701	273,752
Total liabilities	(262,168)	(175,999)
Net assets	120,533	97,753
Group's share of net assets of associates	35,662	28,743

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Revenue	556,988	455,879
Profit for the year and total comprehensive income for the year	57,889	42,872
Group's share of profits of associates for the year	18,255	13,702

23. Concession Operating Rights

	HK$'000
COST	
At 1 January 2011	4,046,058
Exchange adjustments	218,586
Additions	754,237
At 31 December 2011	5,018,881
Exchange adjustments	(1,299)
Additions	715,131
At 31 December 2012	5,732,713
AMORTISATION	
At 1 January 2011	–
Charge for the year	90,267
Exchange adjustments	2,149
At 31 December 2011	92,416
Charge for the year	138,744
Exchange adjustments	(148)
At 31 December 2012	231,012
CARRYING VALUES	
At 31 December 2012	5,501,701
At 31 December 2011	4,926,465

23. Concession Operating Rights *(continued)*

The concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province with carrying amounts of approximately HK$3,927,204,000 (2011: HK$4,066,313,000) and HK$1,574,497,000 (2011: HK$860,152,000) respectively, both of which are located in the PRC. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in the PRC. 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. 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.

The construction of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) was completed and commenced commercial operation in May 2011. Class 1 Highway from Yangquan to Niangziguan, Shanxi Province was under construction as at 31 December 2012 and expected to be completed in 2013. The amortisation of concession operating rights commenced from the date that the toll expressway is launched for commercial operation.

At 31 December 2012 and 2011, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK$3,927,204,000 (2011: HK$4,066,313,000) had been pledged to secure the bank loan with carrying amount of approximately HK$2,454,366,000 (2011: HK$1,973,603,000).

24. Trademark, Project Backlogs, Licences and Goodwill

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
COST					
At 1 January 2011 and at 31 December 2011	–	–	9,950	–	9,950
Acquisition of a subsidiary (note 43)	**216,708**	**45,359**	**–**	**577,664**	**839,731**
At 31 December 2012	**216,708**	**45,359**	**9,950**	**577,664**	**849,681**
AMORTISATION					
At 1 January 2011 and at 31 December 2011	–	–	–	–	–
Charge for the year	**8,126**	**11,340**	**–**	**–**	**19,466**
At 31 December 2012	**8,126**	**11,340**	**–**	**–**	**19,466**
CARRYING VALUES					
At 31 December 2012	**208,582**	**34,019**	**9,950**	**577,664**	**830,215**
At 31 December 2011	–	–	9,950	–	9,950

24. Trademark, Project Backlogs, Licences and Goodwill *(continued)*

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.

The construction licences were granted by the Works Branch Development Bureau of the Hong Kong Special Administration 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. Accordingly, the construction licences are not amortised but are instead tested for impairment annually and whenever there is an indication that they may be impaired.

For impairment assessment of licences, the recoverable amount of the licenses is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a 5-year period approved by the management, using the estimated zero growth rates which do not exceed the long-term average growth rate in which the construction licenses generate.

Goodwill is allocated to the Group's cash generating unit ("CGU") of FEG Group. For impairment assessment of goodwill, the recoverable amount of FEG Group is determined based on fair value less cost to sell by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considered that these is no impairment of the Group's construction licences and goodwill.

25. Available-For-Sale Investments

Available-for-sale investments comprise:

	2012 HK$'000	2011 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong at market value	**6,331**	108,815
– Debt securities listed in Hong Kong with fixed interest of 5.375–5.750% and maturity date in 2012–2015 (note)	**32,900**	56,206
– Debt securities listed in Hong Kong with fixed interest of 4.125–5.350% and maturity date in 2022–2042	**39,587**	–
– Debt securities listed in Hong Kong with fixed interest of 4.625% and maturity date in 2016	**57,789**	53,541
– Debt securities listed overseas with floating interest and maturity date in 2049	**16,785**	13,911
	153,392	232,473
Unlisted securities:		
– Club debenture	**380**	–
– Investment funds and certificate of deposits	**41,903**	–
– Equity securities	**302,186**	258,369
Total	**497,861**	490,842

Note: At 31 December 2012, an amount of HK$20,194,000 (2011: HK$23,658,000) included in the carrying amount of debt securities listed in Hong Kong, is debenture issued by a subsidiary of China Overseas Land & Investment Ltd., a fellow subsidiary of the Group.

For the impairment assessment of listed equity securities, as there were significant decline in the fair values of the equity securities below their costs, impairment loss amounting to HK$6,735,000 was recognised in the consolidated income statement in previous years. No impairment was made during the two years ended 31 December 2012 and 2011 as there is no objective evidence of impairment loss.

The maximum exposures 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 are with high credit ratings and no default interest payment was noted in the past records.

Available-for-sale investments are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Hong Kong dollar	**60,724**	147,828
Renminbi	**4,917**	4,939
United States dollar	**188,964**	123,657
Macao Pataca	**243,256**	214,418
	497,861	490,842

26. Investment in Convertible Bonds

On 7 February 2010, Chian Overseas (Hong Kong) Limited (formerly known as China State Construction Limited) ("COHK"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Skyjoy Assets Management Limited ("Skyjoy") whereby COHK would subscribe for the guaranteed secured convertible bonds with 15% coupon rate due 2015 issued by Skyjoy in the amount of HK$200,000,000 ("Principal Amount") convertible into 1,800 shares of US$1.00 each in the share capital of Skyjoy, representing 18% of the issued share capital of Skyjoy on a fully diluted basis. Skyjoy is the ultimate owner of land which is situated at Qiaodong District, Shijiazhuang, the PRC with a site area of approximately 62,000 square meters and some units of shops located at Qiaodong District, Shijiazhuang, the PRC with total gross floor area of approximately 1,800 square meters. The maturity date of the bonds is the fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. Upon conversion of the bonds, the amount payable by COHK will be the Principal Amount plus a conversion premium net of the Principal Amount paid upon subscription, which is equivalent to the aggregate of all interests accrued (including all interest paid or payable) by Skyjoy to COHK under the terms of the bonds immediately prior to conversion. The maximum conversion premium payable by COHK on full conversion of the bonds is HK$212,206,000. During the conversion period, COHK may redeem all the outstanding Principal Amount plus compound interest accrued thereon from and including the issue date to the redemption date at 15% coupon rate.

The convertible bonds contain embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial assets at FVTPL on initial recognition which were determined in accordance with the Binomial Model. The fair value of the convertible bond is determined by reference to the valuation carried out on 31 December 2012 by CBRE Valuation & Advisory Services – Greater China ("CBRE"). CBRE is an independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar convertible bonds. The major input of the Binomial Model is the fair value of the equity interest of Skyjoy derived by asset approach, which is used as the stock price input into the Binomial Model.

27. Amounts Due from Investee Companies

The amounts due from investee companies are unsecured, interest-free and have no fixed repayment terms. No repayment is expected within next twelve months from the end of the reporting period.

The fair values of these amounts on initial recognition are determined based on effective interest rate ranged from 5.25% to 7.83% per annum and the balances are denominated in Renminbi and Macao Pataca ("MOP").

28. Inventories

	2012 **HK$'000**	2011 HK$'000
Raw materials and consumables	**129,112**	125,840
Work in progress	**1,446**	1,434
Finished goods	**54,816**	22,285
	185,374	149,559

The cost of inventories recognised as expense and included in 'costs of sales' amounted to approximately HK$322,103,000 (2011: HK$415,861,000).

29. Amounts Due from/(to) Customers for Contract Work

	2012 HK$'000	2011 HK$'000
Contract costs incurred plus recognised profit less foreseeable losses	**38,796,904**	22,916,461
Less: progress billings	**(34,557,951)**	(21,260,596)
	4,238,953	1,655,865
Analysed for reporting purposes as:		
Amounts due from contract customers	**5,458,682**	2,937,900
Amounts due to contract customers	**(1,219,729)**	(1,282,035)
	4,238,953	1,655,865

Included in amounts due from customers for contract work is a balance of approximately HK$4,644,957,000 (2011: HK$2,706,447,000) relating to a construction contract of which the Group has undertaken to perform all the obligations and obtained all the rights of the Company's intermediate holding company in relation to the latter's role as the main contractor under the construction contract. This construction contract is for a construction project for a toll road situated in the PRC which commenced in 2011, whereby billing would only be made by the Group at the completion of the construction project.

At 31 December 2012, retentions held by customers for contract work amounted to approximately HK$1,631,834,000 (2011: HK$1,350,703,000) and have been included in trade and other receivables under current assets. Advances received from customers for contract work not yet commenced at 31 December 2012 amounted to approximately HK$361,254,000 (2011: HK$55,486,000) and have been included in deposits received and advance from customers under current liabilities.

30. Trade and Other Receivables

	2012 HK$'000	2011 HK$'000
Trade receivables and retention receivables	**9,328,938**	5,241,018
Less: Allowance for doubtful debts	**(15,379)**	(15,379)
	9,313,559	5,225,639
Other receivables (note a)	**434,187**	431,547
Less: Allowance for doubtful debts	**(1,123)**	(1,522)
	433,064	430,025
Trade and other receivables	**9,746,623**	5,655,664
Current portion	**(6,559,777)**	(4,736,191)
Non-current portion (note b)	**3,186,846**	919,473

30. Trade and Other Receivables *(continued)*

Notes:

(a) Included in other receivables is a loan receivable of approximately HK$189,961,000 (2011: HK$309,706,000) advanced in 2011 to a customer. The balance was interest bearing at prevailing market interest rate and fully recovered in February 2013.

(b) The balances were attributable to certain affordable housing projects in the PRC. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be fully received from 2014 to 2017, with HK$1,151,212,000 to be received in 2014, HK$1,427,396,000 in 2016 and HK$608,238,000 in 2017. As a result, they are classified as non-current item.

The analysis of trade receivables and retention receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date or progress certification date, is as follows:

	2012 HK$'000	2011 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	**3,057,374**	2,834,776
31–90 days	**1,480,183**	456,701
Over 90 days	**3,144,168**	583,459
	7,681,725	3,874,936
Retention receivables	**1,631,834**	1,350,703
	9,313,559	5,225,639

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 2012, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,011,908,000 (2011: HK$737,166,000).

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2011: 90 days) to its customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

Without taking into account those arising from affordable housing projects, the aging analysis of the Group's trade receivables balances which are past due but not impaired is presented as follows:

	2012 HK$'000	2011 HK$'000
91–180 days	**187,430**	216,013
181–365 days	**5,249**	42,152
Over 365 days	**315,873**	325,294
Total	**508,552**	583,459

30. Trade and Other Receivables *(continued)*

Included in trade receivables that are past due but not impaired are receivables arising from construction contractors in Dubai of approximately HK$302,001,000 (2011: HK$365,725,000) which are under negotiation with the customers, management has taken into account the technical and contractual ground as advised by the relevant experts and consider that the default rate is low. The remaining trade receivables that are past due but not impaired have good repayment history and low default rate under the internal credit assessment system used by the Group.

Except for the amount of approximately HK$16,502,000 (2011: HK$16,901,000) which was provided for doubtful debts for the year ended 31 December 2012, no allowance for doubtful debt is considered to be necessary for past due trade receivables based on management's evaluation of credit worthiness and the past collection history of those receivables.

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
1 January	**16,901**	15,827
Impairment losses recognised on receivables	**–**	1,074
Exchange adjustments	**(399)**	–
31 December	**16,502**	16,901

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define credit limits by customers. Limits attributed to customers are reviewed every year.

Trade and other receivables are denominated in the following currencies:

	2012 **HK$'000**	2011 HK$'000
Hong Kong dollar	**2,053,013**	2,085,666
Renminbi	**5,984,366**	2,300,346
Macao Pataca	**371,226**	207,942
United States dollar	**166,295**	–
Others	**1,171,723**	1,061,710
	9,746,623	5,655,664

31. Amounts Due from Subsidiaries

	THE COMPANY	
	2012 **HK$'000**	2011 HK$'000
Amounts due from subsidiaries	**7,014,272**	7,367,915
Less: allowance for receivable balances	**(285,786)**	(285,786)
	6,728,486	7,082,129

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

32. Balances with Fellow Subsidiaries/Immediate Holding Company/an Intermediate Holding Company/an Associate/Related Companies

Balances with fellow subsidiaries/immediate holding company/an intermediate holding company/an associate/related companies are unsecured, interest-free and repayable on demand. The balances are mainly denominated in Renminbi and Hong Kong dollar.

The amounts due from related companies represent balances due from jointly controlled entities of the Company's immediate holding company.

The amount due to a related company represents balances due to a wholly owned subsidiary of the Group's jointly controlled entity.

33. Amounts Due from/(to) Jointly Controlled Entities

The amounts due from and to jointly controlled entities are unsecured, interest-free and repayable on demand. The balances are mainly denominated in Renminbi and Hong Kong dollar.

The balances are expected to be repaid within twelve months after the end of the reporting period.

34. Pledged Bank Deposits, Deposits with Financial Institutions, Bank Balances and Cash

Pledged bank deposits

At 31 December, 2012, bank deposits amounting to approximately HK$1,291,000 (2011: HK$4,992,000) are pledged and carry interest at fixed rates ranging from 0.001% to 2.40% (2011: 0.001% to 0.3625%) per annum.

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2011: 1 to 6 months) carrying interest at fixed rate ranging 0.0092% to 0.734% (2011: 0.0029% to 1.8948%) per annum.

Bank balances and cash

Bank balances, excluding bank current accounts, carry interest at market rates which range from 0.001% to 3.10% (2011: 0.001% to 3.05%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

Pledged bank deposits, deposits with financial institutions, bank balances and cash are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**2,029,956**	1,708,016	**16,741**	131,849
Renminbi	**4,255,965**	3,190,045	**–**	–
Others	**432,799**	565,591	**8,645**	–
	6,718,720	5,463,652	**25,386**	131,849

In respect of the Renminbi of the Group's subsidiaries incorporated in the PRC, conversion of which into foreign currencies is subject to the Peoples of Republic China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

35. Trade Payables, Other Payables and Accruals

An analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2012 HK$'000	2011 HK$'000
Trade payables, aged:		
0-30 days	**2,926,735**	2,599,032
31-90 days	**1,131,480**	724,329
Over 90 days	**449,273**	214,643
	4,507,488	3,538,004
Retention payables	**1,450,127**	1,094,638
Other payables and accruals	**540,655**	543,246
	6,498,270	5,175,888

Other payables included in the trade payables, other payables and accruals amounted to approximately HK$518,191,000 (2011: HK$526,756,000), which comprise primarily staff cost, other tax and other operating expenses payable.

The average credit period on trade and construction cost payables is 60 days (2011: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame. At 31 December 2012, the amount of retention payables expected to be due after more than one year was approximately HK$708,624,000 (2011: HK$443,779,000).

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

	2012 HK$'000	2011 HK$'000
Hong Kong dollar	**3,240,011**	2,813,326
Renminbi	**2,268,857**	1,618,034
Macao Pataca	**296,499**	162,360
United States dollar	**39,261**	–
Others	**653,642**	582,168
	6,498,270	5,175,888

36. Borrowings

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdraft	**4,923**	–	**–**	–
Bank loans, secured	**3,837,497**	1,973,603	**–**	–
Bank loans, unsecured	**6,194,919**	3,345,381	**3,000,000**	3,000,000
Other loans	**7,800**	–	**–**	–
	10,045,139	5,318,984	**3,000,000**	3,000,000
Carrying amount repayable:				
Within one year	**48,780**	357,716	**–**	–
More than one year but not exceeding two years	**70,944**	24,670	**–**	–
More than two years but not more than five years	**6,607,704**	3,172,690	**3,000,000**	3,000,000
More than five years	**3,317,711**	1,763,908	**–**	–
	10,045,139	5,318,984	**3,000,000**	3,000,000
Less: Amount due within one year shown under current liabilities	**(48,780)**	(357,716)	**–**	–
Amount due after one year	**9,996,359**	4,961,268	**3,000,000**	3,000,000

The Group's secured bank loans are secured by land and building (note 16) and concession operating rights (note 23) of the Group and assets provided by a customer.

The effective interest rates of borrowings are as follows:

THE GROUP

	2012				2011	
	Hong Kong dollar	**Renminbi**	**Candian dollar**	**United States dollar**	Hong Kong dollar	Renminbi
Bank overdrafts	**–**	**–**	**4.25%**	**–**	–	–
Bank loans, secured	**–**	**6.40%**	**5.29%**	**–**	–	6.35%
Bank loans, unsecured	**2.03%**	**6.77%**	**–**	**–**	1.66%	5.94%
Other loans	**–**	**–**	**–**	**3.30%**	–	–

THE COMPANY

The effective interest rate of an unsecured bank loan of the Company is 1.66% (2011: 1.55%).

The carrying amounts of bank overdraft, bank loans and other loans approximate their fair values.

36. Borrowings *(continued)*

The carrying amounts of the borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**4,800,000**	3,000,000	**3,000,000**	3,000,000
Renminbi	**5,193,636**	2,318,984	**–**	–
Canadian dollar	**43,703**	–	**–**	–
United States dollar	**7,800**	–	**–**	–
	10,045,139	5,318,984	**3,000,000**	3,000,000

37. Share Capital

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	**60,000,000,000**	**1,500,000**
Issued and paid up:		
Balance at 1 January 2011	2,979,458,825	74,486
Issue of ordinary shares upon exercise of share options	9,920,037	248
Issue of ordinary shares on rights issue (note a)	597,364,659	14,934
Balance at 31 December 2011	3,586,743,521	89,668
Issue of ordinary shares upon exercise of share options	**703,862**	**18**
Issue of ordinary shares on placement (note b)	**300,000,000**	**7,500**
Balance at 31 December 2012	**3,887,447,383**	**97,186**

Notes:

(a) On 16 May 2011, the Company completed a rights issue of one rights share for every five shares held by members on the register of members, at an issue price of HK$6.00 per rights share, resulting in the issue of 597,364,659 ordinary shares of HK$0.025 each for a total cash consideration, before expenses of HK$34,971,000, of HK$3,584,188,000. The net cash proceeds were credited to share capital and share premium account of HK$14,934,000 and HK$3,569,254,000, respectively. The new shares rank pari passu with the then existing shares in all respects.

(b) In July 2012, China Overseas Holdings Limited ("COHL"), a substantial shareholder of the Company, entered into a placing agreement with Citigroup Global Markets Asia Limited and BNP Paribas Capital (Asia Pacific) Limited (collectively the "Placing Agents") pursuant to which COHL agreed to sell via Placing Agents to independent purchasers 300,000,000 ordinary shares of the Company at HK$7.57 per share ("Placing Price"). At the same time, COHL and the Company entered into a subscription agreement under which COHL agreed to subscribe for 300,000,000 new ordinary shares of the Company at the Placing Price. Upon the completion of such top-up placing arrangement, the Company's issued capital increased by approximately 8.4% and net proceeds of approximately HK$2,230 million was raised. The Company intends to apply such net proceeds as general working capital and capital expenditure of the Group which may include funding affordable housing project and infrastructure project investments through build-and-transfer and build-operate-transfer business model.

38. Share Premium and Reserves

	Share premium HK$'000	Special reserve HK$'000 (note a)	Capital redemption reserve HK$'000 (note b)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (note c)	Retained profits HK$'000 (note d)	Total HK$'000
THE GROUP									
At 1 January 2011	2,358,044	(1,473,655)	337	3,790	(4,877)	263,190	19,546	3,378,589	4,544,964
Profit for the year	–	–	–	–	–	–	–	1,507,405	1,507,405
Loss on fair value changes of available-for-sale investments, net of tax	–	–	–	–	(11,777)	–	–	–	(11,777)
Exchange differences on translation of foreign operations	–	–	–	–	–	254,118	–	–	254,118
Total comprehensive income for the year	–	–	–	–	(11,777)	254,118	–	1,507,405	1,749,746
Issue of ordinary shares upon exercise of share options	2,682	–	–	(609)	–	–	–	–	2,073
Issue of ordinary shares upon rights issue	3,569,254	–	–	–	–	–	–	–	3,569,254
Share issuance expenses	(34,971)	–	–	–	–	–	–	–	(34,971)
2010 final dividend paid	–	–	–	–	–	–	–	(215,177)	(215,177)
2011 interim dividend paid	–	–	–	–	–	–	–	(215,205)	(215,205)
Transfer to statutory reserve	–	–	–	–	–	–	48,600	(48,600)	–
At 31 December 2011	5,895,009	(1,473,655)	337	3,181	(16,654)	517,308	68,146	4,407,012	9,400,684
Profit for the year	–	–	–	–	–	–	–	2,131,459	2,131,459
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	–	–	–	(1,047)	–	–	–	(1,047)
Gain on fair value changes of available-for-sale investments, net of tax	–	–	–	–	95,256	–	–	–	95,256
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	–	–	–	–	(21,625)	–	–	–	(21,625)
Exchange differences on translation of foreign operations	–	–	–	–	–	75,234	–	–	75,234
Total comprehensive income for the year	–	–	–	–	72,584	75,234	–	2,131,459	2,279,277
Disposal of partial interest in a subsidiary (note (a)(ii))	–	33,527	–	–	–	–	–	–	33,527
Issue of ordinary shares upon exercise of share options	183	–	–	(43)	–	–	–	–	140
Issue of ordinary shares upon placement	2,263,500	–	–	–	–	–	–	–	2,263,500
Share issuance expenses	(41,297)	–	–	–	–	–	–	–	(41,297)
2011 final dividend paid	–	–	–	–	–	–	–	(251,072)	(251,072)
2012 interim dividend paid	–	–	–	–	–	–	–	(272,121)	(272,121)
Transfer to statutory reserve	–	–	–	–	–	–	7,204	(7,204)	–
At 31 December 2012	8,117,395	(1,440,128)	337	3,138	55,930	592,542	75,350	6,008,074	13,412,638

38. Share Premium and Reserves *(continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000 (note b)	Share option reserve HK$'000	Retained profits HK$'000 (note d)	Total HK$'000
THE COMPANY					
At 1 January 2011	2,358,044	337	3,790	610,042	2,972,213
Profit and total comprehensive income for the year (note e)	–	–	–	223,020	223,020
Issue of ordinary shares upon exercise of share options	2,682	–	(609)	–	2,073
Issue of ordinary shares upon rights issue	3,569,254	–	–	–	3,569,254
Share issuance expenses	(34,971)	–	–	–	(34,971)
2010 final dividend paid	–	–	–	(215,177)	(215,177)
2011 interim dividend paid	–	–	–	(215,205)	(215,205)
At 31 December 2011	5,895,009	337	3,181	402,680	6,301,207
Profit and total comprehensive income for the year (note e)	**–**	**–**	**–**	**584,172**	**584,172**
Issue of ordinary shares upon exercise of share options	**183**	**–**	**(43)**	**–**	**140**
Issue of ordinary shares upon placement	**2,263,500**	**–**	**–**	**–**	**2,263,500**
Share issuance expenses	**(41,297)**	**–**	**–**	**–**	**(41,297)**
2011 final dividend paid	**–**	**–**	**–**	**(251,072)**	**(251,072)**
2012 interim dividend paid	**–**	**–**	**–**	**(272,121)**	**(272,121)**
At 31 December 2012	**8,117,395**	**337**	**3,138**	**463,659**	**8,584,529**

38. Share Premium and Reserves *(continued)*

Notes:

(a) Special reserve arose from:

(i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL") under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders in prior years.

(ii) During the year, the Group obtained control over Far East Global Group Limited ("FEG") which then became the Group's subsidiary (details set out in note 43). Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed an aggregate of 45,500,000 shares of FEG at a price of HK$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in FEG was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in FEG of approximately HK$57 million and carrying amount of the attributable share of net assets of FEG of approximately HK$23 million, was credited to the special reserve.

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of the ordinary shares repurchased.

(c) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and the People's Republic of China (the "PRC") subsidiaries which were established in accordance with the relevant regulations.

(d) Included in retained profits as at 31 December 2012 are proposed 2012 final dividend of approximately HK$349,870,000.

(e) The profit for the year attributable to owners of the Company included a profit of approximately HK$584,172,000 (2011: HK$223,020,000) which has been dealt with in the financial statement of the Company.

(f) Under the Companies Law of the Cayman Islands, the distributable reserves of the Company amounted to approximately HK$8,581,054,000 representing the share premium and retained profits as at 31 December 2012 (2011: HK$6,297,689,000).

39. Deferred Income

	2012 **HK$'000**	2011 HK$'000
Deferred income arose from the following:		
Connection services	**543,254**	438,429

Connection fee income is attributable to the connecting pipeline construction for heat transmission and continuing repairs and maintenance services relating to the pipelines. Connection fee income is recorded as deferred income and amortised on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating license of the relevant entities.

The deferred income represented the connection service income received attributable to the constant transmission of heat services not yet recognised as income.

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

	2012 **HK$'000**	2011 HK$'000
Deferred income due within one year included in trade payables, other payables and accruals under current liabilities	**22,463**	16,491
Deferred income due after one year	**520,791**	421,938
	543,254	438,429

40. Deferred Taxation

The analysis of the Group's deferred tax liabilities is as follows:

	2012 **HK$'000**	2011 HK$'000
Deferred tax liability to be crystalised after more than twelve months	**357,634**	272,578
Deferred tax liability to be crystalised within twelve months	**4,631**	3,436
	362,265	276,014

40. Deferred Taxation *(continued)*

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of PRC subsidiaries and jointly controlled entities HK$'000	Recognition 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 2011	7,455	132,389	48,029	42,265	–	–	(1,325)	–	228,813
Exchange adjustments	–	7,245	1,702	–	–	–	–	–	8,947
Charge/(credit) to consolidated income statement	9,030	28,585	(22,238)	24,851	–	–	–	–	40,228
Reallocated to tax liabilities	–	–	–	(1,974)	–	–	–	–	(1,974)
At 31 December 2011	16,485	168,219	27,493	65,142	–	–	(1,325)	–	276,014
Exchange adjustments	**71**	**(43)**	**(2,673)**	**–**	**–**	**–**	**–**	**–**	**(2,645)**
Charge/(credit) to consolidated income statement	**6,757**	**22,287**	**–**	**2,481**	**(3,957)**	**460**	**(6,000)**	**(5,136)**	**16,892**
Reallocated to tax liabilities	**–**	**–**	**–**	**(1,255)**	**–**	**–**	**–**	**–**	**(1,255)**
Acquisition of a subsidiary	**3,029**	**–**	**–**	**–**	**54,006**	**4,698**	**–**	**11,526**	**73,259**
At 31 December 2012	**26,342**	**190,463**	**24,820**	**66,368**	**50,049**	**5,158**	**(7,325)**	**6,390**	**362,265**

At the end of the reporting period, the Group has the following deductible temporary differences and unused tax losses not recognised in the consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Unused tax losses (note a)	**494,377**	466,388
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (note b)	**41**	2,709
	494,418	469,097

Notes:

(a) 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$471,396,000 (2011: HK$267,525,000) that will expire within five years. Other losses may be carried forward indefinitely.

(b) No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

41. Obligations under Finance Leases

	Minimum lease payments 2012 HK$'000	2011 HK$'000	Present value of minimum lease payments 2012 HK$'000	2011 HK$'000
Within one year	**1,187**	–	**1,158**	–
In the second to fifth years, inclusive	**3,825**	–	**3,302**	–
Over five years	**2,612**	–	**1,636**	–
	7,624	–	**6,096**	–
Less: Future finance charges	**(1,528)**	–		
Present value of lease obligations	**6,096**	–		
Less: Amount due for settlement within twelve months			**(1,158)**	–
Amount due for settlement after twelve months			**4,938**	–

The average lease term is 7 years. At 31 December 2012, the average effective borrowing rate was 2.5%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the property and motor vehicles at nominal prices.

All finance lease payables are denominated in the following currencies:

	Group 2012 HK$	2011 HK$
United States Dollar	**5,365**	–
Canadian Dollar	**615**	–
Hong Kong Dollar	**116**	–
	6,096	–

The Group's finance lease payables are secured by the lessor's title to the leased assets.

42. Loan from an Intermediate Holding Company

The loan from an intermediate holding company of approximately HK$940,151,000 in 2011 was unsecured, interest bearing at a fixed rate of 4.86% per annum and early repaid during the year ended 31 December 2012.

43. Business Combination

On 2 February 2012, Add Treasure Holdings Limited (the "Offeror"), a wholly-owned subsidiary of the Company entered into a conditional subscription agreement (the "Subscription Agreement") with FEG, a public limited company incorporated in the Cayman Islands listed on the SEHK. Pursuant to the Subscription Agreement, FEG conditionally agreed to allot and issue to the Offeror and the Offeror conditionally agreed to subscribe for 1,038,550,000 new shares of FEG, for a total consideration of HK$644 million (the "Subscription"). The Subscription completed on 28 February 2012. Together with the 103,920,000 shares already owned by a wholly-owned subsidiary of the Company before the Subscription, the Group's interest in FEG increased to 1,142,470,000 shares, representing 53.1% interest of the enlarged issued capital of FEG immediately after the completion of the Subscription.

Pursuant to Rule 26.1 and Rule 13.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"), the Offeror was required and made a mandatory unconditional cash offer for all the issued shares of FEG (other than those then already owned or agreed to be acquired or subscribed by the Company, the Offeror and persons acting in concert with it), on the basis of HK$1.18 in cash for each ordinary share of the Company (the "Share Offer") and for the cancellation of all outstanding share options granted under the share option scheme of FEG (the "Share Options", each of which entitling the relevant holder to subscribe for a new ordinary share of the Company) on the bases of HK$0.66 and HK$0.53 per Share Option in cash for Share Options with exercise prices at HK$0.52 and HK$0.65 per share respectively (the "Option Offer") (the Share Offer and Option Offer are collectively referred as the "Offers"). Upon the closure of the Offers on 23 March 2012, the Offeror received the valid acceptance in respect of 499,433,279 shares under the Share Offer, and a total of 23,600,000 and 44,651,000 Share Options with exercise price at HK$0.52 and HK$0.65 respectively under the Option Offer. The total considerations paid under the Offers was approximately HK$629 million. Immediately after the Offers, the Group held 1,641,903,279 shares of FEG, representing approximately 76.2% interest in FEG.

FEG and its subsidiaries are principally engaged in contracting and engineering business with expertise in the exterior facade works and with operations in different parts of the world. The Board believed that the acquisition of an internationally advanced curtain wall manufacturing and installation company would complement the Company's leading technical and project management capabilities, thus enabling a synergy to the Company in terms of business development opportunities and geographical diversification.

After obtaining the effective control of FEG in March 2012, such acquisition has been accounted for using acquisition method. The total considerations of approximately HK$1,419 million in aggregate consist of the consideration paid for the Subscription and Offers and the fair values of shares holdings in FEG held before the acquisition (previously classified as available-for-sale investments) at the date of obtaining effective control.

Details of consideration, net identifiable assets acquired and goodwill in respect of the acquisition are as follows:

	HK$'000
Purchase considerations:	
Cash paid	1,273,064
Fair value of previously held interest	145,488
Total purchase considerations	1,418,552

43. Business Combination *(continued)*

The fair values of identifiable assets acquired and liabilities assumed as at the date of obtaining effective control are as follows:

	HK$'000
Property, plant and equipment	133,631
Trademark and project backlogs	262,067
Available-for-sale investments	54,637
Amounts due from customers for contract work	214,550
Inventories	4,195
Trade and other receivables	325,645
Deposits and prepayments	13,861
Tax recoverable	5,497
Pledge bank deposits	25,681
Bank balances and cash	707,110
Amounts due to customers for contract work	(151,123)
Trade and other payables	(233,012)
Tax liabilities	(40,699)
Borrowings	(99,644)
Obligations under finance leases	(2,208)
Deferred tax liabilities	(73,259)
Total identifiable net assets	1,146,929
Goodwill	577,664
Non-controlling interests	(306,041)
Total	1,418,552
	(1,273,064)
Cash and cash equivalents acquired	707,110
Net cash outflow on the acquisition	(565,954)

Acquired receivables

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$326 million, including trade and retention receivables with a fair value of approximately HK$295 million. The gross balances of trade and retention receivables are approximately HK$321 million of which the recoverability of balances of approximately HK$26 million is in doubt.

Non-controlling interests

The Group has chosen to recognise the non-controlling interests at the acquisition date at the proportion of net assets acquired shared by the non-controlling interests in FEG Group, amounting to approximately HK$306 million at the acquisition date.

43. Business Combination *(continued)*

Impact of acquisition on the results of the Group

The goodwill of approximately HK$577,664,000 arising from the acquisition is attributable to the future profitability of the acquired business.

None of the goodwill recognised is expected to be deductible for income tax purpose.

	HK$'000
Acquisition related costs (included in other expenses in the consolidated income statement for the year ended 31 December 2012)	**20,013**

FEG Group contributed approximately HK$1,053 million and HK$34 million to the Group's revenue and profit respectively for the period between the date of acquisition and 31 December 2012. If the acquisition had occurred on 1 January 2012, the total group revenue and profit for the year ended 31 December 2012 would have been approximately HK$20,008 million and HK$1,939 million respectively.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and result the Group would have actually achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

44. Major Non-Cash Transaction

During the year ended 31 December 2012, the Group recognised concession operating rights of approximately HK$685,934,000 (2011: HK$748,750,000) in respect of consideration for the provision of construction services in a service concession arrangement. The same amount has been accounted for as revenue from construction contracts as set out in note 5.

45. Share-Based Payments

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2005 for the primary purpose of providing incentives to directors, eligible employees, officers and suppliers of goods and services of the Group, and may be terminated by resolution in general meeting. Under the Scheme, the Board of Directors of the Company may grant options to qualifying grantees, including the directors of the Company, employees, officers or contractors of the Group.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 59,872,000 (2011: 60,576,000), representing approximately 1.54% (2011: 1.69%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

45. Share-Based Payments *(continued)*

Options granted must be taken up within 28 days from the date of offer. An amount of HK$1.00 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the option period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the Board in its absolute discretion at the time of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

All the Company's outstanding options were granted on 14 September 2005. As at 31 December 2010, there were approximately 68,120,000 vested options outstanding with an adjusted exercise price of HK$0.2345 per share.

The following table discloses the Company's share options held by employees (including directors) and consultants:

	Outstanding at 1 January 2011 '000	Exercised before Rights Issue '000	Adjustment in respect of Rights Issue in May 2011 '000	Exercised after Rights Issue '000	Outstanding at 31 December 2011 '000	**Exercised during the year '000**	**Outstanding at 31 December 2012 '000**
Directors	9,527	(922)	349	(411)	8,543	**–**	**8,543**
Employees	33,241	(1,668)	1,279	(46)	32,806	**(137)**	**32,669**
Consultants	25,352	(6,873)	748	–	19,227	**(567)**	**18,660**
	68,120	(9,463)	2,376	(457)	60,576	**(704)**	**59,872**

45. Share-Based Payments *(continued)*

The following table discloses movements of the Company's share options by the exercisable period during the year.

Option type	Outstanding at 1 January 2011 '000	Exercised before Rights Issue '000	Adjustment in respect of Rights Issue in May 2011 '000	Exercised after Rights Issue '000	Outstanding at 31 December 2011 '000	**Exercised during the year '000**	**Outstanding at 31 December 2012 '000**
Granted on 14 September 2005							
– with exercisable period of 14 September 2006 to 13 September 2015	6,919	–	–	–	6,919	**–**	**6,919**
– with exercisable period of 14 September 2007 to 13 September 2015	9,653	(60)	–	–	9,593	**–**	**9,593**
– with exercisable period of 14 September 2008 to 13 September 2015	13,258	(1,554)	–	–	11,704	**–**	**11,704**
– with exercisable period of 14 September 2009 to 13 September 2015	18,122	(6,400)	–	–	11,722	**–**	**11,722**
– with exercisable period of 14 September 2010 to 13 September 2015	20,168	(1,449)	2,376	(457)	20,638	**(704)**	**19,934**
	68,120	(9,463)	2,376	(457)	60,576	**(704)**	**59,872**
Exercisable at the end of the year	68,120				60,576		**59,872**

In respect of the share options exercised during the year, the weighted average share price is HK$6.54 (2011: HK$7.22).

45. Share-Based Payments *(continued)*

The weighted average fair value of the options granted on 14 September 2005 was HK$0.245.

Share options granted to consultants are measured at the fair values of the services received. As the fair value of the services cannot be estimated reliability, the Black-Scholes pricing model/the Binominal model has been used to estimate the fair value of the options.

No share option was granted during the year ended 31 December 2012 and 2011.

46. Operating Lease Arrangements

The Group as lessee

At 31 December 2012 and 2011, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2012 HK$'000	2011 HK$'000
Within one year	**31,082**	16,618
In the second to fifth year inclusive	**28,712**	16,562
Over five years	**22,323**	23,468
	82,117	56,648

Leases in respect of land and buildings are negotiated and fixed for an average term of four years.

Leases in respect of plant and machinery are negotiated based on individual contracts and the Group had no commitments for future minimum lease payments under the operating leases of these plant and machinery.

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$40,044,000 (2011: HK$41,063,000) were let out under operating leases.

Property rental income earned during the year is approximately HK$9,004,000 (2011: HK$9,241,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

At 31 December 2012 and 2011, the Group had contracted with tenants for the following future minimum lease payments:

	2012 HK$'000	2011 HK$'000
Within one year	**11,641**	11,190
In the second to fifth year inclusive	**10,024**	20,767
Over five years	**209**	–
	21,874	31,957

47. Commitments

At 31 December 2012 and 2011, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2012 HK$'000	2011 HK$'000
Contracted but not provided for		
– construction in progress for property, plant and equipment	**109,323**	305,321
– loans advance to investee companies	**–**	278,147

48. Related Party Transactions

Apart from the balances due from or to related parties set out in notes 25, 32, 33 and 42, the Group had the following transactions with related parties during the year:

The Group had the following transactions with an intermediate holding company, fellow subsidiaries, associate and jointly controlled entities during the years:

Transactions	2012 HK$'000	2011 HK$'000
Fellow subsidiaries		
Underwriting fee expense included in rights issue expense	**–**	34,134
Rental income	**543**	1,590
Rental expenses	**12,620**	10,417
Security service payment	**22,882**	22,173
Revenue from construction contracts	**564,860**	615,242
Project consultancy service income	**45,523**	45,378
Construction costs	**829,092**	604,055
Insurance premium income	**3,160**	2,143
Associate		
Purchase of construction materials	**179,177**	177,023
Jointly controlled entities		
Revenue from construction contracts	**168,446**	35,822
Rental income from lease of machinery	**7,081**	13,333
Purchase of materials	**78,323**	69,997
Sales of building materials	**70,698**	126,919
Service income	**–**	2,823
Insurance premium income	**18,234**	2,406
Construction costs	**79,650**	21,871
Intermediate holding company		
Interest expense	**14,581**	85,166
Commission income	**8,853**	3,334
Construction costs	**1,580,547**	1,942,816

48. Related Party Transactions *(continued)*

Transactions with other state-controlled entities in the PRC

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

Apart from transactions with its intermediate holding company, fellow subsidiaries, associate and jointly controlled entities of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

Compensation of key management personnel

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

	2012 **HK$'000**	2011 HK$'000
Short-term benefits	**49,301**	46,645
Post-employment benefits	**194**	192
	49,495	46,837

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

49. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

50. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	150,000,000 ordinary shares of HK$1 each	100	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$1 each	100	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	155,569,190 ordinary shares of HK$1 each and 844,430,810 non-voting deferred shares of HK$1 each	100	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Lease of machinery and investment holding
Zetson Enterprises Ltd	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Indirectly held by the Company:					
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Add Treasure Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary shares of US$1 each	**100**	100	Investment holding
Barkgate Enterprises Limited	British Virgin Islands/ Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
Best Inherit Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China Construction Engineering (Macau) Company Limited	Macau	MOP 100,000,000	**100**	100	Building construction and civil engineering works, properties holding and investment holding

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
China Overseas Building Construction Limited	Hong Kong	4,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Building construction, project management and investment holding
China Overseas Public Utility Investment Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China Overseas Technology Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Civil engineering works, project management and investment holding
China State Grand Wealth Investments Limited	Hong Kong	1 ordinary share of HK$1	100	100	Investment holding
China State Foundation Engineering Limited	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100	100	Foundation engineering works and project management
China Overseas (Hong Kong) Limited (previously known as China State Construction Limited)	Hong Kong	5,000,000 ordinary shares of HK$10 each	100	100	Investment holding, building construction, project management and provision of management services

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	100	Mechanical and electrical engineering works, project management
Citycharm Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP 200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP 200,000	100	100	Foundation engineering works
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
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Holding of trade marks

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	Attributable equity interest held 2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
CSME (Macau) Limited	Macau	MOP 200,000	100	100	Mechanical and electrical engineering works and investment holding
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Investment holding
Ever Power Group Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Magnified Industries Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Perfect Castle Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Building construction and project management

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	Attributable equity interest held 2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Value Idea Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Weedon International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
中建(珠海)有限公司 (i)	PRC	HK$10,700,000	100	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	PRC	RMB680,660,000	100	100	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司 (ii)	PRC	RMB8,000,000	100	100	Manufacturing and sales of coal products
深圳中海建築有限公司 (i)	PRC	RMB350,000,000	100	100	Building construction and investment holding
深圳市中海建設監理有限公司 (ii)	PRC	RMB50,000,000	100	100	Provision of project consultant services
深圳海龍建築製品有限公司 (i)	PRC	RMB50,000,000	100	100	Manufacturing and sales of precast structures

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
中建陽泉基礎設施投資有限公司 (ii)	PRC	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)	PRC	RMB202,000,000	100	100	Infrastructure construction and operation
深圳海豐德投資有限公司 (ii)	PRC	RMB100,000,000	100	100	Investment holding
天津港悦基建發展有限公司 (i)	PRC	US$15,000,000	100	100	Infrastructure investment
深圳市中建宏達投資有限公司 (ii)	PRC	RMB200,000,000	100	100	Investment holding
深圳市中海投資有限公司 (ii)	PRC	RMB500,000,000	100	100	Investment holding
中海創業投資(深圳)有限公司 (i)	PRC	US$29,800,000	100	100	Investment holding
中建宏達投資(中國)有限公司 (ii)	PRC	US$298,000,000	100	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	PRC	US$32,000,000	100	100	Building investment
重慶海建投資有限公司 (ii)	PRC	RMB10,000,000	100	100	Building investment

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
山西五盂高速公路有限公司 (ii)	PRC	US$70,000,000	100	100	Infrastructure investment and construction
重慶海勝基礎設施開發有限公司 (ii)	PRC	RMB380,000,000	100	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	PRC	RMB140,000,000	100	100	Infrastructure investment
無錫海嘉建設有限公司 (ii)	PRC	RMB150,000,000	100	–	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	PRC	RMB60,000,000	100	–	Infrastructure investment
Far East Global Group Limited (iii)	Cayman Islands	2,155,545,000 ordinary shares of HK$0.01 each	74.06	–	Investment holding
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of HK$100 each	100	–	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	100	–	Design and installation of curtain walls, aluminium windows and other related products

50. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2012 %	2011 %	Principal activities
Indirectly held by the Company: *(continued)*					
Netfortune (Shanghai) Aluminium Works Company Limited (a sino-foreign equity joint venture enterprise)	PRC	RMB10,000,000	75	–	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Red Holdings Group, Inc.	United States of America	1,000 common stock of US$0.001 each	55	–	Investment holding
Gamma USA, Inc.	United States of America	1,000 common stock of US$0.001 each	55	–	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD 53,362.36 each	55	–	Design, manufacture and installation of curtain walls, aluminium windows and other related products

Notes:

(i) Registered as foreign owned enterprise.

(ii) Limited liability company registered in the PRC.

(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.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Five Year Financial Summary

Consolidated Results

	For the year ended 31 December				
	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Operating profit	332,792	492,925	1,006,855	1,643,342	**2,325,320**
Share of profits of					
Jointly controlled entities	281,126	309,310	321,745	379,947	**417,741**
Assoicates	9,445	11,592	20,419	13,702	**18,255**
Finance costs	(19,537)	(12,956)	(15,552)	(192,690)	**(239,375)**
Profit before tax	603,826	800,871	1,333,467	1,844,301	**2,521,941**
Income tax expense	(39,866)	(72,390)	(213,218)	(334,122)	**(385,440)**
Profit for the year	563,960	728,481	1,120,249	1,510,179	**2,136,501**
Attributable to:					
Owners of the Company	521,249	674,066	1,036,278	1,507,405	**2,131,459**
Non-controlling interests	42,711	54,415	83,971	2,774	**5,042**
	563,960	728,481	1,120,249	1,510,179	**2,136,501**
Group Revenue	9,544,054	9,706,121	11,982,871	16,379,311	**19,765,008**
Share of revenue of jointly controlled entities	1,510,119	2,966,949	1,983,966	2,202,768	**3,069,660**
	11,054,173	12,673,070	13,966,837	18,582,079	**22,834,668**

Note: The 2008 and 2009 figures have been restated for adoption of merger accounting for common control combination and change of accounting policy to account for the Group's investment in jointly controlled entities in 2010.

Consolidated Net Assets

	As at 31 December				
	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	1,105,066	1,122,980	1,454,445	1,870,033	**2,190,951**
Investment properties	44,692	43,031	42,038	41,063	**40,044**
Investment in lands consolidation	49,814	–	–	–	**–**
Interests in infrastructure project investments	466,876	553,762	673,575	673,224	**915,049**
Prepaid lease payments	78,536	76,551	172,258	184,978	**182,291**
Interests in jointly controlled entities	1,859,274	1,981,995	2,350,893	2,589,828	**2,735,493**
Interests in associates	41,258	35,175	34,552	29,237	**36,156**
Concession operating rights	32,698	1,058,730	4,046,058	4,926,465	**5,501,701**
Trademark, project backlogs and licences	–	9,950	9,950	9,950	**252,551**
Goodwill	–	–	–	–	**577,664**
Availiable-for-sale investments	98,169	116,179	396,953	490,842	**497,861**
Investment in convertible bonds	–	–	219,686	240,000	**296,827**
Amounts due from investee companies	181,940	250,142	362,247	356,085	**361,471**
Trade and other receivables	–	–	–	919,473	**3,186,846**
	3,958,323	5,248,495	9,762,655	12,331,178	**16,774,905**
CURRENT ASSETS	6,915,874	10,064,491	8,916,767	14,401,966	**20,437,890**
TOTAL ASSETS	10,874,197	15,312,986	18,679,422	26,733,144	**37,212,795**
NON-CURRENT LIABILITIES					
Borrowings	(1,000,000)	(1,936,286)	(2,880,362)	(4,961,268)	**(9,996,359)**
Deferred income	(165,320)	(180,480)	(244,047)	(421,938)	**(520,791)**
Deferred tax liabilities	(71,134)	(93,219)	(228,813)	(276,014)	**(362,265)**
Loans from intermediate holding company	–	(1,703,578)	(2,470,537)	–	**–**
Obligations under finance leases	–	–	–	–	**(4,938)**
	(1,236,454)	(3,913,563)	(5,823,759)	(5,659,220)	**(10,884,353)**
CURRENT LIABILITIES	(7,872,118)	(7,735,433)	(8,232,263)	(11,576,848)	**(12,475,474)**
TOTAL LIABILITIES	(9,108,572)	(11,648,996)	(14,056,022)	(17,236,068)	**(23,359,827)**
NET ASSETS	1,765,625	3,663,990	4,623,400	9,497,076	**13,852,968**

Note: The 2008 and 2009 figures have been restated for adoption of merger accounting for common control combination and change of accounting policy to account for the Group's investment in jointly controlled entities in 2010.

Particulars of 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, 22nd and 23rd Floor, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	39,057	100
(c)	No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbei District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	1,057	100
(d)	Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road South Gongbei District, Zhuhai Guangdong Province, the PRC	Commercial	Medium-term lease	1,134	100
(e)	Shop A on Ground Floor and Car Parking Spaces Nos. 1 to 24 on 1st Floor, Fu Po Garden, Estrada Marginal do Hipodromo No: 70–76, Macau	Commercial	Medium-term lease	6,542	100
(f)	Shops on Basement, Ground Floor and 1st Floor, Car Parking Spaces Nos. 1 to 6 on 1st Floor and Nos. 15 to 16 on 2nd Floor, Edificio Ou Va, Rua do Ribeira do Patane No: 109–115, Avenida Marginal do Patane No: 26–36, Macau	Commercial	Freehold	16,175	100

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