



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Stock Code: 03311

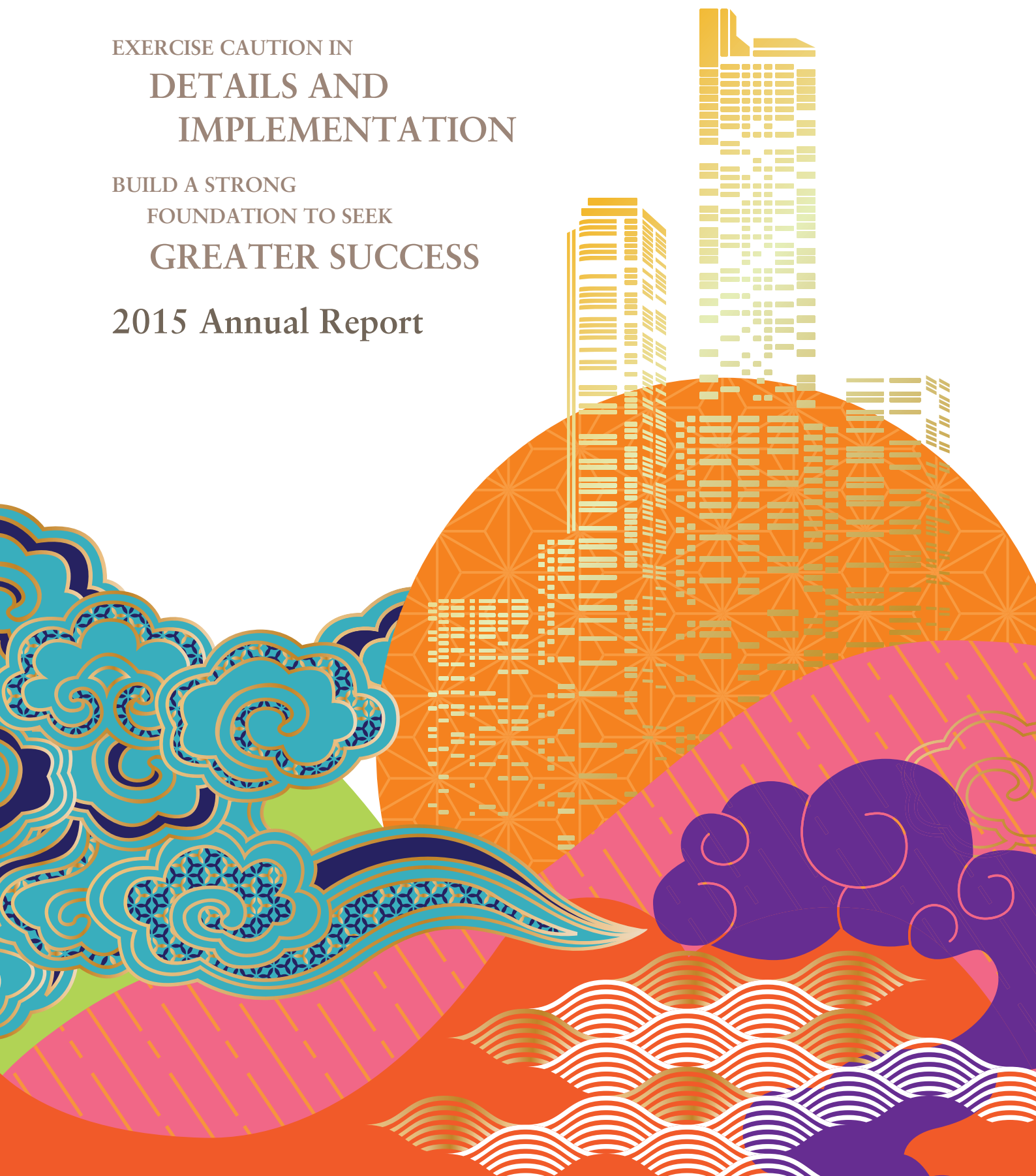
10<sup>2005-2015</sup>

ANNIVERSARY  
— OF LISTING IN HKEX —

EXERCISE CAUTION IN  
DETAILS AND  
IMPLEMENTATION

BUILD A STRONG  
FOUNDATION TO SEEK  
GREATER SUCCESS

2015 Annual Report





10<sup>2005 - 2015</sup>  
ANNIVERSARY  
— OF LISTING IN HKEX —

## Vision

The Group is dedicated to its core value of **“Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success”**.

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







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# Corporate Structure

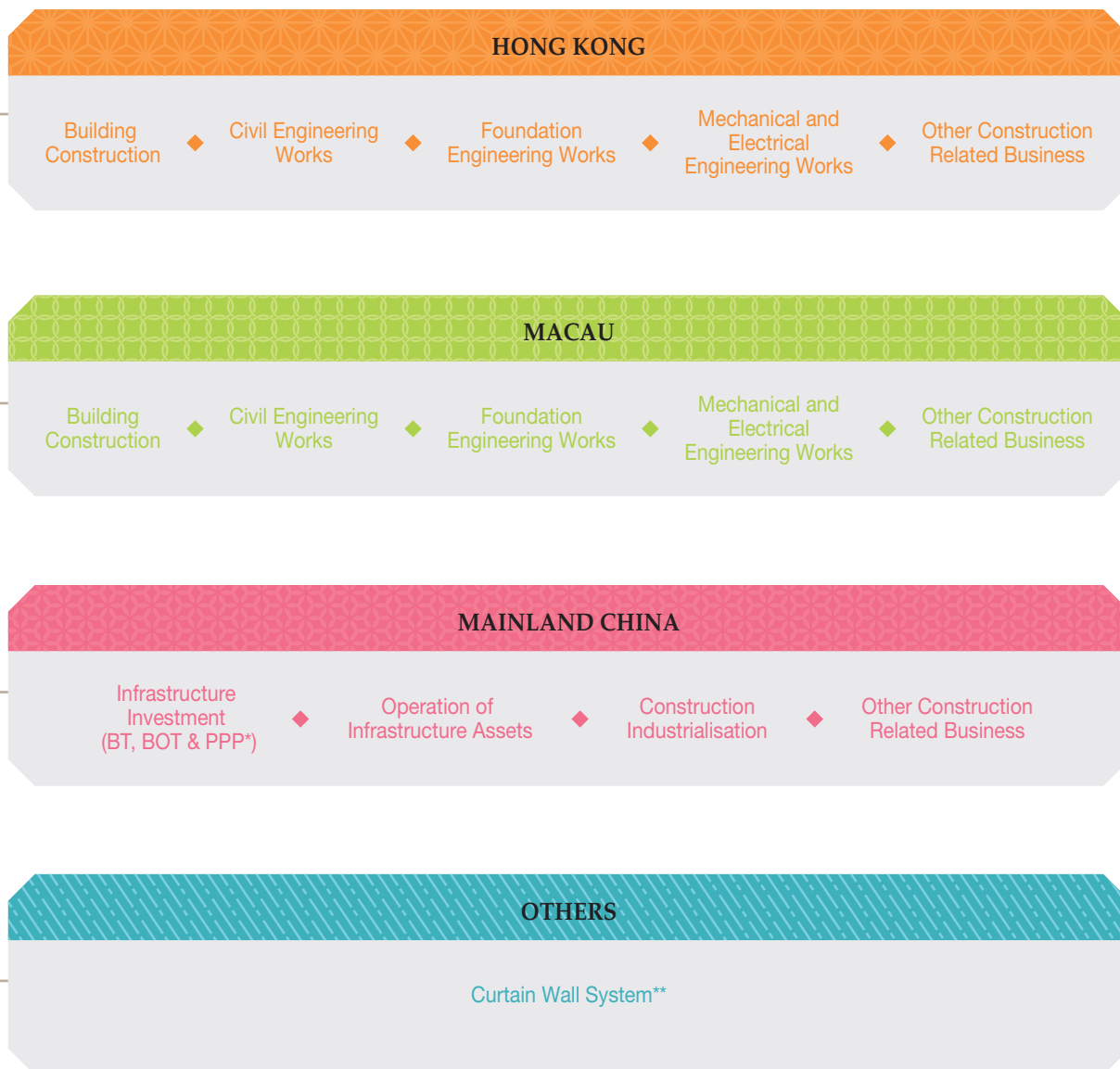


中國建築國際集團有限公司  
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED





## Corporate Structure (continued)



\* “BT” – “Build-Transfer”

\* “BOT” – “Build-Operate-Transfer”

\* “PPP” – “Public-Private-Partnership”

\*\* Operate through a listed subsidiary, Far East Global Group Limited (Stock Code: 00830).

# Board of Directors and Committees

## Board of Directors

### Executive Directors

Zhou Yong (Chairman and  
Chief Executive Officer)

Tian Shuchen  
Zhou Hancheng  
Pan Shujie  
Hung Cheung Shew  
Wu Mingqing

### 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

## Authorised Representatives

Zhou Yong  
Tian Shuchen

## 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  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Registered Office

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

## Head Office and Principal Place of Business in Hong Kong

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

## Auditor

PricewaterhouseCoopers

## 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  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Wing Lung Bank, Limited

## Listing Information

### Shares

Hong Kong Stock Exchange: 03311

### Bond (CSC FIN N1804)\*

Hong Kong Stock Exchange: 05916

\* US\$500,000,000 3.125% Guaranteed Notes due 2018 issued by China State Construction Finance (Cayman) I Limited, wholly owned subsidiary of the Company

## Website

[www.csci.com.hk](http://www.csci.com.hk)

## Financial Calendar

**Closure of Register of Members – Annual General Meeting**  
30 May 2016 to 1 June 2016 (both days inclusive)

**Annual General Meeting**  
1 June 2016

**Closure of Register of Members – Final Dividend**  
10 June 2016

**Payment of Proposed Final Dividend**  
4 July 2016

# Financial Highlights

	For the year ended 31 December (Note a)				2015
	2011 (restated)	2012 (restated)	2013 (restated)	2014	
<b>RESULTS (HK\$'000)</b>					
Revenue	17,510,533	22,059,910	27,285,620	34,439,575	<b>37,913,159</b>
EBITDA (Note b)	2,236,635	2,994,662	3,897,458	4,823,804	<b>5,704,248</b>
Profit attributable to owners of the Company	1,514,514	2,044,337	2,749,551	3,457,410	<b>4,153,072</b>
<b>FINANCIAL RATIOS</b>					
Net margin (%)	8.6	9.3	10.1	10.0	<b>11.0</b>
Current ratio (times)	1.20	1.56	1.28	1.10	<b>1.05</b>
<b>FINANCIAL INFORMATION PER SHARE</b>					
Earnings (HK cents)	44.43	54.98	70.71	88.75	<b>103.16</b>
Dividend (HK cents)	13.00	16.00	21.00	26.00	<b>33.00</b>
Net assets (HK\$)	2.65	3.45	4.10	4.94	<b>5.24</b>
<b>OTHER INFORMATION</b>					
Value of incomplete contracts at 31 December (HK\$ billion)	48.92	57.69	76.48	93.10	<b>127.06</b>

Notes:

- (a) The figures from 2011 to 2013 have been restated for the acquisition of China Overseas Ports Investment Company Limited in 2014.
- (b) EBITDA represents Profit before Tax, Finance costs, Depreciation and Amortisation charged to the Income Statement during the year.

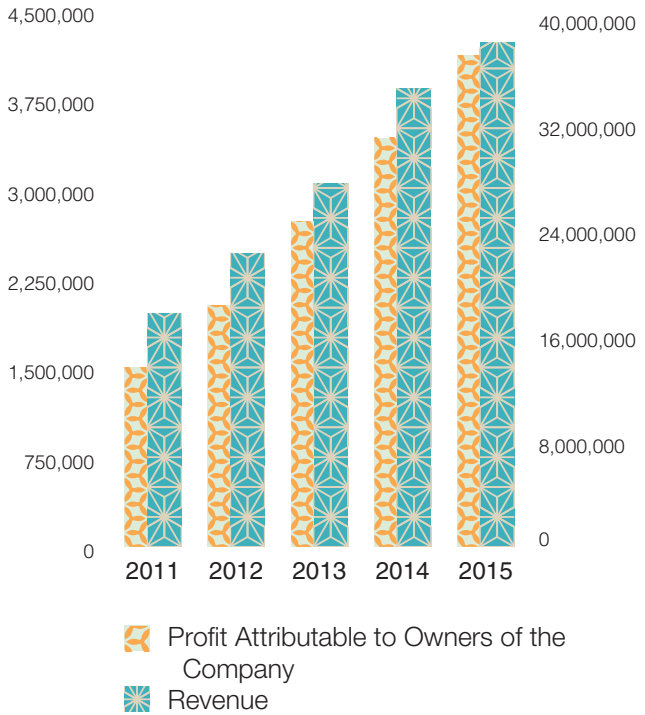




# Financial Highlights (continued)

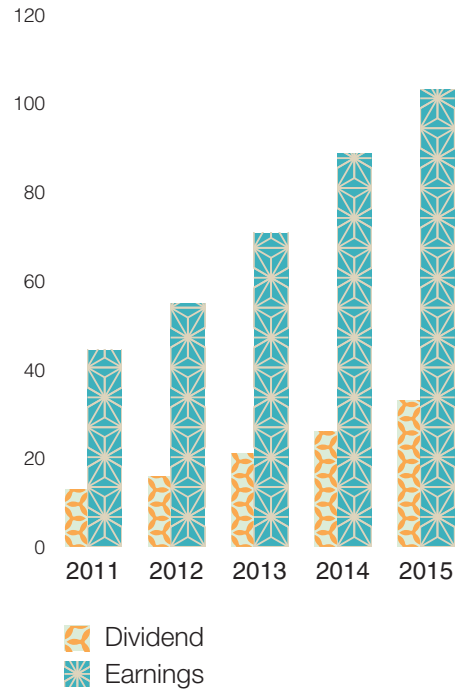
## Results

### Profit Attributable to Owners of the Company (HK\$'000)

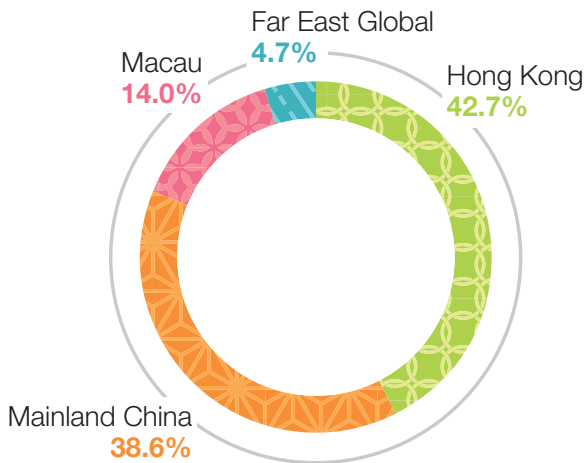


## Financial Information Per Share

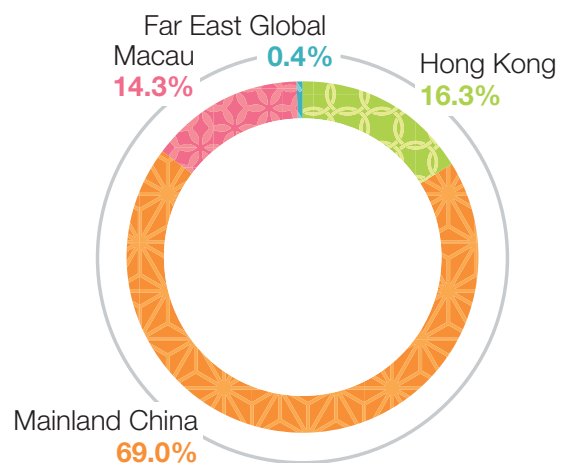
### (HK cents)



## Breakdown of Segment Revenue for the year ended 31 December 2015



## Breakdown of Segment Results\* for the year ended 31 December 2015



\* Excluding loss of Overseas Segment

# Major Events of the Year 2015



## Staff of the Group joined the “Walks for Millions” by Community Chest

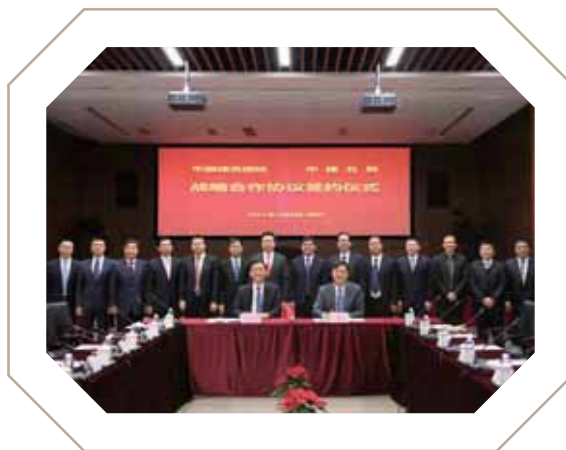
Nearly 200 staff of the Group and their families joined “Hong Kong and Kowloon Walks for Millions” organised by the Community Chest on 11 January 2015. Fund raised from this event was donated by the Community Chest to “Family and Child Welfare Services” to help those families in need, so as to unite all families by building up close relationships between family members with mutual love and respect.



## Strategic Cooperation Agreement signed between the Group and China Construction Fifth Engineering Division

On 6 February 2015, the signing ceremony of Strategic Cooperation Agreement between the Group and China Construction Fifth Engineering Division Co., Ltd. was held in China State International Tower (深圳中建國際大廈) in Shenzhen.

Both parties hoped that the newly signed strategic agreement could promote two parties to launch further cooperation, and could complement each other's edges for mutual benefits.





## Major Events of the Year 2015 (continued)



### Breakthrough ceremony of the drill and blast section of the Scenic Hill Tunnel of Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Project was successfully held

In the morning on 30 March 2015, the breakthrough ceremony of the drill and blast section of the Scenic Hill Tunnel of Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Project was successfully held. More than 200 guests attended the ceremony including Mr. Lau Ka-Keung, Director of Highways of HKSAR; Dr Daman Lee, director of Ove Arup & Partners Hong Kong Ltd; Mr. Zhou Yong, Chairman and Chief Executive Officer of the Company Limited; Mr. Pan Shujie, Vice President of the Company.



### Mr. Zhou paid a business visit to Hunan Province and met with the relevant leaders

From 27 April to 28 April 2015, the delegation led by Mr. Zhou Yong, Chairman and Chief Executive Officer of the Company paid a business visit to Hunan Province. During the visit, the delegation visited the relevant leaders and responsible persons of relevant departments and township in Hunan Province and had a cooperation meeting with the leaders of China Construction Fifth Engineering Division to discuss the Huanghua Comprehensive Bonded Zone Project in Changsha.



## Major Events of the Year 2015 (continued)



### The Group received several awards in the “21st Considerate Contractors Site Award Scheme”

The “21st Considerate Contractors Site Award Scheme” jointly organised by the Development Bureau of the HKSAR government and the Construction Industry Council was held at Kowloon Bay International Trade and Exhibition Centre on 29 May 2015. Attributable to its continuous outstanding performance in site safety and environmental protection, the Group was awarded Considerate Contractors Site



Award (Merit Award) and Outstanding Environmental Management and Performance Award (Bronze Award) in the category of Public Works – New Works. In addition, in the “Construction Safety Week 2015”, the Group has received several awards, including the gold award in the “Qigong Eight-sectioned Exercise” Practice Competition and the Innovative Safety Initiative Award (Silver Award).



### The 2015 China State Environmental Protection Day was successfully held

In response to World Environment Day each year, the Group performed its social responsibility to enhance the awareness of environmental protection of employees. The Group held the “2015 Environmental Protection Day” on 5 June and organized employees to join the “Geo Tour of East Dam of High Island Reservoir”. With a total number of 34 staff participated, this activity provided a hand-on experience of the environment and eco-system, allowing the staff to understand the splendid rock and landform of the world-class geopark. Through participating in this event, the Group showed its continuous support to corporate social development, its determination to fulfill corporate social responsibility and contributions for the promotion of eco-cultural protection.



## Major Events of the Year 2015 (continued)



### The Group was named as No. 1 in the “Most Honored Companies” award in Asia by the *Institutional Investor*

On 7 July 2015, the Group received a notice from the *Institutional Investor*, an international magazine, stating that the company ranked the top three in the eight rankings of the industrial sector, and ranked as No. 1 in the “Most Honored Companies” in Asia. The assessment has been made by 820 buyer analysts and fund managers over the world as well as 625 analysts from 94 securities firms. This honor demonstrated that the company’s effort in maintaining relationship with investors has been recognized by the international market.



### Commencement ceremony of Emperor International Hotel Project was successfully held

On 10 August 2015, the commencement ceremony of Emperor International Hotel Project located at Queen’s Road East, Hong Kong was successfully held. The guests of honor included Dr Albert Yeung, Chairman of Emperor Group and Mr. Zhou Yong, Chairman and Chief Executive Officer of the Group. With contract amount of approximately HK\$530 million, the project is expected to be completed by the second half of 2016.



### Mr. Zhou attended the commencement ceremony of Bengwu Highway Project

On 21 September 2015, the construction work of the highway from Bengbu to Wuhe, a project jointly invested constructed by the Group and Transportation Investment Group of Bengbu City, was officially commenced. The project was the first large PPP project in infrastructure in Anhui Province. Mr. Zhou Yong, Chairman and Chief Executive Officer of China State Construction International Holdings Limited and Mr. Zhou Chunyu, municipal party secretary of Bengbu and Mr. Bai Jinming, mayor of Bengbu attended the ceremony as guests of honor.





## Major Events of the Year 2015 (continued)

OCT

### Mr. Zhou met with the leaders of Ningbo Municipal Government

In the afternoon of 15 October 2015, Mr. Zhou Yong, Chairman and Chief Executive Officer of the Group had a meeting with Mr. Wang Jianhou, Vice Mayor of Ningbo, and other officers at China Overseas Building and made a detailed introduction about the Company's conditions. Mayor Wang expressed highly appreciation towards the financial strength and professional qualification of the Group and introduced the development status and construction of Ningbo. Last but not the least, in respect of the "Strategic Cooperation Framework Agreement" previously signed, the parties agreed to strengthen the cooperation subsequently to accelerate the completion of the project and to build a beautiful city of Ningbo with joint efforts.



NOV

### Topping-out ceremony of MGM Cotai Project was successfully held

On 6 November 2015, the topping-out ceremony of MGM Cotai Project was successfully held with Mr. Qing, Chairman of China State Construction Engineering Corporation cum Chairman of China State Construction Engineering Corporation Limited and Chairman of China Overseas Holdings Limited, as the officiating guest. Other guests also included Mr. Hao Jianmin, Vice Chairman and President of China Overseas Holdings Limited; Mr. Li Jianbo, Vice Chairman of China Overseas Holdings Limited; Mr. Zhou Yong, Vice Chairman of China Overseas Holdings Limited and Chairman and Chief Executive officer of China State Construction International Holdings Limited as well as senior management of MGM Resorts International and MGM China Holdings Limited.



## Major Events of the Year 2015 (continued)



### Austin Station Site D, Kowloon was awarded the “Excellent Safety Performance Award” by MTR

On 14 December 2015, owing to the continuous outstanding safety performance during the construction process, the residential development project at Austin Station Site D, Kowloon undertaken by China Overseas Building Construction Ltd was awarded the “Excellent Safety Performance Reward” by MTR in recognition of the efforts made by the site team during the whole construction process with regard to the occupational health and safety management.

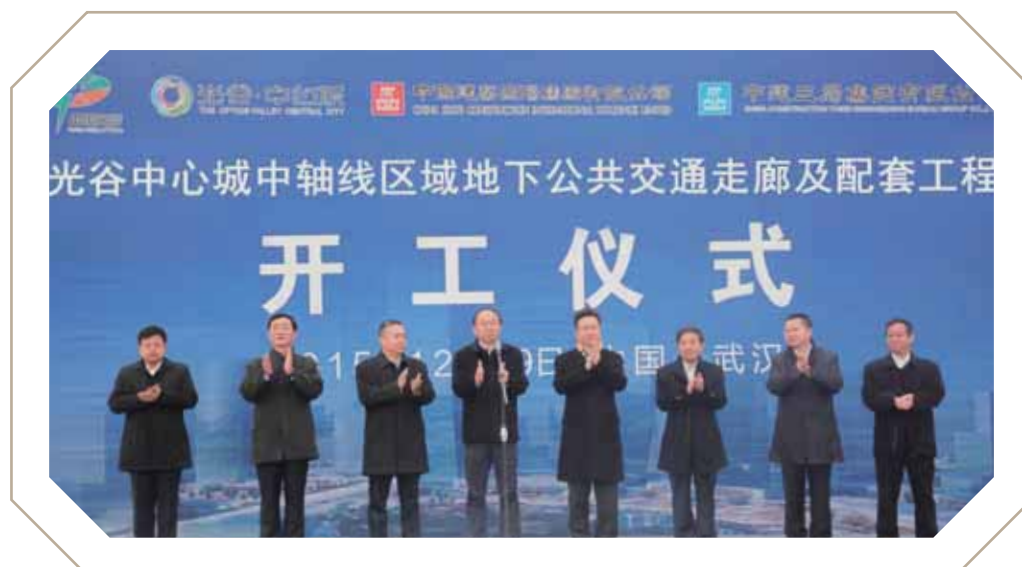


### Mr. Zhou attended the commencement ceremony of the construction of Wuhan Guanggu Center City Underground Space Project

On 19 December 2015, the underground public transportation pathway and auxiliary project of the axle part of Wuhan Guanggu Center City officially commenced.

The guests of honor included Mr. Zhang Wentong, Officer of the Administrative Committee of Donghu Hi-tech District in Wuhan; Mr. Zhou Yong, Chairman and Chief Executive Officer of the Group; Mr. Hu Lishan, municipal standing committee of Wuhan cum secretary of the Work Committee of Administrative Committee of Donghu Hi-tech District; Mr. Yan Zhong Ning, deputy officer of the Administrative Committee; Mr. Yi Wenquan, General Manager of China Construction Third Engineering Division Group; Mr. Li Yong, Deputy General Manager of China Construction Third Engineering Division Group; Mr. Tian Shuchen, Executive Director and Vice President of the Group; and Mr. Zhou Wenbin, Deputy General Manager of the Group.

With the total gross floor area of 526,000 square meters, Wuhan Guanggu Center City Underground Space Project is jointly invested and constructed by the Group and China Construction Third Engineering Division Group. Upon the completion of the project, it will become the largest single underground project in the world and the first underground project combining the nature with architecture, artistic touch and shopping comfort. In the future, the project will become a four dimensional city integrated the space above and under the ground, inside and outside, the functional layout as well as transportation and municipal facilities under one roof.





# CHAIRMAN'S STATEMENT

In the year, the Group secured **41** new contracts with attributable contract value of approximately **HK\$ 70.09** billion.



**Mr. Zhou Yong**  
*Executive Director, Chairman  
and Chief Executive Officer*





# Chairman's Statement

## Compliance and Prudent Development

### Operation Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2015 was HK\$4,153 million, representing an increase of 20.1% as compared to the corresponding period of last year. The revenue was HK\$37,913 million, representing an increase of 10.1% as compared with the same period of last year. Earnings per share was HK103.16 cents, representing an increase of 16.2% as compare with the same period of last year.

### Dividend Payment

The Board recommends distributing a final dividend of HK18.00 cents per share for the year ended 31 December 2015, representing an increase of 20.0% as compared with the same period of last year. The total dividend to be distributed for the year will be HK33.00 cents per share, including a special dividend of HK2.00 cents per share for celebrating the 10th listing anniversary of the Company, representing an increase of 26.9% as compared with the same period of last year.

### Review of Operation

The year of 2015 saw a sluggish recovery in global economy. The complex macroeconomic situation and volatile geopolitics led to a significant slide in international trade and a dramatic surge in financial risks. Developed countries maintained a moderate and uneven economic pick-up, and U.S. enjoyed a steady economic growth. The economy of developing countries, however, slowed down in general due to various challenges arising from weakness in commodity prices, international capital outflows and structural adjustment. The economy of China experienced a steady growth in general and strived for a positive momentum in a stable manner although it was under the pressures of slowdown and deflation in the course of its transformation and upgrading.

In early 2015, the Group adopted an operation strategy of **"compliance and prudent development to support the robust and rapid development of the Company"**. The Company paid high attention to the compliance with laws and regulations of local governments to maintain sound operation. In the face of market changes, the Group leveraged its experiences to maintain the sustainability of its operation and cope with the new opportunities and challenges under the new economic trends in order to facilitate the healthy and rapid development of all lines of business of the Group.

### Market Conditions

The construction markets in Hong Kong and Macau continued to prosper in both residential and public sectors, resulting in higher pressure of shortage of resources. As entering into a key period for transformation, the economy of Mainland China was in a position to gain new growth momentum. The measures to maintain economic growth proved to be effective. Investments in infrastructure projects under such major strategies as "One Belt, One Road", "Integration of Beijing-Tianjin-Hebei" and "Yangtze River Economic Zone" strategy maintained high growth rates. In the overseas market, the curtain wall market in North America recovered in the general.

#### 1. Hong Kong and Macau

Hong Kong's overall economy tended to be stable, while the Macau economy experienced a profound consolidation due to flagging gaming industry. The Group duly optimised its competition strategy to expand operation and successively secured new contracts of HK\$19,158 million for the whole year in Hong Kong and Macau. During the year, focusing on the high-end premium projects under the "Ten Mega Infrastructure" Projects in Hong Kong, the Group successfully secured the projects of some sections of Shatin to Central Link in Hong Kong, including Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link; Central-Wanchai Bypass-Tunnel (West Section in Wanchai); and Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link as well as Construction of Public Rental Housing at Anderson Road Site C1 & Ancillary Facilities Block at





## Chairman's Statement (continued)

Site C2 Phase 2. In Macau, the Group participated in the Construction of the Residential and Commercial Development Project of Nova City Phase 5 as one of the investors and was appointed as the main contractor of the project. The MGM Cotai Project jointly constructed by the subsidiaries in Hong Kong and Macau was in progress as scheduled while the superstructures of the two main towers had been completed in advance. Diversified distribution of investment in recent years achieved initial success, making a favorable profit contribution.

The Group has gradually achieved rational and integrated development in respect of construction projects through professional geographic coverage and regional collaboration. The Group has in place a professional integrated operating system with good bargaining power in tender, which creates an integration and strong complementarity between Hong Kong and Macau, and effectively strengthens general risk resistance capacity of the Group.

### 2. Mainland China

Anticipating a slowdown in economic growth in China, the Group believed that China would further increase its investment in infrastructure projects, actively explored major projects, and entered into cooperation agreements through a "Headquarter to Headquarter" mode, thus targeting the high-end market in advance. The Group secured new contracts of HK\$48,249 million in aggregate during the whole year. Closely following the guidance of national policies, the Group actively innovated its investment and financing modes, and was successively awarded 9 Public-Private-Partnership ("PPP") infrastructure investment projects with lower operation risk and decent return, including Highway Project, Bengbu, Anhui Province and Relocation Housing Projects with PPP model, Zhengzhou, Henan Province etc. Meanwhile, the Group proactively intensified the construction of urban underground pipeline net with key support from the state, and was awarded for the first

time the Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province. The award of such project served as a way for the Group to accumulate useful experience for the subsequent implementation of similar projects. Focusing on the leading role of innovation in business expansion, and combining on the core technological advantages of state-level demonstration base of "Construction Industrialisation", the Group actively participated in the construction of affordable housing projects in Hefei, Anhui Province, and successfully acquired equity interest in Redevelopment Project in Ludan Village, Shenzhen, Cooperative Development Project in Qingshuihe, Shenzhen, and Land Project in Shiwulihe, Hefei, which were expected to generate a stable income.

### 3. Far East Global Group Limited ("FEG")

A full recovery of construction market in North America contributed to a continuous growth in curtain wall demand. With more private buildings being launched in Hong Kong and Macau, curtain wall business opportunities increased accordingly. Adhering to an operation strategy of "Big Market, Major Client, Large-scale Project", FEG gave priority to development of projects with sound scale and brand effect, and was awarded various new projects including MGM National Harbor, Baltimore, USA, Vancouver Urban Resort, Vancouver, Canada and Centre of Excellence in Paediatrics in Kai Tak Development, Hong Kong.





## Chairman's Statement (continued)

Currently, projects of Wynn Palace Cotai, Macau, MGM Cotai and Louis XIII, Macau are progressing well, and curtain wall installation keeps pace with the progress of the main structure. Structure reorganisation and management capacity in North America are further enhanced, and progress of each project in progress is manageable.

### Completed Projects during the Period

In 2015, the Group completed 24 projects.

### New Projects Awarded

The Group secured 41 new projects in 2015, with an aggregate attributable contract value of HK\$70,089 million, of which the Hong Kong market accounted for 19.5%, Mainland China market accounted for 68.9%, the Macau market accounted for 7.8% and FEG accounted for 3.8%.

8 new projects were awarded during the first two months in 2016, resulting in an aggregate contract value of HK\$15,580 million.

### Projects in Progress

As at 31 December 2015, the Group had a total of 88 projects in progress, amounting to an aggregate attributable contract value of HK\$199,788 million. The attributable contract value of incomplete works was HK\$127,048 million. At the end of February 2016, the Group had an attributable contract value of HK\$214,288 million.

### Corporate Governance

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced external communication, information is promptly released to enhance the transparency of operation, so as to improve the corporate governance standards. The Board is committed to maintain a high standard of business ethics, a healthy corporate culture and a good corporate practice. The Group established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also adjusted its strategies in line with market changes to better capitalise on the function and role of each dedicated decision-making team. The Group also strengthened the regional and specialised management capabilities of each business unit.

During the year, the Group has established a supervisory system to oversee the compliance of the outsourcing and procurement committees of different operation regions to ensure the decision-making of the Group on selection of contractors and procurement procedure are in compliance with regulations.



### Risk Management

Based on its general operation target, the Group has established a sound risk management system. Through formulating risk management strategy, it has basic risk management procedures in place for each operation management unit. With effective coordination among its information system, organisational function system and internal control system, the Group was able to nurture excellent risk management culture and implement comprehensive risk management with standardised system guarantee.

The Board of Directors of the Group continued to assess, determine and supervise risk management and internal control system of the Group, and was responsible for conducting timely tracking and assessing of strategic risks in respect of macro-economy, regional market and industry development which may affect strategic decisions. It also strived to prevent, control and supervise financial risks, market risks, operational risks and legal risks of the Group, and conducted risk assessment and management examination on major projects and projects with significant potential risks. The Intendance and Audit Department under the Board was in charge of specific works focusing on auditing the financial management, operation management and internal control of each business segment, reviewing the performance and efficiency of the system, monitoring the effectiveness of the risk management, as well as constantly improving the risk management system to enhance the Group's ability to cope with changes in business and external environment.

### Financial Management

Adhering to its prudent financial management principle, the Group focused on financial resources allocation to broaden financing channels and reduce financing costs. At the beginning of the year, the Group raised a syndicated loan of HK\$3,500 million in Hong Kong and successfully refinanced a loan due within the year. The Group paid close attention to the trend of exchange rates and interest rates, timely optimised financing structure, properly enhanced the proportion of RMB debts, strengthened the financing function of the Mainland, and

deepened the "Headquarter-to-Headquarter" strategic cooperation between banks and the Group through the connectivity among senior management through contacting with the senior to finalise project financing progressively. The Group adjusted foreign exchange capital strategies in a timely manner, gave priority to the safety of projects' capital, slowed down the pace of foreign debts injection, and kept the smooth two-way flow of capital pool.

As of 31 December 2015, the Group had bank deposits of HK\$8,015 million and total borrowings of HK\$17,773 million, and a net gearing ratio of 45.9%, net drawdown of bank loans during the year amounted to HK\$3,115 million, and committed but unutilised credit facilities and other banking facilities amounted to HK\$24,649 million, of which available RMB loan amount equivalent to HK\$13,946 million.

### Human Resources

The Group has implemented a talent-based corporate invigoration strategy which incorporates both internal training and external recruitment through construction of human resources management system, achievement in reasonable and effective allocation of human resources and establishment of a professional, occupational and international talent team to meet the demand of strategic transformation and scientific development.

The Group focused on building up three talent teams of operation management, project management and specialty management by setting up an equal and open elite-oriented approach, combining the advantages of internal and external recruitment and internal training, relying on "management-specialty" bi-directional career development paths, optimising specialty position allocation and ranking structure and enhancing organisation ability comprehensively. The Group adhered to its "The Son of the Sea" campus recruitment program, improved quality model, controlled recruitment scale and carefully selected promising talents embracing the Group's culture, and strengthened external introduction of mid-to-high-end specialty talents in respond to the demand for business development.

## Chairman's Statement (continued)

### Capital Operation

Given the Group's excellent results and performance in the capital market, three international rating agencies maintained their rating of the Group as "investment grade". In February 2016, the long-term credit rating and senior unsecured note rating of the Group has been raised by Fitch from "BBB" to "BBB+" with outlook of "stable". During 2015, the Group has met the funding requirements of the investment projects in Mainland China through injecting foreign exchange capital, foreign debts and cross-border RMB capital pool with approximately HK\$4,700 million foreign exchange funds injected, and realised positive capital interaction between Hong Kong and the PRC through returning foreign debts and turning over profits with approximately HK\$3,200 million remitted.

### Technology Innovation

The Group has achieved remarkable technology innovation results in "Construction Industrialisation" for the year and was granted a total of 24 national patents, including 4 invention patents. Shenzhen Hailong Construction Products Co., Ltd., a company under the Group, has successfully passed the re-examination of national high and new technology enterprises and Anhui Hailong Construction Industrial Co., Ltd. was recognised as a national high and new technology enterprise. "Key Technology Research and Application of Hong Kong Construction Industrialisation", as a research result of Hong Kong construction industrialisation promoted and applied to Mainland China, was awarded 2015 China State Construction Engineering Corporation Science and Technology First Class Prize; "Construction Method of Overall Production of Glass Fiber Reinforced Cement and Pre-cast Concrete Structures" was approved as 2014-2015 national construction methods.

The Group has successfully implemented the "Construction Industrialisation" production supply chain system, and realised management and information sharing during the whole process from material application, procurement, stock-in, inventory, material requisition and finished goods inventory to sales and shipments, which could significantly improve the forecast accuracy of products and efficiently reduce costs of inventory, procurement and transaction to improve customer satisfaction and increase market share.

The investment project management system developed by the Group has been officially launched. The system focuses on cost and capital management with a core emphasis on contract management covering multiple investment models such as Build-Transfer ("BT"), Build-Operate-Transfer ("BOT") and PPP. The system covers the implementation of investment in preliminary stage, construction in middle stage and refined management in full life cycle in subsequent operation. By standardisation of business procedures and comparison and analysis decision, the Group will optimise multiple-layer management for various projects, allocate resources reasonably and efficiently, make profits and maximise the value of resources.

### Social Responsibility

The Group issues a corporate social responsibility report every year, striving to maintain "open and transparent" communication to enable stakeholders to fully understand the sustainable development of the Group. In pursuit of good corporate citizenship, the Group has been widely recognised and has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for consecutive 5 years.





## Chairman's Statement (continued)

In January 2015, over 100 staffs of the Group and their family members joined the largest charity walk in Hong Kong "2014/15 Hong Kong and Kowloon Walk for Millions by the Community Chest" to raise funds for "Family and Child Welfare Services", which demonstrates the Group's spirit of actively fulfilling its social responsibilities. The Group has also organised "China State Environmental Protection Day" for consecutive 10 years in order to enhance the awareness of environmental protection of employees in response to "World Environment Day". The Group also jointly organised the "Geographical Tour to High Island Reservoir East Dam" with Sai Kung District Community Centre, a social enterprise, in 5 June in order to demonstrate the determination of the Group to develop into a social corporate and contributions of the Group for the promotion of eco-cultural protection.

### Key Awards

In March 2015, Widening of Fanling Highway-Tai Hang to Wo Hop Shek Interchange of the Group received a merit award of Civil Engineering Sites under the "Construction Industry Safety Award Scheme 2014/2015" organised by government authorities including the Labour Department.

In May, the Development Bureau of the HKSAR Government and the Construction Industry Council jointly organised "The 21st Considerate Contractors Site Award Scheme Award". The Group received three merits of Considerate Contractors Site Awards; and one bronze and two merits of the Outstanding Environmental Management & Performance Awards in the Public Works – New Works category for its excellent performance in safety and environmental protection. In the "Construction Safety Week 2015", which was carried out during the same period, the Group received a gold award and a merit award in "Qigong Display Competition" and a silver award of Innovative Safety Initiative Award.

In June, the Group was awarded the Safest Contractor in 2014 in the "Safety Contractor Award Scheme" organised by the property project department of MTR for its excellent performance in occupational health and safe management.

In July, in the annual poll of The Best Listed Companies in Asia organised by "Institutional Investor", the Group was ranked top three in eight awards and was ranked first in the category of the "Most Respectable Companies", which is indicative of the international capital market's continual affirmation in respect of the Group's corporate governance, investor relations and other aspects. The Group received silver award of annual report "Vision award" (types of commercial service) for the second consecutive year and was elected as one of the "Top 40 Chinese Annual Reports" from the League of American Communications Professionals, a world-renowned institution. The Central-Wanchai Bypass – Tunnel (West Section in Wanchai) of the Group was awarded silver award of Best Safety Enhancement Program for Working at Height in "Construction Safety Forum and Award Presentation Ceremony of 2015".

In December, Main Contract Works for Proposed Residential Development at Austin Station Site D, Kowloon of the Group was awarded Excellent Safety Performance Award. It was the first time that MTR granted the housing construction project with excellent safety performance, reflecting safety management of the Group was fully recognised by MTR.



## Chairman's Statement (continued)

### Business Prospects

In 2016, the global economy will continue its slow growth and uneven development. However, construction industry will face both opportunities and challenges and new urbanisation will continue to be the greatest potential of China's economic development in the future. The Group will precisely capture the trend of macro economy and industrial market and formulate a prescient operating strategy to confront the external changes in operation environment.

### Market Expectation

Hong Kong's economy is expected to retain its growth at a low level for sluggish overseas demand, but it is still with considerable foundation and energy. For avoiding the economy entering into "deflation", the government will launch more livelihood related projects, such as the third runway at airport, seawater desalination plant, Architectural Services Department's hospital project (including design), public rental housing program and so on. The construction market will maintain buoyant. In Macau, due to the concentrated economic structure, downturn of gaming industry in revenue and slowdown in private investment, the government investments will play the most important role.

Economy in mainland China will retain the growth at a moderate-to-high speed. The nation has clearly stated that supply side reform will be the new guiding ideology of economic development. The economic structure will be transformed into moderate-to-high end, and the growth pattern has been established, being the investment pulling-based, innovation driving-oriented and economic benefit-objected pattern which emphasises improving weakness of infrastructure, sustained increase of investment in public transportation, urban rail, high-speed rail, sponge cities and underground pipeline network, creating a large number of infrastructure investment opportunities.

With the curtain wall market in North America continuously recovering, Mega property development projects will be launched. Hotels in Macau are nearly completed and the market is shrinking, while glass curtain wall market in Hong Kong is promising. As for China's curtain wall market, it is still in a state of disorder competition, but high-end residential projects are tended to use glass curtain walls.

### Operation Strategies

Committed to the operation strategy of "**Cost-effective Competition and High-quality management**" and with the implementation of the operation policy of "compliance and prudent development with pioneering innovation, dedicated to market and branding operation", the Group endeavored to build itself up as an integrated international conglomerate with comprehensive development in both construction and relevant investments, so as to continue enhance its corporate value and market competitiveness.

In respect of construction projects in Hong Kong and Macau, the Group will place great emphasis on consolidating the foundation of existing projects. It will continue to give preference to significant civil infrastructure and large-scale private commercial projects and identify competent cooperative partners in order to strive for another breakthrough in business expansion, continuously strengthen ability in crisis public relations and consolidate strong brand edges in Hong Kong and Macau. With initiative planning in integrated core technology and refined management, the Group will capitalise on its differentiated competitive edges against its competitors in order to obtain higher profitability and manage tendering risk effectively. By improving the overall ability of projects control, the Group aims to ensure stable and smooth project progress and alleviate cost pressure resulting from insufficient resources. While strengthening its principal construction business, the Group will continue to grasp contracting opportunities arising from new investments.



## Chairman's Statement (continued)

In respect of the Mainland investment business, the Group will promptly seize the window-period investment opportunities in infrastructure arising from “Structural Reform of the Supply Front” to successively innovate and upgrade the investment and finance model. By strictly following major strategies such as “One Belt, One Road”, “Integration of Beijing-Tianjin-Hebei” and “Yangtze River Economic Zone” of the Country, reinforcing cooperation with the internal divisions of China State Construction and fund and platform companies established by the government, increasing investments into the key cities and key districts, communicating with the local government in a way of “Headquarter to Headquarter”, comprehensively improving the marketing capability of high-end projects and continuously concerning the repurchase of self-operated projects, the Group strives to make investments distributed in both project reserve and capital recovery and shift from initial investment phase into revolving development phase.

FEG will further promote its brand and market expansion, proactively implement high-end projects in North America, Hong Kong and Macau, enhance management of in-hand projects and strengthen core competence in design and construction. At the same time of stabilising traditional curtain wall business, FEG will conduct a reliable and orderly study on business structural strategic transformation, striving to cultivate new revenue growth points as soon as possible.

### Management Model

According to its strategic control and management model, the Group will further optimise the allocation of duties, clearly define the scope of authorities and modify business flows to strengthen the leadership, risk management and key supervision of the headquarters and encourage proactive business management by regional teams. The Group will refine the cooperation mechanism among different departments so as to enlarge the general business scale, strengthen the profitability and entirely promote the in-depth implementation of the “Dual Core Driving Strategy of Construction Engagement and Investment” of the Group.

### Company Mission

The Group is dedicated to its longstanding operation philosophy of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**”. The Group will proactively adhere to its core value of “**Good Quality and Value Creation**”. Incorporating personal aspirations into its long-term corporate development, the Group will put tremendous efforts to ensure stable and sustainable development. It will strive to achieve a “**win-win situation**” with the employees, cooperative partners, shareholders and society and become a new role model in the new era. The Group will endeavour to develop into a “**leading corporation with competitive international complex construction and infrastructure investment**”.

### 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**  
**Zhou Yong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 22 March 2016



# Management Discussion and Analysis



**Profit attributable to owners of the Company was HK\$4,153 million, representing a year-on-year increase of 20.1%. Recorded a positive net operating cash flow in the first time over the past five years.**

## Overall Performance

Under the pressure of global economic slowdown and market fluctuation, the Group managed to record a revenue of HK\$37,913 million and a profit attributable to owners of the Company of HK\$4,153 million, representing a year-on-year increase of 10.1% and 20.1% respectively. Moreover, the Group began to reap the reward of its investments in Mainland China and generated net cash inflow from operating activities of HK\$300 million, marked the Group's first time positive net operating cash flow since its continuous increasing investment in Mainland China from 2011. With a proposed final dividend per share of HK18.00 cents, an interim dividend per share of HK13.00 cents and a special dividend of HK2.00 cents per share paid in the year, the total dividends for the year amount to HK33.00 cents per share, representing an increase of 26.9% as compared to last year.

## Management Discussion and Analysis (continued)



During 2015, Hong Kong, Macau and Mainland China continued to be the core markets of the Group. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and has maintained its leading position in the field. In Mainland China, the Group focused on infrastructure investment businesses and actively explored different kind of investment opportunities in the markets, such as Public-Private-Partnership (“PPP”) project and Construction Industrialisation project. Far East Global Group Limited and its subsidiaries (together, the “FEG Group”) mainly focused on curtain wall business in North America, Hong Kong and Macau. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.

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

### Revenue, Gross Profit and Result

#### Hong Kong and Macau

##### — Construction and Related Businesses

- 1) *Construction and related business — Hong Kong*  
With the strong contract on hand over the last few years and satisfied new contract awarded for the year, Hong Kong segment continue to provide stable cash flow to the Group and delivered stable revenue of HK\$16,184 million, an increase of 5.9%. As prudent provision have been made for the case of excess lead in drinking water, the Group’s gross profit and result of this segment has slightly decreased by 5.3% and 7.3% respectively.



## Management Discussion and Analysis (continued)



### 2) *Construction and related business — Macau*

With the contribution from the major projects awarded last year and current year, Macau segment reported a significant growth of 135.6% and 178.8% year-on-year to HK\$5,314 million and HK\$269 million in terms of revenue and gross profit respectively. The revenue from all area maintain a healthy increment, the segment result increased by 122.6% to HK\$731 million. With the effective management, Macau segment have provided stable contribution to the Group's operating cash flow.

### Mainland China

#### — *Infrastructure Investment Projects and Construction Related Businesses*

We mainly focus on infrastructure investment projects in Mainland China. Although there is slowdown in economic growth in Mainland China, the Group continued delivering steady revenue of HK\$14,631 million, supported by its strong reputation and employer's satisfaction in Mainland China. With the Group's strategies to target the high-end market, this segment recorded slightly growth in gross profit and result of 1.7% and 6.7% respectively. Following the successful completion of some of our "Build — Transfer" ("BT") projects, the Group has received buy-back payment of HK\$6,447 million (including the attributable share of such payment received by our joint venture investments).

The Group has been continuously searching for new business opportunities with better payback periods and stable returns, and successfully awarded several PPP projects in Mainland China during the year.

### 1) *Infrastructure Investment Projects*

Our investments in infrastructure projects span over different kinds of business, including investment and construction of affordable housing, toll road and toll bridge. We participated in these infrastructure projects by way of BT, Build — Operate — Transfer ("BOT"), Transfer — Operate — Transfer ("TOT") and PPP arrangements.

In 2015, infrastructure investment sector reported total revenue of HK\$13,008 million, drop 7.7% year-on-year. The decline was mainly caused by the completion of the construction of some major projects in prior year, and the construction of several new projects still in preliminary stage. Benefited from the Group's overall advantage, which enable us to select project with higher profitability. Overall, the gross profit and result for this sector increased by 4.5% and 4.9% to HK\$3,083 million and HK\$2,998 million respectively.



## Management Discussion and Analysis (continued)

The Group has actively reviewed the place of launching new infrastructure investment projects by assessing market conditions and ability of the government in different provinces, to bring strong momentum to the Group's infrastructure investment business. The Group also keep on fostering PPP project, to earn construction income and stable revenue from infrastructure project.

During the year, the contract value of new infrastructure investment projects awarded to the Group reached a record height to about HK\$45,830 million. Backed up by our stringent project selection criteria, the management envisages this sector will continue to deliver good performance to the Group in the future.

### 2) *Operating Infrastructure Projects*

The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, excluding contribution from joint venture, this sector recorded revenue of HK\$946 million, gross profit of HK\$231 million and result of HK\$204 million.

### 3) *Construction related business*

With the growth of demand of construction industrialisation products, the Group set up a new pre-cast structures production plant in Anhui Province in last year and commenced production during the year, which has stimulated the performance of this segment. As a result, the revenue of this segment have increased 36.2% to HK\$677 million.

### Far East Global Group Limited

#### — *Facade Contracting*

With more private buildings being launched in Hong Kong and Macau, together with the recovery of construction market in North America, curtain wall business opportunities increased accordingly. As a result of effective resources allocation and cost control, FEG reported satisfactory performance in terms of revenue and result for the year under review.



# Management Discussion and Analysis (continued)

## Investment Income, Other Incomes and Other Gains, net

Investment income, other incomes and other gains, net increased 75.2% to HK\$833 million in 2015 mainly attributable to the contribution from an investment-driven construction project.

## Share of Profits of Joint Ventures

The Group operates several construction projects, toll bridge and infrastructure investment projects in form of joint ventures and further enhances this portfolio by acquired a port in Laizhou in December 2014, which delivered the first full-year profit contribution for the year, together with the contribution from the new joint ventures setup in other Province, the share of profits of joint ventures have recorded a moderate growth to HK\$424 million.

## Finance Costs

During the year, the finance costs charged to profit for the year increased by 33.2% to HK\$607 million. The increase was mainly due to the increase of borrowings during the year.

## Earnings Per Share

For the year ended 31 December 2015, basic earnings per share increased by 16.2% to HK103.16 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\$4,153 million and on the weighted average number of 4,026,027,000 ordinary shares in issue during year.

## Corporate Finance

### Financial Position of the Group

#### Shareholders' Equity

The Group dedicated to maintain a sound financial position with a strong capital base to support its stable expansion. Shareholders' equity reached HK\$21,147 million as at 31 December 2015 (2014: HK\$19,830 million). The increase was mainly attributable to the profit for the year of HK\$4,153 million and partly offset by the decrease in translation reserve due to the depreciation of Renminbi.

#### Bank Balances and Cash

At 31 December 2015, the Group had bank balances and cash of HK\$8,015 million (2014: HK\$7,452 million), representing 11.4% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	2015	2014
	%	%
Hong Kong Dollars	36	27
Renminbi	48	57
Macao Pataca	16	13
Others	—	3

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.

## Management Discussion and Analysis (continued)

### Cash Flows Analysis

The Group recorded its first time net operating cash inflow amounting HK\$300 million (2014: net cash outflow of HK\$1,689 million) over the past five years of investment transformation. Excluding the net expenditure for the BT projects of HK\$1,396 million (2014: HK\$4,138 million), the net cash generated from operating activities for the year was HK\$1,696 million (2014: HK\$2,449 million). The net cash outflow in investing activities was HK\$935 million (2014: HK\$2,091 million), and the net cash inflow from financing activities was HK\$1,309 million (2014: HK\$3,172 million).

### Borrowings

The Group continued to strengthen the management of financing and capital operation. Focusing on cash flow management of projects and prudent wealth management. Capital management was further centralised and flexible use of funds between Mainland China and Hong Kong in order to enhance the effectiveness of capital usage.

During the year, the Group has net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of HK\$3,115 million.

At 31 December 2015, the total borrowings of the Group (including the guaranteed notes denominated in US dollars issued by the Group in April 2013) were HK\$17,773 million of which, approximately 73.3% and 25.3% of the bank borrowing were denominated in Hong Kong dollars and Renminbi respectively. Bank borrowings were bearing interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate ("HIBOR") or People's Bank of China ("PBOC") reference rate (overall the condition is favorable) while the Notes bear fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2015 and 2014:

	2015 HK\$'million	2014 HK\$'million
<b>Bank and other borrowings</b>		
On demand or within one year	808	587
More than one year but not exceeding two years	816	1,066
More than two years but not more than five years	10,663	4,395
More than five years	1,607	4,901
Total bank and other borrowings	13,894	10,949
Guaranteed notes payable	3,879	3,870
Total borrowings	17,773	14,819

At 31 December 2015, the Group had net borrowings of HK\$9,758 million (2014: HK\$7,367 million) and the Group's net gearing ratio was 45.9% (2014: 36.8%). The increase of the Group's net gearing ratio was mainly caused by over-budget capital expenditures due to more suitable investment opportunities than expected and the decrease in total equity due to the depreciation of Renminbi. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2015, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK\$24,649 million.



# Management Discussion and Analysis (continued)

## Major Business Development

The Group actively searches for valuable construction and investment projects in order to strengthen its presence in each major segment and enhance the value of the Company. During the year under review, the Group has achieved the following significant milestones in business expansion:

- (1) The Group was awarded various contracts of the Affordable Housing projects in different regions, including Hefei, Anhui Province, Ziyang, Sichuan Province, Huaian, Jiangsu Province and Zhengzhou, Henan Province. The aggregate attributable contract value amounts to HK\$13,140 million.
- (2) The Group was awarded three Affordable Housing and Infrastructure projects in Hangzhou and Jiaxing, Zhejiang Province. The aggregate attributable contract value amounts to HK\$7,060 million.
- (3) The Group was awarded several infrastructure BT project in Zhangzhou, Fujian Province, Binzhou, Shandong Province, Shaoxing, Zhejiang Province and Hechuan District, Chongqing. The aggregate attributable contract value amounts to HK\$8,960 million.
- (4) In April 2015, the Group was awarded a Highway Project in Bengbu, Anhui Province by way of PPP model for the first time in Mainland China. The attributable contract value of the Group is HK\$4,690 million. The Group and Bengbu government will invest 70% and 30% in this project respectively.
- (5) In July 2015, the Group was awarded a Residential Industrialisation Project in Hefei, Anhui Province. This project is the major promotion of construction industrialisation project for affordable housing in Hefei with attributable contract value amounts to HK\$400 million.
- (6) In September 2015, the Group was awarded a Relocation Housing and Hospital Projects Project in Zhenjiang, Jiangsu Province by way of PPP model. The attributable contract value of the Group is HK\$2,380 million. The Group and Zhenjiang government will invest 90% and 10% in this project respectively.
- (7) In October 2015, the Group formed a joint venture in Wuhan, Hubei Province with a subsidiary of China State Construction Engineering Corporation Limited, the Company's intermediate holding company and was awarded an underground traffic corridor BT project, which includes the construction of underground space, railway station, comprehensive pipe gallery and road in Wuhan.





### Management Policies for Financial Risk

#### Interest Rate Risk

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

#### Credit Risk

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

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

#### Foreign Exchange Risk

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



# BUSINESS REVIEW







At the end of 2015, the Group has **88 projects in progress** with an aggregated attributable contract value of






**HK\$199.79** billion.

# Business Review

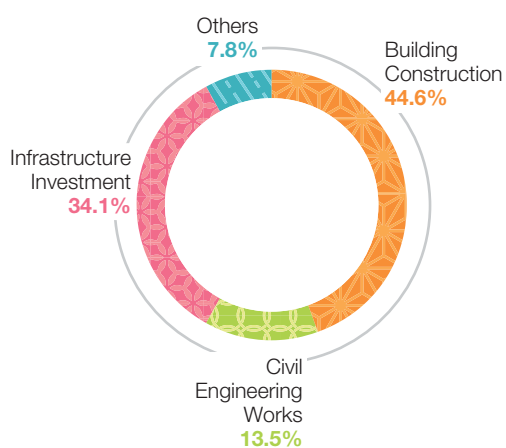
## MAJOR COMPLETED PROJECTS IN 2015

No.	Project name	Government/ Public Sector	Institutional Bodies	Private Sector
<b>Building Construction</b>				
1	Proposed Residential Development at TPTL 200 & 201 Pak Shek Kok, Tai Po, New Territories			
2	Design and Construction of Fire Services Training School cum Driving Training School at Tseung Kwan O			
3	Main Contract Works for Proposed Residential Development at Austin Station Site D, Kowloon			
4	Construction of Public Rental Housing at Sha Tin Area 52 Phase 1			
5	Lee Tung Street/McGregory Street, Wanchai, Hong Kong, Super-Structure Main Contract (for site A)			
6	Main Contract for Residential Development of Nova City, Phase 4, Taipa			
<b>Civil Engineering Works</b>				
1	Widening of Tolo Highway/Fanling Highway Between Island House Interchange and Fanling (Phase 1)			
2	Replacement and Rehabilitation of Water Mains, Stage 3 – Mains in West Kowloon			
3	Replacement and Rehabilitation of Water Mains, Stage 3 – Mains in Central and Western District			
4	Construction of Yuen Long South Branch Sewers and Expansion of Ha Tsuen Sewage Pumping Station			
5	Kai Tak Development – Kai Tak Approach Channel and Kwun Tong Typhoon Shelter Improvement Work (Phase 1)			
6	Hong Kong International Airport – Deep Cement Mixing Trial Works (By Multiple Rigs)			
<b>Foundation Works</b>				
1	Foundation works for the Home Ownership Scheme Development at Kiu Cheong Road East, Yuen Long and Ngan Kwong Wan Road East & West, Mui Wo			
2	Foundation works for the West Rail Tsuen Wan West Station TW5 Cityside Property Development			

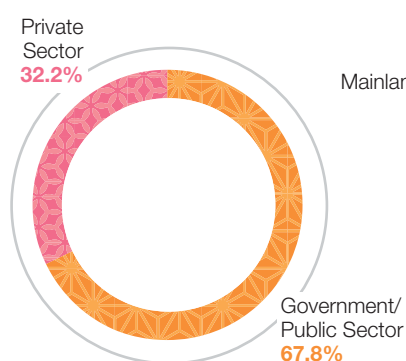
## Business Review (continued)

No.	Project name	Government/ Public Sector	Institutional Bodies	Private Sector
<b>Mechanical and Electrical Engineering Works</b>				
1	Mechanical & electrical works for Studio Macao City Hotel A, Macau			
2	Mechanical & electrical works for Studio Macao City Hotel B, Macau			
<b>Infrastructure Investment</b>				
1	Shanxi Wuyu Expressway			
2	Hangzhou Xiaoshan Beigan Relocation Housing Phase 1			
3	Affordable Housing Project Phase IV, Shushan District Industrial Park, Hefei, Anhui Province			

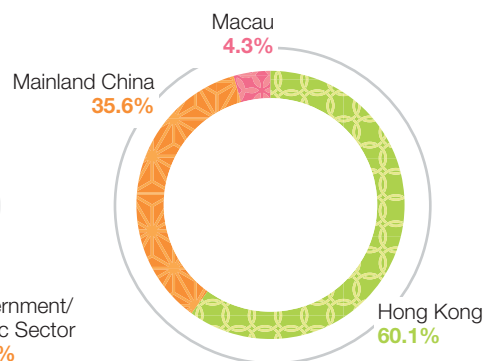
### By Categories



### By Customers



### By Market





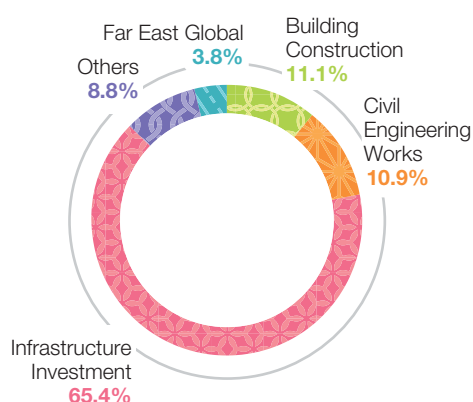
## Business Review (continued)

### NEW PROJECTS AWARDED IN 2015

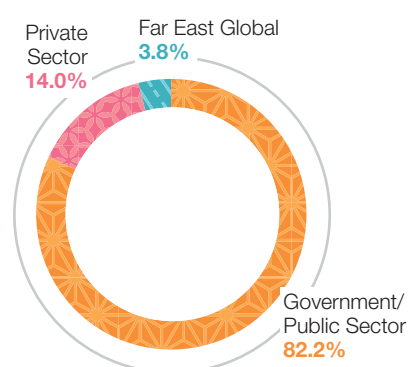
#### Summary for the year

- 41 new projects awarded
- Attributable contract value for new projects awarded was HK\$70,089 million

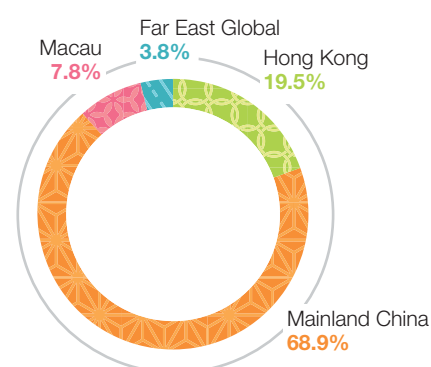
#### By Project Categories



#### By Customers



#### By Market



#### The first two months of 2016

- 8 new projects awarded a total attributable contract value of HK\$15,580 million

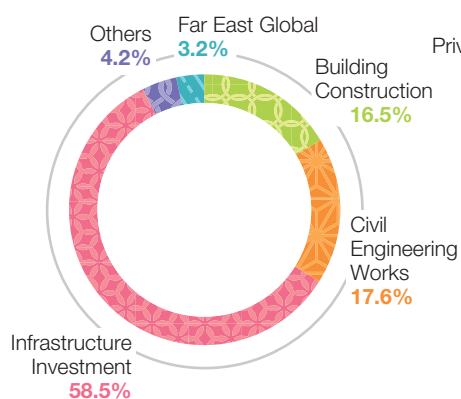
### PROJECTS IN PROGRESS IN 2015

	As at 31 December 2015		
	No.	Attributable contract value HK\$'million	Value of incomplete contract HK\$'million
<b>Hong Kong</b>	<b>34</b>	<b>55,573</b>	<b>23,990</b>
Building Construction	8	14,667	6,854
Civil Engineering Works	13	35,147	14,308
Others	13	5,759	2,828
<b>Mainland China</b>	<b>49</b>	<b>119,498</b>	<b>88,221</b>
Building Construction	2	2,640	2,087
Infrastructure Investment	47	116,858	86,134
<b>Macau</b>	<b>5</b>	<b>18,330</b>	<b>11,169</b>
<b>Far East Global</b>	<b>-</b>	<b>6,387</b>	<b>3,668</b>
<b>Total</b>	<b>88</b>	<b>199,788</b>	<b>127,048</b>

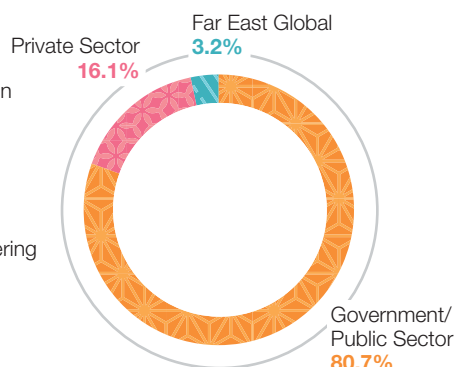
PROJECTS IN PROGRESS IN 2015 (continued)

	As at 31 December 2015		
	No.	Attributable contract value HK\$'million	Value of incomplete contract HK\$'million
<b>Infrastructure Investment</b>	<b>47</b>	<b>116,858</b>	<b>86,134</b>
Affordable Housing		72,484	53,528
Infrastructure		44,374	32,606
<b>Cash Construction &amp; related</b>	<b>41</b>	<b>76,543</b>	<b>37,246</b>
Mainland China	2	2,640	2,087
Hong Kong	34	55,573	23,990
Macau	5	18,330	11,169
<b>Far East Global</b>	<b>-</b>	<b>6,387</b>	<b>3,668</b>
<b>Total</b>	<b>88</b>	<b>199,788</b>	<b>127,048</b>

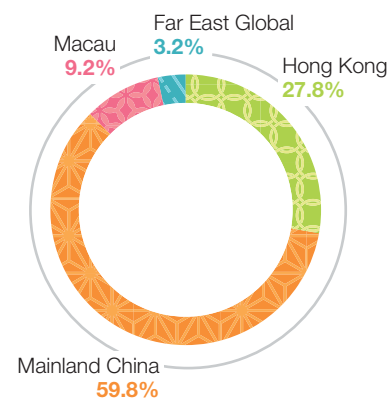
By Project Categories



By Customers

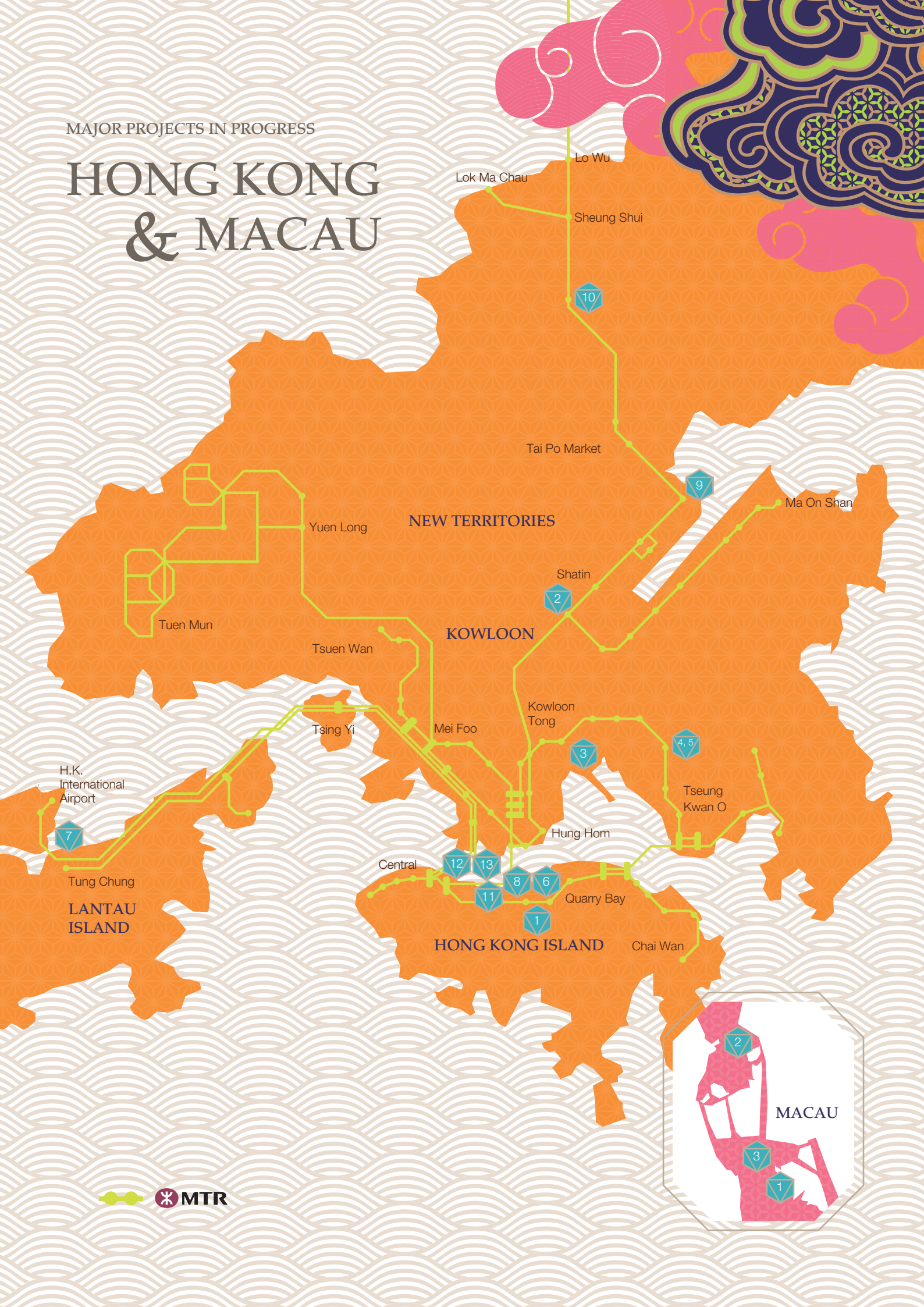


By Market



MAJOR PROJECTS IN PROGRESS

# HONG KONG & MACAU





### Major Projects in Progress — Hong Kong

No.	Project Name	Attributable Contract Value HK\$'million
<b>Building Construction</b>		
1	Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment	1,776
2	Construction of Public Rental Housing at Sha Tin Area 52 Phase 3 and 4	2,580
3	Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon	5,454
4	Construction of Public Rental Housing at Anderson Road Site C1 & Ancillary Facilities Block at Site C2 Phase 2	1,044
<b>Civil Engineering Works</b>		
5	Development at Anderson Road — Site Formation and Associated Infrastructure Works	2,063
6	Central — Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	5,377
7	Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road — Section between Scenic Hill and Hong Kong Boundary Crossing Facilities	8,875
8	Central — Wan Chai Bypass Tunnel (Slip Road 8 Section)	4,792
9	Expansion of Tai Po Water Treatment Works and Water Transfer Facilities	1,659
10	Widening of Fanling Highway — Tai Hang to Wo Hop Shek Interchange	2,510
11	Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link	2,876
12	Central-Wanchai Bypass Tunnel (West Section in Wanchai)	1,708
13	Construction Project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link	2,132



## Business Review (continued)

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

Building Construction project at a glance







Major Projects in Progress — Hong Kong (continued)

Civil engineering works project at a glance





# Business Review (continued)

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

Civil engineering works project at a glance (continued)



Major Projects in Progress — Macau

No.	Project Name	Attributable Contract Value HK\$'million
<b>Building Construction</b>		
1	Section 1 & 2 of Public Housing in Ilha Verde, Macau	1,892
2	MGM Cotai Project	10,485
3	Main Contract for Residential Development of Nova City Phase 5, Taipa	5,405





MAJOR PROJECTS IN PROGRESS

# MAINLAND CHINA



Yellow River

Mainland China

Yangtze River

Pearl River

- Highways
- Plant
- Building Construction
- Bridge
- Port

30

31

27

17

25

23

10

26

11, 12, 13, 14, 24

33

22

15, 16

28

7, 8, 9, 21

3, 5

20

29

6

1, 2

18, 19

4

32



## Major Businesses — Mainland China

No.	Project Name
<b>Infrastructure Investment</b>	
<b>Affordable Housing</b>	
1	BT Contract of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province
2	Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province
3	Relocation Housing Project in Modern Industry Project of Hyundai Motor, Ziyang, Sichuan Province
4	Zhangzhou Ecological Park Relocation Housing
5	Financed Construction Project of Relocation Housing in Tianfu Xinqu, Sichuan Province
6	Hangzhou Xiaoshan Beigan Relocation Housing Phase 2
7	Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province
8	Affordable Housing BT Project in Wuxing District of Huzhou, Zhejiang Province
9	Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province
10	Relocation Housing Project in Residents Public Service Core District of Zhengzhou, Henan Province
11	Affordable Housing BT Project in Jingkou District, Zhenjiang, Jiangsu Province
12	Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province
13	Relocation Housing Project with PPP model, Huaiyin District, Huaian, Jiangsu Province
14	Public Facilities and Relocation Housing Projects with PPP model, Huaian, Jiangsu Province
15	Dayang Affordable Housing Project in Luyang District, Hefei, Anhui Province
16	Residential Industrialization Project, Hefei, Anhui Province
17	Affordable Housing Project in Chengyang District, Qingdao, Shandong Province
<b>Infrastructure</b>	
18	BT Project for Rerouting Lianjiang – Jinan sector of National Highway G104 in Fuzhou, Fujian Province
19	Infrastructure BT Project in Longhai of Zhangzhou, Fujian Province
20	Infrastructure Project, Hechuan District, Chongqing
21	People's Hospital and infrastructure Project in Wuxing District with PPP model, Huzhou City, Zhejiang Province
22	Five Infrastructure Projects including Binjiang Avenue in Wuhan, Hubei Province
23	Two roads BT Projects in Zhengzhou, Henan Province
24	Relocation Housing and Hospital Projects with PPP model, Zhenjiang, Jiangsu Province
25	Infrastructure Project Phase II in Qujiang New District, Xi'an, Shaanxi Province
26	Highway Project, Bengbu, Anhui Province
27	Infrastructure and Related Facilities Projects, Binzhou, Shandong Province
28	Nanjing No. 2 Yangtze River Bridge
29	南昌大橋及南昌中海新八一大橋 (Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge)
30	Shenyang Huanggu Thermal Power Plant
31	Laizhou Port
<b>Construction Industrialised Factory</b>	
32	Shenzhen Hailong Construction Products Plant
33	Anhui Hailong Construction Products Plant

## Business Review (continued)

### Major Businesses — Mainland China (continued)

Infrastructure Investment — Affordable housing project at a glance



Major Businesses — Mainland China (continued)

Infrastructure Investment — Affordable housing project at a glance (continued)





## Business Review (continued)

### Major Businesses — Mainland China (continued)

Infrastructure Investment — Infrastructure project at a glance



Major Businesses — Mainland China (continued)

Construction industrialised factory at a glance



# Awards and Accolades 2015

Comprehensive strength, corporate governance, branding, CSR category



Award	Unit	Organisation
Caring Company 2014/15 Logo	Far East Global Group Limited	The Hong Kong Council of Social Service (HKCSS)
Caring Company 2014/15 Logo	CSCI	The Hong Kong Council of Social Service (HKCSS)
Outstanding Enterprise of the Safety and Health Cup Competition in Shenyang (2014)	瀋陽皇姑熱電有限公司	Shenyang Federation of Trade Unions Shenyang Administration of Work Safety
Collective Award of Security Work Engaged by the Municipal-wide Enterprises (2014)	瀋陽皇姑熱電有限公司	Shenyang Public Security Bureau
The 2014 annual Wuxi "Taihu Cup" excellent project	Shenzhen China Overseas Construction Company Limited	Wuxi City Construction Bureau



## Awards and Accolades 2015 (continued)

Award	Unit	Organisation
Corporate Credit Quality (Credit) rating of AAA of Shenyang Heating Enterprises	瀋陽皇姑熱電有限公司	Shenyang Heating Association
Provincial Youth Civilization Sample of Highway Management Sector (2014)	Yangquan Yangwu Expressway Investment Management Limited ((Toll stations of Yangquan East, Yuxian East, Yinying and Pingding North)	Shanxi Founding Committee of Youth Civilization Sample of Highway Management Sector
2015 Outstanding Enterprise of the Safety and Health Cup Competition in Huangpu District	Shanghai Netfortune Aluminium Works (Shanghai) Ltd	Federation of Trade Unions of Huangpu District, Shanghai Administration of Work Safety of Huangpu District, Shanghai
Shanxi Youth Civilization Sample (2014)	Road Administration of Yangwu	Shanxi Youth Civilization Sample Activity Organisation Committee
Winning Team of the Labor Competition of National Key Projects in Transportation Infrastructure	Project Management Department of Wuyu Expressway of China State International Shanxi Company	China Seamen Construction Union
Annual Report "Vision Awards" Silver Winner, Top 40 Chinese Annual Reports	CSCI	League of American Communications Professionals
No. 1 of Most Honored Companies (The All-Asia Executive Team) Top Three among Eight Rankings in the Industrial Sector	CSCI	<i>The Institutional Investor</i>
Gold Winner of 2015 International ARC Awards (Construction/Engineering Sector)	CSCI	ARC Awards



# Awards and Accolades 2015 (continued)

## Technology Category

Award	Unit/Individual	Organisation
Utility Model Patent Award "Reinforcement Cage Assembling Frame"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "Reinforcement Assembly Binding Frame"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "Hanger-type Combined Wallboard"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "A Type of Lifting Device"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "Concrete Aggregate Materials and Material Storage System"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "Cutting Board"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "PCF Board Storage Rack"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award "Sleeve Fastener"	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Housing Projects of Resettlement Community # 1, # 5, # 8, # 9, # 10, # 12, # 14, # 15, # 16 of Land Lot A7 of Pyeongchang Town, Zhenjiang District was awarded the "Best Municipal Class Quality Structural Engineering Award for the Second Half of 2014"	深圳中海建築有限公司	Housing and Urban Construction Bureau of Zhenjiang City
First Prize for the Outstanding Technical Seminar Paper Award – Large Hospital Architecture Vibration Assessment and Damper Design Research	Zhou Yong, Zhang Yi, Meng Xiangbo, Ke Jianfa, Shi Liangcheng	China State Construction Engineering Corporation Limited



## Awards and Accolades 2015 (continued)

Award	Unit/Individual	Organisation
First Prize for the Outstanding Technical Seminar Paper Award – Design and Management Research on Hong Kong Large-scale Sewage Treatment Plant DBO Model	Pan Shujie, Lu Xingmin, He Jun, Shi Da	China State Construction Engineering Corporation Limited
First Prize for the Outstanding Technical Seminar Paper Award – Research on Tunnel Blasting under Complicated Environment in Hong Kong	Yu Peizhong, Zheng Yuanshuai, Wang Guanzhong	China State Construction Engineering Corporation Limited
Second Prize for the Outstanding Technical Seminar Paper Award – Single Objective and Multi-objective Optimization for Large-scale Deep Foundation Supporting Structure	Zou Xiaokang, Zhang Yi	China State Construction Engineering Corporation Limited
Second Prize for the Outstanding Technical Seminar Paper Award – Critical Technologies for Large-scale Deep Excavation and Support in New Reclamation Area	Chen Jinghui, Huo Yi	China State Construction Engineering Corporation Limited
Second Prize for the Outstanding Technical Seminar Paper Award – RFID technology used in the Full Life-cycle Tracking of Precast Concrete Components	Jiang Shaojie, Qin Chongrui, Liu Xinwei, Zhou Guangxing	China State Construction Engineering Corporation Limited
Second Prize for the Outstanding Technical Seminar Paper Award	深圳海龍建築制品有限公司	Technology and Design Management Department of China State Construction Engineering Corporation Limited Technical Center of China State Construction Engineering Corporation Limited
First Award of Hong Kong Building Industrial Critical Technology Research and Application	深圳海龍建築制品有限公司	China State Construction
First Award of the CSCEC Technology Awards	CSCI、 深圳海龍建築制品有限公司、 中建國際投資(中國)有限公司、 China State Construction Engineering (Hong Kong) Limited、 安徽海龍建築工業有限公司、 合肥中建國際投資發展有限公司、 深圳中海建築有限公司	China State Construction Engineering Corporation
Lu Ban Award of China Construction (Zhongzhou Huafu)	中建國際投資(中國)有限公司	China Construction Industry Association
All-in-one Semiconductor Cooling Unit Glass Curtain Wall	遠東幕牆制品(深圳)有限公司	The State Intellectual Property Office of the People's Republic of China
All-in-one Solar Water Heater Unit Glass Curtain Wall	遠東幕牆制品(深圳)有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award “Transport Cart Capable of Automatically Changing Rail”	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Utility Model Patent Award “Wall and Boardcleaning machine”	安徽海龍建築工業有限公司	The State Intellectual Property Office of the People's Republic of China
Gold Award of Youth Innovation and Performance Contest of China Construction	深圳海龍建築制品有限公司	China State Construction Engineering Corporation
Construction Award from China Overseas Holdings Ltd. (Three Classes of Construction Technology)	China Construction Engineering (Macau) Company Limited – I-beam Support System in the External Wall of Underground Unilateral Template Construction Method	China Overseas Holdings Ltd.



## Awards and Accolades 2015 (continued)

### Safety and Environmental Protection Category

Activity	Award	Unit/Engineering	Organisation
Construction Industry Safety Award Scheme 2014/2015	Civil Engineering Sites(Merit)	Widening of Fanling Highway-Tai Hang to Wo Hop Shek Interchange	Labour Department of Hong Kong and other
In relation to the Assessment of the First Batch Civilization Construction Standardization Demonstration Project Sites of Jiangsu Province in 2014	Jiangsu Province Civilization Construction Standardization Demonstration Site	無錫職教園新藕苑二期 還遷安置房BT項目	Housing and Urban Construction Department of Jiangsu Province, Jiangsu Province Construction Labor Union
Health Exercise Competition of the Occupational Safety Fun Day	Occupational Safety and Health Exercise Contest (Champion)	Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	Organisations including Association for the Rights of Industrial Accident Victims
The 8th Regional Safety Quiz	Second runner-up (Construction Enterprise)		Macau Labour Affairs Bureau
MTR Safety Performance Award	Excellent Safety Performance Award	Austin Site D Development	MTR
MTR Safety Contractor Award Scheme	2014 Safety Contractor Award	Foundation Works for the West Rail Tsuen Wan West Station TW5 Cityside Property Development	MTR



## Awards and Accolades 2015 (continued)

Activity	Award	Unit/Engineering	Organisation
The 21st Considerate Contractors Site Award Scheme	Considerate Contractors Site Award(Merit)	Central – Wan Chai Bypass Tunnel (Slip Road 8 Section)	Development Bureau, Construction Industry Council and other
The 21st Considerate Contractors Site Award Scheme	Considerate Contractors Site Award(Merit)	Upgrading Works at Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities	Development Bureau, Construction Industry Council and other
The 21st Considerate Contractors Site Award Scheme	Considerate Contractors Site Award(Merit)	Design and Construction of Fire Services Training School Cum Driving Training School at Tseung Kwan O	Development Bureau, Construction Industry Council and other
The 21st Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Bronze)	Central – Wan Chai Bypass Tunnel (Slip Road 8 Section)	Development Bureau, Construction Industry Council and other



## Awards and Accolades 2015 (continued)

Activity	Award	Unit/Engineering	Organisation
The 21st Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Merit)	Upgrading Works at Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities	Development Bureau, Construction Industry Council and other
The 21st Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Merit)	Design and Construction of Fire Services Training School Cum Driving Training School at Tseung Kwan O	Development Bureau, Construction Industry Council and other
Construction Safety Week 2015	QiGong Display Competition (Gold)	Central – Wan Chai Bypass – Tunnel (Causeway Bay Typhoon Shelter Section)	Development Bureau, Construction Industry Council and other
Construction Safety Week 2015	QiGong Display Competition (Merit)	Central – Wan Chai Bypass – Tunnel (Slip Road 8 Section)	Development Bureau, Construction Industry Council and other
Construction Safety Week 2015	Innovative Safety Initiative Award 2015 (Silver)	Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities	Development Bureau, Construction Industry Council and other
The 16th Construction Safety Promotional Campaign	Best Safety Enhancement Program for Working at Height (Silver)	Wan Chai Development Phase II Central-Wan Chai Bypass at Wan Chai West	Hong Kong Occupational Safety & Health Council and other



## Awards and Accolades 2015 (continued)

### Environmental Pledge/Participation of Environmental Protection Plan

Pledge/Project/Activity	Signee	Organiser
2015 Energy Saving Charter on Indoor Temperature	CSCI	Electrical and Mechanical Services Department of HKSAR Government
“Let’s Save 10L Water” Campaign (Permanent Charter)	CSCI	Water Supply Department of HKSAR Government
Green Partner (Permanent Charter)	CSCI	Development Bureau of HKSAR Government
Energy Saving Charter on “No ILB” (Permanent Charter)	CSCI	Electrical and Mechanical Services Department of HKSAR Government





# CORPORATE CITIZENSHIP







***For a successful construction project,***  
*other than cost control, safety, quality and progress,*  
*environmental protection also plays an important role.*

***As a socially responsible contractor,***  
*the Group must champion green management in*  
*construction planning in order to create a pleasant*  
*environment for our society.*



# Corporate Citizenship

## 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 155 employees had been rotated worldwide over the last 3 years. As of end of 2015, the Group had a total of 10,889 employees (excluding staff of our joint venture projects), of which, 5,062 persons were in Hong Kong and Macau, 5,142 of them were in Mainland China, and 685 were working overseas.



## Staff Recruitment Programme

Besides getting seasoned professionals from the open market, the Group also organised campus recruitment programmes to grasp young engineers from 4 universities in Hong Kong. Not least, hiring graduates with top caliber from well-known universities in Mainland China through its “Recruitment Programme for the Son of the Sea” enabled 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” and the “Study Subsidy and Examination leave” to facilitate staff training. In line with the business development on an international scale and the organization expansion, the Group hammers out training programmes for different professions and different levels of staff according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 4,350 participants took part in the courses during the period.



By means of its all-rounded “Talent Development Scheme”, “Graduate Engineer Scheme A Training Programme” and its “Apprentice Training Scheme”, the Group forms a comprehensive development path and 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 recognises that the effectiveness of a system depends on its implementation. Rewards systems are designed and strictly executed to ensure that company compensation and benefits are competitive and allocated on the basis of merit. With the implementation of the “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 indicator and assessment target presented by the Company as the key basis for their respective performance assessment. Various incentive mechanisms including “Integrated Site Management Award” and “Technology Achievement Award” are implemented to extend our recognition towards remarkable staff contribution. To maintain a competitive remuneration position within the marketplace and set reasonable pay level to its staff, the Group carries out salary survey and benefit policy review from time to time so as to strike a balance between corporate development and staff satisfaction.

### Relationship with Employees

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

## Corporate Citizenship (continued)

### Environmental Policy

The core business of China State Construction Engineering (Hong Kong) Limited (hereinafter referred to as “the Company”) is the design and construction of multi-disciplinary projects, including building, civil, foundation, mechanical & electrical projects, and construction products. It is the Company’s policy to protect the environment likely to be affected by its operations.

The Company is committed to:

- complying with statutory, contractual and other requirements in all respects
- preventing environmental pollution
- reducing construction wastes
- minimizing the consumption of natural resources; and
- improving its overall performance

The Company has set up its environmental management system and formulated environmental objectives and targets. The Company shall continuously review and improve the environmental management system in an attempt to improve its overall performance.

It is mandatory that all employees shall fully conform to the policy and carry out their assigned duties and responsibilities.

### Environmental Risks and Control Measures

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

In order to prevent project sites violating the environmental laws, all projects have to identify project related significant environmental aspects at project commencement then follow strictly the operating procedures stipulated in the Group’s Standard Operating Procedures Manual to operate the project. The Group’s Safety and Environmental Protection Department (S&EP Department) responsible for providing technical supports as well as monitoring the sites ensuring all sites are complying with statutory requirements. For Noise Control Ordinance compliances, all high risk sites for example those fall within Designated Areas under the NCO and those with tight works schedule will first be identified, then Restricted Hours (holidays and night time) Surprise Checks will be conducted irregularly to ensure those sites are strictly following the Group’s in house Restricted Hours Permit-to-work system which only allows works covered by valid Construction Noise Permit to be carried out during Restricted Hours. For tackling air



pollution issues associated with construction activities, Task Force Site Inspection will be conducted regularly for sites with extensive dusty processes. Should any deficiencies found during the Task Force Site Inspection, the site will be required to provide photos on carrying out dust suppression on the deficiencies spotted to S&EP Department on a daily basis until situation improved. Regarding sites with deficiencies in wastewater treatment system, technical assistances will be jointly provided by S&EP Department and Plants Department. The sites concerned will be required to provide photos on proper operation of wastewater treatment plant as well as the conditions of the discharge point on a daily basis to S&EP Department until situation improved to ensure that no substandard discharge from sites. In addition to the control measures mentioned, S&EP Department issues “Environmental Alert” regularly to remind all construction sites be vigilant on potential environmental issues and take proactive action to avoid deviating from statutory requirements.

### Environmental Protection and Promotion

As a socially responsible contractor, the Group always champions green management in construction planning in order to create a pleasant environment to our society. The Group has adopted technologically innovative measures and green practices to reduce carbon footprint and help avert global warming, take up our corporate responsibility to improve the environment. In 2014 China State (Hong Kong) and China Overseas Building granted the ISO50001:2011 Energy Management Systems certification.

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

With the concerted efforts of the Group, the results were remarkable. The Central-Wan Chai Bypass Tunnel (Slip Road 8 Section) Project won the Outstanding Environmental Management and Performance Award (Bronze Award) in the 21st Considerate Contractors Site Award Scheme, two other projects also won the Merit Award in the award scheme. The Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) Project won the Merit Award in the Sectoral Award in Construction Industry in “The Hong Kong Awards for Environmental Excellence” in 2014.

Same as previous years, the Group is actively committed to environmental promotional activities. In the yearly “China State Environmental Protection Day”, the Group participated the “High Island Reservoir East Dam Guided Tour” co-organized with district community. Through the guided tour, staff acquired the knowledge and appreciated the works on geopark conservation. All the Group’s construction sites participated the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable material.

The Group also required all subcontractors to comply with our environmental policies. Regular site meetings were held with subcontractors to discuss environmental protection related issues. Moreover, the Group also organised training on environmental management systems for its staff and subcontractors to arouse their awareness on environmental protection 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.



## Corporate Citizenship (continued)

### The Group and Community

“Serve the Community” is a corporate value of the Group. The Group is committed to setting a good example as a corporate citizen through undertaking various kinds of projects. Fulfilling the duties of a corporate citizen is an integral part of the core values of the Group. 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 “Hong Kong and Kowloon Walk for Millions” organised by the Community Chest of Hong Kong, “Wu Zhi Xing” (無止行), so as to help needy people in the community and encourage its staff to express their care for the society.

### “Hong Kong and Kowloon Walks for Millions” by the Community Chest of Hong Kong

On 11 January 2015, more than 250 staff from COHL and CSCEC and their families took part in “Hong Kong and Kowloon Walk for Millions”, the first large fund raising activity organised by the Community Chest of Hong Kong in the year. Mr. Leung Chun-ying, Chief Executive of the HKSAR, and his spouse attended the activity and hosted the opening ceremony.

Despite the occasional drizzle on that day, it did not affect the eagerness and enthusiasm of our staff. Led by leaders of the Group, the dashing staff in tidy and eye-catching tracksuit of COHL walked from Hong Kong Stadium, passed through Wong Nai Chung Gap Road, Black’s Link, Aberdeen Reservoir Road and finished at Aberdeen Country Park Visitor Center. Their participation in the activity attested to the commitment of COHL in public activities and corporate social responsibilities.

“Walks for Millions” organised by the Community Chest is one of the largest fund raising events in Hong Kong. The Group has been giving support and organising staff and their families to join the activity every year. Fund raised from this event will be donated to “Family and Child Welfare Services” 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.





### COHL supports the “Wu Zhi Xing Charity Walk” for three consecutive years

On 8 February 2015, 中國海外集團婦女聯誼會 organized nearly 30 staff and their families of COHL, CSCEC and their sites to join the “4th Wu Zhi Xing Charity Walk” held by (Bridge to China) Charitable Foundation. It is the third year in a row for the Group to support the activity and we won the third place in the highest amount of funds raised in Open Category.

The event invited Wong Kam-sing, Secretary for the Environment to serve as guest of honor. A total number of approximately 1,000 people, including staff from COHL, teaching faculty and students and alumni from 13 universities in Hong Kong, groups from business community and citizens participated in the event. The Walk took place along Pak Shek Kok Promenade to Tai Po Yuen Chau Tsai Park which commands panoramic views. Along the route, the student volunteers shared their once-in-a-lifetime Wu Zhi Qiao experience in remote mainland China.

Wu Zhi Qiao (Bridge to China) Charitable Foundation is a charity registered in Hong Kong in 2007 for encouraging volunteers, especially university student volunteers from Hong Kong and Mainland China, to design and build footbridges and village facilities in remote and poor villages in the Mainland with green concepts. Donation raised in the “Wu Zhi Xing Charity Walk” this year will be used to support the Village Centre Construction Project in Macha Village of Gansu, China, using the advanced rammed earth technology. The project will not only improve the local’s livelihood, but also demonstrate the potentials of earth architecture as an anti-seismic, safe, comfortable, eco-friendly and affordable alternative to a more sustainable rural development.



### Corporate Environmental Protection Day

On 5 June 2015, CSCEC organised the “2015 Environmental Protection Day” activity: the “Geo Tour of East Dam of High Island Reservoir”, in order to respond to World Environment Day on 5 June, to enhance the awareness of environmental protection of employees and to perform its social responsibility. This activity provided a hand-on experience of the environment and ecosystem, allowing the staff to understand the splendid rock and landform of the world-class geopark. The tour was jointly organised by Sai Kung District Community Centre, a social enterprise, with a professional tour guide giving introduction along the journey, which added more fun to the participants while taking in the eco-cultural preservation work. Through participating in this activity, the Group showed its continuous support to corporate social development, its determination to fulfill corporate social responsibility and contributions for the promotion of eco-cultural protection.



### Investor Relation

The Company's main duty in investor relations is to provide visibility on the Company's latest development strategy, business management, financial information and business progress clearly to the investment community. 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, reverse roadshows and meetings organised by investment institutions. To enhance communication with the capital market, the Company regularly and irregularly updates the information through website [www.csci.com.hk](http://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 2015, the Company actively pushed forward with the promotion of the listed company, organised meetings with analysts and investors over 1,000 persons-time, and attended post-results road shows in Mainland China, Europe, US, Canada, Singapore and Hong Kong with investment banks. Besides, the management also participated in the investment conferences and forums organised by the major investment banks.



The Company provides operating information update on a monthly basis and conducts follow-up communications, in order to ensure that the investment community is informed of 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 2016, the Company will further strengthen its efforts in this respect. To increase investor relations service standard and company transparency will be one of the priorities of the company's investor relations function.

The Company's investor relations works have gradually been appreciated by the investment community. In the annual poll of best executive team of listed companies by "Institutional Investor", the Company was awarded the first place for all categories in the infrastructure industry, including Best Investor Relations Company, Best CEO, Best CFO, Best Investor Relations Professional and Best Investor Relations Team.



## Corporate Citizenship (continued)

### Major Investor Relations Activities in 2015

Month	Activities
<b>January</b>	The 15th UBS Greater China Seminar Nomura Property Corporate Day Nomura Corporate Day (Properties) Citi China Top Pick Corporate Day Barclays Property Corporate Day
<b>February</b>	The 6th Deutsche Bank Asia Conference
<b>March</b>	2014 Annual Results Announcement <ul style="list-style-type: none"><li>• Press Conference</li><li>• Investors and Analysts Briefing</li><li>• Road Shows in Hong Kong and Europe</li></ul>
<b>April</b>	Post-annual Results Road Shows in Japan
<b>May</b>	Post-annual Results Road Shows in US, Canada The 6th Macquarie China Conference Barclays Asia Financial & Property Conference The 20th CLSA China Forum BAML Industrial Corporate Day Morgan Stanley China Summit HSBC China Conference Daiwa Auto and Industrial Leaders Conference
<b>June</b>	JP Morgan China Summit CICC Investment Conference CMS Investment Conference
<b>July</b>	Citibank Mid Cap Conference
<b>August</b>	2015 Interim Results Announcement <ul style="list-style-type: none"><li>• Press Conference</li><li>• Investors and Analysts Briefing</li><li>• Road Shows in Hong Kong, Singapore, Malaysia and Mainland China</li></ul>
<b>September</b>	Post-interim Results Road Shows in Europe
<b>October</b>	Guosen Securities Corporate Day Daiwa Investor Conference Hong Kong
<b>November</b>	Goldman Sachs Greater China Summit The 6th Credit Suisse Annual China Investment Conference The 10th Citibank China Investor Conference BAML Annual China Conference Morgan Stanley Annual China Conference CICC Investment Forum
<b>December</b>	Citigroup Industrial Corporate Day

# Directors and Organisation



- 1 Mr. Zhou Yong
- 2 Mr. Tian Shuchen
- 3 Mr. Zhou Hancheng
- 4 Mr. Pan Shujie
- 5 Mr. Hung Cheung Shew
- 6 Mr. Wu Mingqing



### Board of Directors

#### Mr. ZHOU Yong

*Executive Director,  
Chairman and Chief Executive Officer*

Aged 45, was appointed as a Director of the Company on 21 April 2004 and was designated as an Executive Director on 1 June 2005. Mr. Zhou acted as Vice-chairman of the Company during the period from 9 June 2005 to 14 August 2013 and was appointed Chairman of the Company on 15 August 2013. 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 China State Construction Engineering Corporation (“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 China Overseas Holdings Limited (“COHL”) and the chairman and non-executive director of Far East Global Group Limited (“FEG”, a subsidiary of the Company and listed in Hong Kong). 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 23 years’ construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specialises 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, Vice President*

Aged 50, 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 28 years’ experience in construction engineering and project management.

#### Mr. ZHOU Hancheng

*Executive Director and Financial Controller*

Aged 46, 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 in Mainland China. 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 24 years’ experience in corporate finance, financial accounting and investment management.

## Directors and Organisation (continued)

### Mr. PAN Shujie

*Executive Director, Vice President*

Aged 51, 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 29 years' experience in civil and construction project management.

### Mr. WU Mingqing

*Executive Director, Vice President*

Aged 51, was appointed as an Executive Director of the Company on 3 June 2014. Mr. Wu 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 30 years' experience in finance management, construction engineering, infrastructure investment and project management.

### Mr. HUNG Cheung Shew

*Executive Director, Vice President*

Aged 57, 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 34 years' experience in construction management and planning.

## Directors and Organisation (continued)

### 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 77, was appointed Independent Non-executive Director of the Company on 1 June 2005. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom; Honorary Doctor of Business Administration from the City University of Hong Kong; Honorary Doctor of Laws from University of Manchester, United Kingdom; a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom; and a bachelor degree in civil engineering from the University of Hong Kong; and was awarded Honorary University Fellow of The University of Hong Kong and Honorary University Fellow of The University of Central Lancashire, United Kingdom.

Dr. Ho has 53 years' experience in the fields of civil, structural, energy, environmental and geotechnical engineering and direct project management of many mega size engineering projects including 43 years in Hong Kong and 10 years in the United Kingdom. He has direct responsibility in the HK\$3.0 billion project of Electrification and Modernisation of Kowloon-Canton Railway from the mid-70's till early 80's; and all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993, experience including construction of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, slope, reclamation, environmental studies and environmental protection projects.

Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. He was formerly Hong Kong Deputy to the 10th & 11th National People's Congress of the PRC; member of the Provisional Legislative Council of the Hong Kong Special Administrative Region (1996–1998); member of the 1st to 4th terms of Legislative Council (Engineering Functional Constituency) (1998–2012); President of the Hong Kong Institution of Engineers (1987–1988); Founding Council Chairman of the City University of Hong Kong; Council Chairman of the City Polytechnic of Hong Kong; Chairman of Hong Kong Technology Committee of and member of the Industry & Technology Development Council; Chairman of the 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; board member of the Hong Kong Airport Authority; member of the Court of the City University of Hong Kong; member of the Chinese Medicine Consultative Committee of the School of Chinese Medicine of Hong Kong Baptist University; member of the Basic Law Consultative Committee; and Chairman of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council, etc.

Currently, Dr. Ho is Chairman of Guangdong Daya Bay Nuclear Power Station and Ling Ao Nuclear Power Station Nuclear Safety Consultative Committee. Dr. Ho also a director of various private companies in Hong Kong; and Independent Non-executive Director of GCL-Poly Energy Holdings Ltd., Deson Development International Holdings Limited and Chinlink International Holdings Limited, which are companies listed in Hong Kong.



## Directors and Organisation (continued)

### Mr. Adrian David LI Man Kiu JP

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

Aged 42, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. Mr. Li is Executive Director and Deputy Chief Executive of The Bank of East Asia, Limited. 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 and a member of the MPF Industry Schemes Committee of the MPFA. He is also a Trustee of The University of Hong Kong's occupational retirement schemes, an Advisory Committee member of the Hong Kong Baptist University's School of Business and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, he serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. He also sits on the Judging Panel of the BAI Global Banking Innovation Awards. Mr. Li is an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited and COSCO Pacific Limited, and is a Non-executive Director of The Berkeley Group Holdings plc (listed in London). He is also a member of the International Advisory Board of Abertis Infraestructuras, S.A. (listed in Spain). Mr. Li was previously an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (listed in Hong Kong and Shanghai), an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited and an Alternate Director of AFFIN Holdings Berhad (listed in Malaysia). 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 61, 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, a bachelor Applied Science degree in Construction Management 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 39 years of experience in engineering, investment, construction and project management. Dr. Leung is director of various private companies in Hong Kong and independent non-executive director of Elec & Eltek International Company Limited (listed in Hong Kong and Singapore). Dr. Leung is also the Chairman and Chief Executive Officer of C & L Holdings Ltd. engaging in investment and dispute resolution.

## Directors and Organisation (continued)

### **Mr. LEE Shing See** GBS, OBE, JP

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

Aged 73, 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 Board Member of the Airport Authority Hong Kong; a Director of Aviation Security Company Limited; a member of Youth Education, Employment and Training Task Force of Commission on Poverty; and an Vice Chairman of the CreateSmart Initiative Vetting Committee. Mr. Lee has over 50 years' experience in engineering and construction. Mr. Lee was previously an independent non-executive director of Chun Wo Development Holdings Limited (listed in Hong Kong).

## Directors and Organisation (continued)

### Senior Management

#### Mr. ZHOU Wenbin

*Deputy General Manager*

Aged 49. He graduated from Zhongnan University of Economics and Law; and obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 27 years' experience in corporate finance, accounting and investment management.

#### Mr. JIANG Shaojie

*Deputy General Manager*

Aged 52. He graduated from Shenyang Jianzhu University (formerly known as Shenyang Architectural and Civil Engineering University) and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 33 years' experience in construction engineering and project management. He is responsible for the Group's building industrialisation business in Mainland China.

#### Mr. ZHANG Haipeng

*Deputy General Manager*

Aged 40. 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 16 years' experience in construction engineering management. He is responsible for the Group's operations in Macau.

#### Mr. ZHAO Xiaoqi

*Assistant General Manager*

Aged 42. He graduated from Tsing Hua University and obtained a degree of Master of Business Administration from Renmin University of China. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 19 years' experience in human resources management and personnel administration. He is responsible for the Group's human resources management.

#### Mr. ZHOU Yuguang

*Assistant General Manager*

Aged 51. He graduated from the Zhongnan University, and obtained a Master degree from Zhongnan University, a degree of Master of Business Administration from the University of South Australia and a Doctorate degree from Hong Kong Polytechnic University and was awarded the title of professor level Senior Engineer. Mr. Zhou is a member of China Civil Engineering Society. Mr. Zhou joined COHL Group in 1995 and was seconded to the Group in 2014. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhou has over 28 years' experience in information technology management and project management. He is responsible for the Group's information technology management.



## Directors and Organisation (continued)

### Mr. GONG Fanxiang

*Assistant General Manager*

Aged 59. He graduated from the Shenyang Jianzhu University (formerly known as Shenyang Architectural and Civil Engineering University), and was awarded the title of Senior Engineer. Mr. Gong joined CSCEC in 1982 and was seconded to the Group in 1989. He has been a director of certain subsidiaries of the Group since 1990. Mr. Gong has over 34 years' experience in construction and infrastructure management. He is responsible for the Group's infrastructure operations in Mainland China.

### Mr. WONG Wing Yuk

*Assistant General Manager*

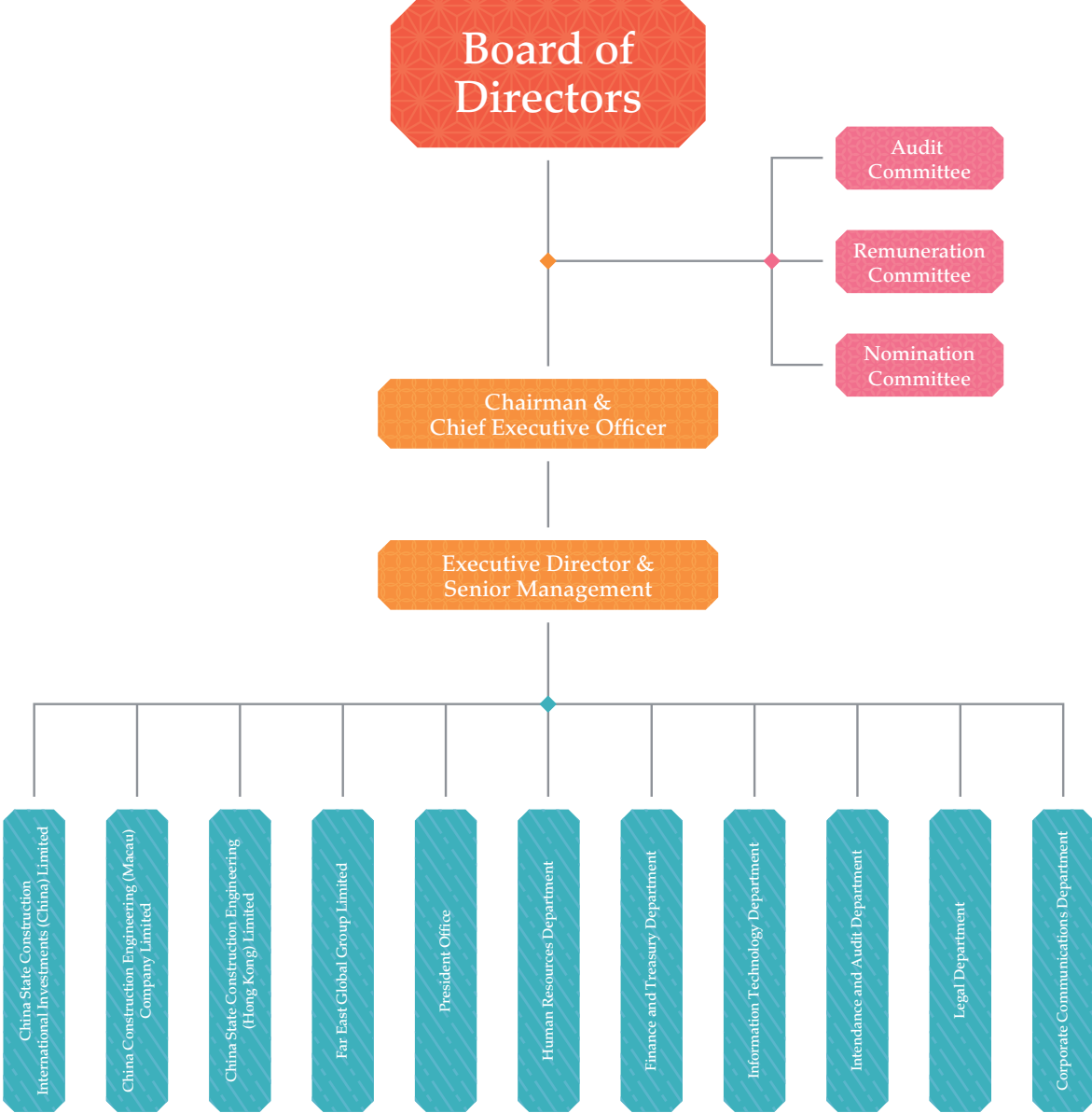
Aged 58. He graduated from the Plymouth Polytechnic (UK) and obtained a degree of Master of Business Administration from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 29 years' experience in construction engineering and contract management. He assists in managing the Group's contract management in Hong Kong.

### Mr. LAU Wing Shing

*Assistant General Manager*

Aged 56. He graduated from the University of Warwick (UK) and City University of Hong Kong and obtained a Master degree of Science and a Master degree of Laws. Mr. Lau is a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Engineers, a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed by Planning and 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 34 years' experience in contract and project management. He assists in managing the Group's building construction and joint venture projects in Hong Kong, and pre-contract works for mega size infrastructure projects. Mr. Lau is also appointed as the Chief Engineer and Quality Director of China State Construction Engineering (Hong Kong) Limited, and the General Manager of Quality and Technology Department, he manages the quality assurance system and technology for the Group.

# Directors and Organisation (continued)



# Corporate Governance Report

## Corporate Governance Practices

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

Throughout the year ended 31 December 2015, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), except for the deviation as specified and explained below with considered reason for such deviation:

Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong has acted as Executive Director, Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group’s business. If the positions occupied by unqualified persons, the Group’s performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

## Board of Directors

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

The composition of the Board and the individual attendance (Board Meetings and 2015 AGM) of each director are set out below:

Name	Attended/Eligible to Attend		
	Board Meetings	2015 AGM	
<i>Executive Directors</i>			
Zhou Yong	(Chairman & Chief Executive Officer)	4/4	1/1
Tian Shuchen		4/4	1/1
Zhou Hancheng		4/4	1/1
Pan Shujie		4/4	1/1
Hung Cheung Shew		4/4	1/1
Wu Mingqing		4/4	1/1
<i>Non-executive Director</i>			
Li Jian	(resigned on 19 January 2015)	–	–
<i>Independent Non-executive Directors</i>			
Raymond Ho Chung Tai		4/4	1/1
Adrian David Li Man Kiu		4/4	1/1
Raymond Leung Hai Ming		3/4	1/1
Lee Shing See		4/4	1/1



## Corporate Governance Report (continued)

Biographical information of the Directors are set out in “Directors and Organisation” 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. Mr. Zhou Yong, chairman and chief executive officer; Mr. Zhou Hancheng, 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 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 matter would be dealt with by a physical meeting rather than a written resolution. 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 which contain the up-to-date performance and information of the Company which posted on the websites of the Company and HKEx. Directors can access information from senior management independently.

## Corporate Governance Report (continued)

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. More than 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.

Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitment in their biographical information. They are also reminded to notify the Company in a timely manner and 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 of the Company namely Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Mr. Wu Mingqing, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See viewed webcast seminar, 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 is aware that effective communication can increase productivity and improve teamwork. The Company regularly convened meetings for the executive directors, senior management, middle management, worksites management and management of overseas subsidiaries (by video-conference). During the meetings, the 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.

# Corporate Governance Report (continued)

## Chairman and Chief Executive Officer

Chairman and chief executive officer are two key aspects of the management of a company. Chairman performs the management of the Board and chief executive officer performs the day-to-day management of the business. Clear division of these responsibilities is in place to ensure a balance of power.

During the year, Mr. Zhou Yong (“Mr. Zhou”) is the Chairman and Chief Executive Officer of the Company. This constitutes a deviation from code provision A.2.1.

The Group divided into four major business segments. Each segment is managed by specified executive director/senior management directly. They are responsible for operating, monitoring, strategising and developing new business opportunities of their own segments. Mr. Zhou has been with the Group since 1994 and has plentiful experience in the Group’s business and culture. He is capable of guiding the business segments to make discussion and decision in a timely manner on key issues and developments. Given that there is a clear organisation structure of the Group, so that the management of the board and the day-to-day management of the business is not concentrated in any one individual. The Company considered that it is in the interests of the Group that Mr. Zhou holds both the offices of the chairman and chief executive officer.

The Company also considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group’s business. If the positions occupied by unqualified persons, the Group’s performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

Mr. Zhou 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. He 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. Beside that Mr. Zhou also leads the Board and senior management in deciding the Group’s risk level and risk appetite; developing a risk management strategies and implementing appropriate action plan for managing and monitoring risk.



## Corporate Governance Report (continued)

### Non-executive Directors

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

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules. Non-executive directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive directors comply with the Independence Guideline 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.

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

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

If an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

# Corporate Governance Report (continued)

## 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, a Remuneration Committee meeting was held to review and discuss the remuneration policy and annual bonus policy of the Company. The individual attendance of each director is set out below:

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

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.

The remuneration payable to directors and members of senior management by band were set out in the notes to the consolidated financial statements of 2015 annual report.

## Nomination Committee

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

## Corporate Governance Report (continued)

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

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

During the year, the Nomination Committee evaluated the composition and structure of the Board, reviewed the independence of the independent non-executive directors and considered the resignation of Mr. Li Jian.

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is posted on the website of the Company. The Company recognises that increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board contains individuals who have diverse educational background, professional experience, knowledge and culture. All Board appointments are based on meritocracy.

As at 31 December 2015, the Board comprises 10 directors. All of the directors are male. Four directors are under the age group of 40 to 50; three are under the age group of 51 to 60; and three are over 60. Three directors have served the Board below 5 years; five have served the Board between 5 to 10 years; and two have served the Board between 11 to 15 years.

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



# Corporate Governance Report (continued)

## Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company. The Board has adopted written terms of reference for its corporate governance functions which 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 existing model code for securities transactions by directors and relevant employees; inside information disclosure policy and board diversity policy.

## 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	3/4
Lee Shing See	4/4

## Corporate Governance Report (continued)

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2014; the Audit Committee Report for the year ended 31 December 2014; the connected transactions report; the internal control report; the Group's 2015 unaudited first quarter results; the Group accounts for the six months ended 30 June 2015; and the Group's 2015 unaudited third quarter results. The external auditor was invited to attend 2014 final results meeting and 2015 unaudited third quarter results meeting. During the meetings, the external auditor discussed various accounting issues and finding with the Audit Committee and the audit strategy and plan for 2015 Group results.

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

### Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC"). For the financial year ended 31 December 2015, 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\$7,468,000, including audit services fee of the Group of approximately HK\$7,152,000 and non-audit services fee of approximately HK\$316,000. The non-audit fees included tax services and other services for ad hoc projects.

### Directors' Securities Transactions

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

## Corporate Governance Report (continued)

As at 31 December 2015, 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 2015, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,233,027; 3,300,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 913,569 and 913,569 shares of the Company respectively. All the shares held by the directors in the capacity of beneficial owners.

As at 31 December 2015, Mr. Hung Cheung Shew held 7,095 shares in China Overseas Land & Investment Limited (an associated corporation of the Company); 30,000 shares in Far East Global Group Limited ("FEG", a non-wholly owned subsidiary of the Company); and 2,365 shares in China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the director in the capacity of beneficial owner.

As at 31 December 2015, Mr. Pan Shujie held 400,000 shares in FEG. All the shares held by the director in the capacity of beneficial owner.

Save as disclosed above, as at 31 December 2015, 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 2015, the outstanding share options of the Company under the category of directors, employees and consultants are Nil; 35,520,224 and 16,659,383 respectively. During the year, 11,922,075 and 31,974,915 share options of the Company were exercised under the category of consultants and employees respectively. During the year, 45,678 share options were cancelled under the category of employees; 4,737,308 and 3,499,631 shares options were lapsed under the category of consultants and employees respectively. As at 31 December 2015, the balance of share options of the Company under the category of directors, employees and consultants are Nil; Nil; and Nil respectively. 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). The share options scheme (the "Scheme") of the Company expired on 8 June 2015. The Company granted one lot of option under the Scheme and the lot was lapsed after 13 September 2015.

During the year, an aggregate of 43,896,990 share options 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 21 July 2015 and 11 September 2015; 959,247 and 42,937,743; and HK\$12.4690 and HK\$12.1896.

As at the latest practicable date prior to the printing of this annual report, the total number of outstanding share options of the Scheme is Nil. The total number of ordinary shares available for issue under the Scheme is Nil.



## Corporate Governance Report (continued)

Save as the share options disclosed above, at no time during the year ended 31 December 2015 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 provided sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2015, 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 2015 Annual Report.

The Board would present a balanced, clear and understandable assessment to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

### 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.

# Corporate Governance Report (continued)

## Internal Control and Risk Management

The Group has 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, to mitigate the Group's risk exposure so as to safeguard the shareholders' investment and the Company's assets.

The Intendance and Audit Department with written terms of reference was set up. The Intendance and Audit Department is independent of all business segments and is directly responsible for chief executive officer so as to ensure the neutrality of control. It adopted a risk-based approach, operates on an on-going basis and covers all major operation of the Group on a rotational basis. It focuses on auditing business segments' financial management, operation management and internal control. It issues independent and objective internal control report with recommendation to chief executive officer, relevant business segments and Audit Committee. During the year, the Intendance and Audit Department deeply inspected, investigated and assessed four subsidiaries of the Group. It reviewed and assessed their system on procurement, operation flow, internal control, financial, contracting, investment, and especially the build-transfer project management. It strengthened their system and risk management consciousness. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified.

The Intendance and Audit Department reviewed the Group's continuing connected transactions for the year ended 31 December 2015 and confirmed that the transactions conducted in accordance with the pricing policies and framework agreements; and on normal and commercial terms. A continuing connected transactions report was prepared by the Intendance and Audit Department and reported to the Audit Committee.

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

The Company considered that the internal control system has adequacy of resources, staff qualifications and experience, and budget of the Company's accounting and financial reporting function. The Company will continue to conduct a review of the effectiveness of and updating its internal control system; and risk management policies at least once a year.

## Shareholders' Rights

### Convening of Extraordinary General Meeting on Requisition by Shareholders

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

## Corporate Governance Report (continued)

### 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 2015. At the general meeting, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2015 Annual General Meeting was held on 2 June 2015. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution was proposed by the chairman in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

### 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: [www.csci.com.hk](http://www.csci.com.hk).

There are no change to the Company's Memorandum and Articles of Associations during the financial year 2015. 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.



# Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2015.

## Principal Activities and Geographical Analysis of Operations

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 45 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 2015 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 107 and 108 respectively.

An interim dividend of HK13 cents per share amounting to HK\$527,321,000 and a special dividend of HK2 cents per share for celebrating the 10th listing anniversary of the Company amounting to HK\$81,126,000 was paid to the shareholders during the year. The Board now recommends the payment of a final dividend of HK18 cents per share to the shareholders whose names appear on the register of members on 10 June 2016, amounting to approximately HK\$730,137,000.

## Business Review and Performance

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

Details regarding the Group's environmental policies and performance; compliance with relevant laws and regulations; and key relationship with its employees, customers and suppliers, refer to the Company's Corporate Social Responsibility Report 2015, which will be published in July 2016.

## Major Risk Management

Under the Group's internal control and risk management framework, the Risk Management Control Committee identifies major risks in each operation segment, assesses its likely impact and evaluates the risk in order to develop effective control activities to mitigate the risks. Other than the financial risk management policies of the Group set out in the section headed "Management Discussion and Analysis" on pages 24 to 31 of this Annual Report, the Group is also exposed to major risk factors including construction risk, infrastructure investment risk, overseas business risk and compliance risk.

### (1) Construction risk

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

### (2) Infrastructure investment risk

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

### (3) Overseas business risk

The Group undertakes certain projects in overseas, hence exposures to overseas political and control risks. The Group has taken the initiative to restructure the overseas operations and focused its resources on the exploration of core cities, to avoid political and regulatory risks.

### (4) Compliance risk

The Group paid high attention to the enactment and amendment of laws and regulations of each operation regions which may cause legal risks to the Group's business. The Group also closely monitor the taxation risks resulting from the taxation reform, including "Conversion of Business Tax to Value-added Tax" (the "VAT Program") in Mainland China.

## Charitable Donations

Charitable Donations made by the Group during the year amounted to HK\$62,323 (2014: HK\$84,400).

## Investment Properties

Details of investment properties of the Group are set out on page 204.

## Share Issued in the Year

The Company's total issued share capital as at 31 December 2015 was 4,056,314,622 ordinary shares of HK\$0.025 each ("Shares").

During the year, the Company issued 43,896,990 new Shares pursuant to the Company's share option scheme and the total exercise money received by the Company for the issue is HK\$9,895,000.

Details of shares issued in the year ended 31 December 2015 are set out in Note 34 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 181.

## Distributable Reserves

Distributable reserves of the Company at 31 December 2015 amounted to HK\$10,271,648,000 (2014: HK\$10,125,066,000).

## Equity-linked Agreement

Other than the share option scheme of the Company as disclosed in Note 40 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares. The Company's share option scheme expired on 8 June 2015. The Company granted one lot of option under the scheme and the lot was lapsed after 13 September 2015.

## Pre-emptive Rights

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

# Directors' Report (continued)

## Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 202 and 203.

## 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.

## Directors

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

### Executive Directors

Mr. Zhou Yong *(Chairman and Chief Executive Officer)*

Mr. Tian Shuchen  
Mr. Zhou Hancheng  
Mr. Pan Shujie  
Mr. Hung Cheung Shew  
Mr. Wu Mingqing

### Non-executive Director

Mr. Li Jian *(resigned on 19 January 2015)*

### Independent Non-executive Directors

Dr. Raymond Ho Chung Tai  
Mr. Adrian David Li Man Kiu  
Dr. Raymond Leung Hai Ming  
Mr. Lee Shing See

Note:

Mr. Li Jian ("Mr. Li") resigned on 19 January 2015 as a non-executive director of the Company due to his existing engagement requiring more of his time and dedication. Mr. Li has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Zhou Yong, Mr. Zhou Hancheng, Mr. Hung Cheung Shew 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.

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

Information regarding directors' emoluments is set out in Note 9 to the consolidated financial statements.

With effect from 1 February 2016, the monthly salary of Mr. Hung Cheung Shew was changed from HK\$178,500 to HK\$187,500. The directors' fees of other directors remain unchanged.

## Confirmation of Independence

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

## Directors' Service Contracts

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

## Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company 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' Report (continued)

### Substantial Shareholders

As at 31 December 2015, 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	% of shares in issue <sup>1</sup>
China Overseas Holdings Limited <sup>2</sup> ("COHL")	Beneficial owner	2,336,091,659	57.59
China State Construction Engineering Corporation Limited <sup>3</sup> ("CSCECL")	Interest of a controlled corporation/ beneficial owner	2,336,091,659	57.59
China State Construction Engineering Corporation <sup>4</sup> ("CSCEC")	Interest of a controlled corporation/ beneficial owner	2,336,091,659	57.59

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2015 (i.e. 4,056,314,622 ordinary shares).
2. Amongst the total number of 2,336,091,659 Shares held by COHL, 2,239,953,308 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 2,336,091,659 Shares directly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,336,091,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2015, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

# Directors' Report (continued)

## 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.

## Major Customers and Suppliers

In 2015, the Group's largest customer accounted for approximately 20.5% (2014: 14.6%) of the Group's revenue. The five largest customers of the Group accounted for approximately 46.0% (2014: 43.4%) of the Group's revenue and one of them is the Group's joint venture of which a fellow subsidiary was a joint venture partner. The Group's largest supplier accounted for approximately 2.8% (2014: 6.7%) of the Group's purchases. The five largest suppliers of the Group accounted for 10.6% (2014: 11.8%) of the Group's purchases for the year and all of them are the Group's fellow subsidiaries.

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

## Connected and Related Party Transactions

Details of connected transactions are set out on pages 96 to 104. The related party transactions disclosed in Note 43 to the consolidated financial statements.

## Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2015, 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 2015 is set out below:

	HK\$'000
Non-current assets	4,954,970
Current assets	3,895,200
Non-current liabilities	(2,594,982)
Current liabilities	(7,249,621)
Net Liabilities	(994,433)
Reserves	(994,433)
Total Equity	(994,433)

As at 31 December 2015, the Group shared the accumulated losses of these affiliated companies amounted to HK\$235,169,000.

## Public Float

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

## Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Zhou Yong held directorship in the Company's 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.

## Permitted Indemnity Provisions

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

### Emolument Policy

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

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

### Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The Assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute 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\$123 million. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

### Auditor

Messrs. PricewaterhouseCoopers ("PwC") had acted as auditor of the Company for the past three years. PwC 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**  
**Zhou Yong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 22 March 2016



# Connected Transactions

## A. Connected transactions under the Listing Rules

### A.1 Formation of Joint Venture with China Overseas Land & Investment Limited in relation to land in Shenzhen

On 18 September 2015, an increase in capital agreement (“JV Agreement”) was entered into between China Overseas Property Group Co. Ltd. (“CO Property”, a wholly owned subsidiary of China Overseas Land & Investment Limited (“COLI”, an associate of the Company)) and 深圳海龍建築製品有限公司 (Shenzhen Hailong Construction Products Co., Ltd. (“Shenzhen Hailong”, a wholly owned subsidiary of the Company)), whereby Shenzhen Hailong agreed to contribute RMB2.5 million (equivalent to approximately HK\$3.0 million, determined with reference to the existing net assets of the 深圳市毅駿房地產開發有限公司 (Shenzhen Yijun Property Development Co. Ltd. (the “JV Company”, a wholly owned subsidiary of COLI))) for the increase in registered capital of JV Company (“Capital Increase”). Following the Capital Increase, the JV Company will be owned as to 80% and 20% by CO Property and Shenzhen Hailong respectively. The JV Company is principally engaged in the property development and owns a parcel of land situated at Guiyuan Street, Luohu District of Shenzhen, the PRC (the “Land”). The parties acknowledge that the JV Company may invite Shenzhen Hailong to tender for the JV Company’s construction works in respect of the Land.

The estimated total investment of the project is approximately RMB2,100 million (equivalent to approximately HK\$2,561 million). Other than the Capital Increase amount, Shenzhen Hailong paid an amount of RMB177.6 million (equivalent to approximately HK\$216.6 million, determined by multiplying the consideration payable for the Land by the 20% equity interest to be held by Shenzhen Hailong in the JV Company) for co-investment in the Land. Any additional funding requirements of the JV Company shall first be satisfied by external fund-raising, otherwise by advance shareholders’ loans to the JV Company in proportional to their respective equity interest in the JV Company.

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

Details of the transaction were disclosed in an announcement dated 18 September 2015.

### A.2 Formation of Wuhan JV with 中建三局集團有限公司 (China Construction Third Engineering Bureau Group Co., Ltd.)

On 27 October 2015, a joint venture agreement (“JV Agreement”) was entered into between 中國國際投資(中國)有限公司 (China State Construction International Investments (China) Limited (“CSCIICL”, a wholly owned subsidiary of the Company)) and 中建三局集團有限公司 (China Construction Third Engineering Bureau Group Co., Ltd. (“CCTEB”, a subsidiary of China State Construction Engineering Corporation Limited (“CSCECL”, the intermediate holding company of the Company)), whereby CSCIICL and CCTEB agreed to form a Wuhan joint venture (the “Wuhan JV”) on a 50:50 basis for carrying out financing and investing of the Infrastructure Projects (i.e. engineering works relating to the construction of roads, bridges, tunnels and urban infrastructure; water conservation, environmental and public utilities; urban landscaping and greening works; reconstruction of squatter settlement, affordable housing, urbanisation and construction of facilities; consultancy services) in Wuhan, Hubei Province, the PRC.

## Connected Transactions (continued)

The registered capital of the Wuhan JV was RMB500,000,000 (equivalent to approximately HK\$609,756,098). CSCIICL and CCTEB will each pay RMB250,000,000 (equivalent to approximately HK\$304,878,049) in cash into the Wuhan JV as its registered capital. The registered capital of the Wuhan JV is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Infrastructure Projects in Wuhan, Hubei Province, the PRC.

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

Details of the transaction were disclosed in an announcement dated 27 October 2015.

### A.3 Formation of Joint Venture with China Overseas Land & Investment Limited for development of the land in Shenzhen

On 2 December 2015, a project cooperation agreement ("JV Agreement") was entered into between CO Property and Shenzhen Hailong, whereby the parties agreed to establish a joint venture company (the "Project Company") on a 50:50 basis for carrying out urban renewal project at a parcel of land situated at Sungang-Qingshui River Zone, Luohu District of Shenzhen, the PRC (the "Land", was wholly owned by Shenzhen Hailong as at the date of the announcement).

The registered capital of the Project Company was RMB10,000,000 (equivalent to approximately HK\$12,195,122). CO Property and Shenzhen Hailong will each pay into the Project Company RMB5,000,000 (equivalent to approximately HK\$6,097,561), in cash in proportion to their respective equity interests in the Project Company. The total investment amount (including the registered capital of the Project Company and Land Consideration) of the project was RMB1,500,000,000 (equivalent to approximately HK\$1,829,268,293), which was determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the project. Upon formation of the Project Company, Shenzhen Hailong shall procure the injection of the Land to the Project Company for the land consideration of RMB150,000,000 (equivalent to approximately HK\$182,926,829, determined after arm's length negotiations between the parties with reference to the amount of valuation of the Land). Any additional funding requirements (other than the registered capital) of the Project Company shall be led by CO Property and fully supported by Shenzhen Hailong.

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

Details of the transaction were disclosed in an announcement dated 2 December 2015.

## Connected Transactions (continued)

### A.4 Formation of Joint Venture with China Overseas Grand Oceans Group Limited

On 31 December 2015, a cooperation agreement (“JV Agreement”) was entered into between China Overseas Grand Oceans Group Limited (“COGO”, an associate of the Company), China State Grand Wealth Investments Limited (“CSGWI”, a wholly owned subsidiary of the Company) and SAIF XINGHE Hong Kong Limited (“SAIF”, the Company has approximately 4.76% interests in SAIF XINGHE Investment Fund L.P. (indirect wholly own SAIF)), whereby COGO, CSGWI and SAIF agreed to form a joint venture (the “JV Company”) on a 45:45:10 basis to bid and to develop the Land situated in the Baohe District of Hefei, Anhui Province of the PRC.

The registered capital of the JV Company was RMB550,185,000 (equivalent to approximately HK\$671,225,700) and be paid in cash in proportion to the shareholders’ respective equity interests in the JV Company. The registered capital of the JV Company was determined after arm’s length negotiation between the parties with reference to the Land consideration. Any additional funding requirements (other than the registered capital) of the JV Company shall be arranged by the JV Company by way of bank loans.

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

Details of the transaction were disclosed in an announcement dated 31 December 2015.

### B. Continuing connected transactions under the Listing Rules

#### B.1 Master Security Services Agreement (dated 18 May 2012)

*(for the period from 1 July 2012 to 30 June 2015)*

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 18 May 2012, 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 2012 and ending on 30 June 2015. 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 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 Security Services Cap).

The services fee will be determined through a tendering/quotation procedure or on the basis of commercial negotiation and by reference to other similar transactions in the market. In determining the pricing terms, the Group will take into account the market rate and condition, the number of services providers and the number of security guards.



## Connected Transactions (continued)

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

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

For the period from 1 January 2015 to 30 June 2015, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK\$2,179,631.84.

### B.2 Master Lease Agreement (dated 18 May 2012)

*(for the period from 1 July 2012 to 30 June 2015)*

It is expected that the Group will continue to lease properties from the COLI Group from time to time.

On 18 May 2012, COLI and the Company entered into a master lease agreement ("Master Lease Agreement") for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the 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 Lease Cap).

In determining the pricing terms, the Group will take into account the open market rent of the comparable property in the same district.

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 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Master Lease Agreement is subject to the annual review, reporting and announcement requirements, and is exempted from the independent shareholders' approval requirement.

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

For the period from 1 January 2015 to 30 June 2015, the aggregate amount made by the Group to the COLI Group under the Master Lease Agreement amounted to HK\$6,670,822.50.

### B.3 Master Connection Services Agreement (dated 18 May 2012)

*(for the period from 1 January 2013 to 31 December 2015)*

It is expected that the COLI Group will continue to invite 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)) to participate in the provision of connection services for heating pipes for the real estate project(s) located in Shenyang and developed by COLI from time to time.

On 18 May 2012, COLI and the Company entered into a master connection services agreement ("Master Connection Services Agreement") for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three years ending 31 December 2015 shall not exceed HK\$100 million (i.e. the Connection Services Cap).

## Connected Transactions (continued)

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

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

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

For the year ended 31 December 2015, the total contract sum awarded to the Group under the Master Connection Services Agreement was HK\$32,812,500.

### B.4 Master Design Consultancy Services Agreement (dated 19 August 2013)

*(for the period from 1 September 2013 to 31 August 2016)*

On 19 August 2013, the Company and COLI entered into the Master Design Consultancy Services Agreement, whereby the Group may engage 香港華藝設計顧問(深圳)有限公司 (Hong Kong Huayi Design Consultants (Shenzhen) Ltd ("Huayi", a subsidiary of COLI)) as provider of Design Consultancy Services to the Group's building construction works in the Mainland China for the period commencing from 1 September 2013 and ending on 31 August 2016. Upon successful tender, the maximum aggregate value of the contract sum that may be awarded by the Group to Huayi for the period between 1 September 2013 and 31 December 2013 shall not exceed RMB85 million, for each of the two years ending 31 December 2015 shall not exceed RMB130 million, and for the period between 1 January 2016 and 31 August 2016 shall not exceed RMB130 million (i.e. the Annual Cap).

In determining the pricing terms, the Group will take into account the quantity and nature of design services provided and the number of services providers.

The maximum total contract sum that may be awarded to Huayi for each year/period under the Master Design Consultancy Services Agreement (i.e. the Annual Cap) is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Master Design Consultancy Services Agreement is subject to the annual review, reporting and announcement requirements, and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Design Consultancy Services Agreement was made on 19 August 2013.

For the year ended 31 December 2015, there was no contract awarded by the Group to Huayi under the Master Design Consultancy Services Agreement (i.e. Annual Cap).

### B.5 CSCECL Sub-construction Engagement Agreement (dated 28 October 2014)

*(for the period from 1 January 2015 to 31 December 2017)*

On 28 October 2014, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement, whereby: (i) the Group may engage the CSCECL Group as Contractors for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Upon successful tender, the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2017 shall not exceed RMB15,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and (ii) the CSCECL Group may engage the Group as Contractors for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Upon successful tender, the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2017 shall not exceed RMB3,000 million (i.e. the CSC Sub-construction Engagement Cap).

## Connected Transactions (continued)

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

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 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 18 November 2014 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 16 December 2014.

For the year ended 31 December 2015, 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 RMB5,062,166,273.43. The total contract sum awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSC Sub-construction Engagement Cap) was RMB17,611,389.

### B.6 COHL Build-Transfer Construction Agreement (dated 28 October 2014)

*(for the period from 1 January 2015 to 31 December 2017)*

The Directors expect that the China Overseas Holdings Limited ("COHL", the holding company of the Company) Group will continue to invite the Group to undertake projects for the financing, design and construction of housing and infrastructure on the basis of "Build-Transfer" mode for the COHL Group in relation to urban-rural coordination projects in the PRC (the "BT Projects") from time to time.

On 28 October 2014, the Company and COHL entered into the COHL Build-Transfer Construction Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Upon successful tender, the maximum total contract sum of BT Projects that may be awarded by the COHL Group to the Group for each of the three financial years ending 31 December 2017 shall not exceed RMB1,000 million (i.e. the COHL Build-Transfer Construction Cap).

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

The maximum total contract sum that may be awarded to the Group for each year under the COHL Build-Transfer Construction Agreement (i.e. the COHL Build-Transfer Construction Cap) is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the COHL Build-Transfer Construction Agreement is subject to the annual review, reporting and announcement requirements, and is exempted from the independent shareholders' approval requirement.



## Connected Transactions (continued)

An announcement containing the particulars of the COHL Build-Transfer Construction Agreement was made on 28 October 2014.

For the year ended 31 December 2015, there was no contract awarded by the COHL Group to the Group under the COHL Build-Transfer Construction Agreement (i.e. the COHL Build-Transfer Construction Cap).

### B.7 FE-CSCECL Sub-construction Engagement Agreement (dated 28 October 2014)

*(for the period from 1 January 2015 to 31 December 2017)*

On 28 October 2014, CSCECL and Far East Global Group Limited ("FEG", a non-wholly owned 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 a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Upon successful tender, the total contract sum that may be awarded by the CSCECL Group to the FEG Group for each of the three financial years ending 31 December 2017 shall not exceed HK\$800 million (i.e. the CSCECL Works Cap).

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

The maximum total contract sum that may be awarded to the FEG Group for each year 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 exempted from independent shareholders' approval requirement.

An announcement containing the particulars of the FE-CSCECL Sub-construction Engagement Agreement was made on 28 October 2014.

For the year ended 31 December 2015, the total contract sum awarded by the CSCECL Group to the FEG Group under the FE-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Cap) was HK\$318,658,326.41.

### B.8 CSC Group Engagement Agreement (dated 31 October 2014)

*(for the period from 1 January 2015 to 31 December 2017)*

The Directors 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.

On 31 October 2014, COLI and the Company entered into a CSC Group Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. Upon successful tender, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2017 shall not exceed HK\$3,000 million (i.e. the COLI Works Cap).

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

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

## Connected Transactions (continued)

A circular dated 18 November 2014 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 16 December 2014.

For the year ended 31 December 2015, the total contract sum awarded to the Group under the CSC Group Engagement Agreement was HK\$2,891,654,200.

### B.9 Master Security Services Agreement (dated 26 June 2015)

*(for the period from 1 July 2015 to 30 June 2018)*

The directors of the Company expected that the Group will continue to require security services provider which holds the relevant licenses to provide security services in Hong Kong. On 26 June 2015, the Company and China Overseas Property Holdings Limited (“COPL”, direct wholly owned subsidiary of COLI as at the date of the announcement) entered into a master security services agreement (“Master Security Services Agreement”) for a term of three years commencing from 1 July 2015 and ending on 30 June 2018 subject to a security services cap. As further announced by the Company on 18 September 2015 and a supplemental agreement entered into between the Company and COPL on 9 October 2015 regarding the downward adjustment of the security services cap. The final agreed security services cap was adjusted to not exceed HK\$10 million for the period between 1 July 2015 and 31 December 2015; not exceed HK\$20 million for each of the two years ending 31 December 2017; and not exceed HK\$10 million for the period between 1 January 2018 and 30 June 2018 (i.e. the Security Services Cap).

The services fee will be determined through a tendering/quotation procedure or on the basis of commercial negotiation and by reference to other similar transactions in the market. In determining the pricing terms, the Group will take into account the market rate and condition, the number of services providers and the number of security guards.

The maximum total contract sum for the provision of the security services by the COPL Group for each year/period under the Master Security Services Agreement (i.e. the Security Services Cap) is less than 0.1% of all the applicable percentage ratios calculated pursuant to the Listing Rules. The disclosure regarding the Master Security Services Agreement is on a voluntary basis. The transactions contemplated under the Master Security Services Agreement are exempt from annual review, reporting, announcement and independent shareholders’ approval requirements.

For the period from 1 July 2015 to 31 December 2015, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK\$5,207,404.44.

Pursuant to rule 14A.55 of the Listing Rules, the above Continuing Connected Transactions have been approved by the Board and have been reviewed by the Independent Non-executive Directors of the Company, who confirmed that these Continuing Connected Transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

## Connected Transactions (continued)

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

In accordance with rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 2015; 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 connected/continuing connected transactions.

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 43 to the financial statements. Certain items also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.



# Independent Auditor's Report



羅兵咸永道

## Independent Auditor's Report

### To the shareholders of China State Construction International Holdings Limited

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries set out on pages 107 to 201, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

# Independent Auditor's Report (continued)

## Independent Auditor's Report

To the shareholders of China State Construction International Holdings Limited (*continued*)

(incorporated in Cayman Islands with limited liability)

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 22 March 2016

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	37,913,159	34,439,575
Costs of sales		(32,883,385)	(29,696,483)
Gross profit		5,029,774	4,743,092
Investment income, other income and other gains, net	7	832,800	475,339
Administrative, selling and other operating expenses		(995,527)	(1,033,140)
Share of profits of			
Joint ventures		423,728	294,345
Associates		72,462	23,787
Finance costs	8	(607,082)	(455,829)
Profit before tax		4,756,155	4,047,594
Income tax expenses, net	11	(654,526)	(659,716)
Profit for the year	12	4,101,629	3,387,878
Profit/(loss) for the year attributable to:			
Owners of the Company		4,153,072	3,457,410
Non-controlling interests		(51,443)	(69,532)
		4,101,629	3,387,878
Earnings per share (HK cents)	14		
Basic		103.16	88.75
Diluted		102.26	87.52



# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	4,101,629	3,387,878
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Release of investment revaluation reserve to income statement upon reclassification to associate/disposal of available-for-sale investments	(375,127)	(9,954)
Gain on fair value changes of available-for-sale investments, net of tax	362,652	4,838
Exchange differences arising on translation of foreign operations	(1,641,918)	(178,351)
Other comprehensive loss for the year, net of tax	(1,654,393)	(183,467)
Total comprehensive income for the year, net of tax	2,447,236	3,204,411
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	2,517,035	3,290,828
Non-controlling interests	(69,799)	(86,417)
	2,447,236	3,204,411

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	15	2,771,990	2,827,300
Investment properties	16	36,991	38,073
Interests in infrastructure project investments	17	1,536,372	1,489,188
Prepaid lease payments	18	269,816	273,022
Interests in joint ventures	19	3,573,662	3,449,034
Interests in associates	20	3,800,193	2,104,943
Concession operating rights	21	6,044,202	6,530,992
Deferred tax assets	38	280,951	187,320
Trademark, project backlogs and licences	22	186,025	200,640
Goodwill	22	577,664	577,664
Available-for-sale investments	23	239,503	453,286
Amounts due from investee companies	24	281,858	411,838
Trade and other receivables	27	17,949,961	12,901,282
Deposit paid for an investment		108,043	–
Loan to a joint venture	29	–	804,918
		<b>37,657,231</b>	<b>32,249,500</b>
<b>Current Assets</b>			
Interests in infrastructure project investments	17	35,817	17,176
Inventories	25	108,835	160,289
Properties held for sale		418,915	66,544
Amounts due from customers for contract work	26	2,421,715	1,354,148
Trade and other receivables	27	18,170,163	12,542,067
Deposits and prepayments		526,915	461,585
Loan to a joint venture	29	1,104,082	–
Amounts due from joint ventures	29	1,564,404	1,342,025
Tax recoverable		41,271	11,559
Bank balances and cash	30	8,015,187	7,452,448
		<b>32,407,304</b>	<b>23,407,841</b>
Assets held for sale	33	–	10,921,766
		<b>32,407,304</b>	<b>34,329,607</b>

# Consolidated Statement of Financial Position (continued)

AS AT 31 DECEMBER 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Current Liabilities</b>			
Amounts due to customers for contract work	26	4,669,015	3,793,052
Trade payables, other payables and accruals	31	21,926,222	17,261,318
Deposits received and advances from customers		698,194	828,738
Amounts due to joint ventures	29	625,844	354,111
Amount due to an associate	28	–	26,480
Current tax payables		2,015,547	930,971
Borrowings	32	808,197	587,269
Obligations under finance leases		951	998
		<b>30,743,970</b>	23,782,937
Liabilities directly associated with assets classified as held for sale	33	–	7,438,135
		<b>30,743,970</b>	31,221,072
<b>Net Current Assets</b>		<b>1,663,334</b>	3,108,535
<b>Total Assets less Current Liabilities</b>		<b>39,320,565</b>	35,358,035
<b>Capital and Reserves</b>			
Share capital	34	101,408	100,310
Share premium and reserves	35	21,045,308	19,729,786
Equity attributable to owners of the Company		<b>21,146,716</b>	19,830,096
Non-controlling interests		100,262	167,566
		<b>21,246,978</b>	19,997,662
<b>Non-current Liabilities</b>			
Borrowings	32	13,085,694	10,361,804
Guaranteed notes payables	36	3,879,322	3,869,804
Deferred income	37	738,610	735,808
Deferred tax liabilities	38	367,242	389,477
Obligations under finance leases		2,719	3,480
		<b>18,073,587</b>	15,360,373
		<b>39,320,565</b>	35,358,035

On behalf of the Board

**Zhou Yong**  
Director

**Zhou Hancheng**  
Director

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000 (Note 34)	Share premium and reserves HK\$'000 (Note 35)	Total HK\$'000		
At 1 January 2014, as restated	97,219	15,836,417	15,933,636	253,237	16,186,873
Profit/(loss) for the year	–	3,457,410	3,457,410	(69,532)	3,387,878
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	(9,954)	(9,954)	–	(9,954)
Gain on fair value changes of available-for-sale investments, net of tax	–	4,838	4,838	–	4,838
Exchange differences arising on translation of foreign operations	–	(161,466)	(161,466)	(16,885)	(178,351)
Total comprehensive income/(loss) for the year	–	3,290,828	3,290,828	(86,417)	3,204,411
Issue of ordinary shares upon exercise of share options	160	1,281	1,441	–	1,441
Issue of shares upon acquisition of subsidiaries and a joint venture	2,931	1,317,619	1,320,550	–	1,320,550
Contribution from a former shareholder	–	178,892	178,892	–	178,892
Contribution from non-controlling interests of a subsidiary	–	–	–	6,338	6,338
Dividend paid to non-controlling shareholders	–	–	–	(5,592)	(5,592)
2013 final dividend paid	–	(467,088)	(467,088)	–	(467,088)
2014 interim dividend paid	–	(428,163)	(428,163)	–	(428,163)
Total transactions with owners, recognised directly in equity	3,091	602,541	605,632	746	606,378
At 31 December 2014	100,310	19,729,786	19,830,096	167,566	19,997,662



# Consolidated Statement of Changes in Equity (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000 (Note 34)	Share premium and reserves HK\$'000 (Note 35)	Total HK\$'000		
At 1 January 2015	100,310	19,729,786	19,830,096	167,566	19,997,662
Profit/(loss) for the year	-	4,153,072	4,153,072	(51,443)	4,101,629
Release of investment revaluation reserve to income statement upon reclassification to associate	-	(375,127)	(375,127)	-	(375,127)
Gain on fair value changes of available-for-sale investments, net of tax	-	362,598	362,598	54	362,652
Exchange differences arising on translation of foreign operations	-	(1,623,508)	(1,623,508)	(18,410)	(1,641,918)
Total comprehensive income/(loss) for the year	-	2,517,035	2,517,035	(69,799)	2,447,236
Issue of ordinary shares upon exercise of share options	1,098	8,797	9,895	-	9,895
Contribution from non-controlling interests of a subsidiary	-	-	-	8,646	8,646
Dividend paid to non-controlling shareholders	-	-	-	(6,151)	(6,151)
2014 final dividend paid	-	(601,863)	(601,863)	-	(601,863)
2015 interim dividend paid	-	(527,321)	(527,321)	-	(527,321)
2015 special dividend paid	-	(81,126)	(81,126)	-	(81,126)
Total transactions with owners, recognised directly in equity	1,098	(1,201,513)	(1,200,415)	2,495	(1,197,920)
At 31 December 2015	101,408	21,045,308	21,146,716	100,262	21,246,978

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
<b>Operating activities</b>		
Profit before tax	4,756,155	4,047,594
Adjustments for:		
Finance costs	607,082	455,829
Interest income	(201,583)	(154,661)
Dividend income	(15,458)	(15,289)
Gain on reclassification from available-for-sale investment to associate	(375,127)	–
Gain on disposal of listed available-for-sale investments	–	(13,992)
Gain on disposal of properties held for sale	(75,682)	(244,166)
(Gain)/loss on disposal of property, plant and equipment	(1,341)	4,156
Gain on disposal of prepaid lease payment	(90,569)	–
Share of profits of joint ventures	(423,728)	(294,345)
Share of profits of associates	(72,462)	(23,787)
Exchange loss, net	20,126	1,873
Depreciation of property, plant and equipment	139,110	145,084
Depreciation of investment properties	1,003	1,007
Amortisation of concession operating rights	180,863	142,257
Amortisation of trademark and projects backlogs	14,615	25,956
Amortisation of prepaid lease payments	5,420	6,077
Allowance for doubtful debts on trade and other receivables	2,800	2,932
Operating cash flows before working capital changes	4,471,224	4,086,525
Increase in concession operating rights	(38,263)	(253,537)
Increase in income receivables from infrastructure project investments	(117,091)	(178,669)
Decrease in inventories	51,454	3,138
Changes in net balances with customers for contract work	(64,001)	559,217
Increase in trade and other receivables	(7,699,473)	(7,661,711)
Increase in deposits and prepayments	(12,014)	(98,284)
Increase in trade payables, other payables and accruals	3,993,957	4,278,046
Decrease in deposits received and advances from customers	(100,319)	(935,685)
Changes in net balances with an associate	(26,480)	(1,134)
Changes in net balances with a joint venture	–	(1,273,675)
Increase in deferred income	54,232	100,922
Net cash generated from/(used in) operations	513,226	(1,374,847)
Income taxes paid	(223,035)	(336,944)
Income taxes refunded	9,905	22,853
Net cash generated from/(used in) operating activities (Note)	300,096	(1,688,938)

# Consolidated Statement of Cash Flows (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
<b>Investing activities</b>		
Interest received	73,422	94,787
Purchases of property, plant and equipment	(425,478)	(514,487)
Payments for prepaid leases	(21,985)	–
Proceeds from disposal of property, plant and equipment	32,818	38,017
Proceeds from disposal of prepaid land lease	187,465	–
Proceeds from properties held for sale	130,720	330,502
Increase in interests in infrastructure project investments	(36,232)	(140,746)
Advances from joint ventures	369,453	338,451
Loan to a joint venture	(299,164)	(677,368)
Dividends received from joint ventures	267,135	160,075
Dividends received from associates	16,846	40,197
Dividends received from unlisted available-for-sale investments	15,458	15,289
Increase in interests in associates	(959,838)	(1,572,596)
Deposit paid for an investment	(108,043)	–
Repayment from investee company	26,325	–
Acquisition of listed available-for-sale investments	(998)	(183,061)
Proceeds from disposal of listed available-for-sale investments	–	282,277
Decrease/(increase) in pledged bank deposits	391	(391)
(Increase)/decrease in deposits with financial institutions	(3)	142
Capital investments in joint ventures	(203,496)	(302,407)
Net cash used in investing activities	(935,204)	(2,091,319)

# Consolidated Statement of Cash Flows (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Financing activities</b>			
Finance costs paid		(606,160)	(853,197)
Dividends paid to owners of the Company		(1,210,310)	(895,251)
Dividends paid to non-controlling interests		(6,151)	(5,592)
Contribution from a former shareholder		–	178,892
Contribution from non-controlling interests		8,646	6,338
New bank loans raised		7,191,039	6,249,098
Repayment of bank loans		(4,075,969)	(1,507,621)
Repayment of finance leases		(1,542)	(1,839)
Proceeds from issue of ordinary shares on exercise of share options		9,895	1,441
<b>Net cash from financing activities</b>		<b>1,309,448</b>	<b>3,172,269</b>
<b>Increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		7,505,128	8,161,250
Effect of foreign exchange rate changes		(164,595)	(48,134)
<b>Cash and cash equivalents at the end of the year</b>		<b>8,014,873</b>	<b>7,505,128</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		8,015,187	7,452,448
Cash and cash equivalents reclassified to assets held for sale	33	–	53,382
Less: Pledged bank deposits and deposits with financial institutions		(314)	(702)
		<b>8,014,873</b>	<b>7,505,128</b>

Note:

Excluding the expenditure for the “build-transfer” (“BT”) projects amounting to approximately HK\$1,396 million (2014: HK\$4,138 million), the net cash generated from operating activities for the year was approximately HK\$1,696 million (2014: HK\$2,449 million).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## 1 General information

China State Construction International Holdings Limited (The “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”) with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited (“COHL”), a company incorporated in Hong Kong. Its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited (“CSCECL”), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation (“CSCEC”), respectively, both of which are established in the People’s Republic of China (“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 (together, the “Group”) are the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business. The principal activities of its principal subsidiaries, joint ventures and associates are set out in Notes 45, 19 and 20, respectively.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$’000”), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2016.

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## 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 all applicable 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, 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) The adoption of amendments and improvements to existing standards

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

Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

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

#### (b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

#### (c) New standards, amendments and improvements to existing standards not yet effective

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

Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Annual Improvements Project	Annual Improvements 2012–2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> To be determined

The Group has not early adopted the above new standards, amendments and improvements to existing standards, and is in the assessment process whether there are substantial changes to the Group’s accounting policies and presentation of the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2015.

#### (a) Subsidiaries

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

#### *Business combinations — common control combinations*

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

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

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

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

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (a) Subsidiaries (continued)

##### *Business combinations — acquisition method*

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

Acquisition-related costs are expensed as incurred.

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

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

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

##### *Changes in ownership interests in subsidiaries without change of control*

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



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (a) Subsidiaries (continued)

##### *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income 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.

##### *Separate financial statements*

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

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

#### (b) Associates

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (b) Associates (continued)

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 of associates” in the consolidated income statement.

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

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

#### (c) Joint arrangements

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

##### *Joint ventures*

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

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

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

#### (c) Joint arrangements (continued)

##### *Joint operations*

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

### 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 'investment income, 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.4 Foreign currency translation (continued)

#### (c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each income statement are translated at average exchange 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
- (iii) 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.

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

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

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

### 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.

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



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

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

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

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

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

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

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

### 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.7 Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. 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 or 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 arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquiree.

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.9 Intangible assets (continued)

#### (a) Goodwill (continued)

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

#### (b) Trademark, project backlogs and licences

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

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

Licences that have indefinite useful lives are not amortised. They are subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment.

#### (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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial assets

#### Classification

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. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. 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 an associate and joint ventures", "trade and other receivables", "deposits and prepayments" and "cash and cash equivalent" 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.

#### Recognition and measurement

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.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### Recognition and measurement (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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.11 Impairment of financial assets (continued)

#### (a) Assets carried at amortised cost (continued)

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.

#### (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, if any such evidence exists 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 profit or loss — is removed from equity and recognised in profit or loss. 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 the event occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. In the case of equity investment 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.

### 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 (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 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.

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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

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

### 2.18 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.

### 2.19 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.

### 2.20 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.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.21 Borrowing costs

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

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

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

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

### 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.

#### (i) Current income tax

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.23 Current and deferred income tax (continued)

#### (ii) Deferred income tax

##### *Inside basis difference*

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

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

##### *Outside basis difference*

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

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

#### (iii) Offsetting

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

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

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### (b) Employee leave entitlements

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

### 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.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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) Thermoelectricity business

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

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

Connection service income received and receivable, to the extent which is attributable to the initial pipeline construction and connection of transmission of heat and steam, is recognised 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 Summary of significant accounting policies (continued)

### 2.28 Revenue recognition (continued)

#### (d) Income from interests in infrastructure investment projects

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

#### (e) Toll revenue

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

#### (f) Sales of goods

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

#### (g) Lease of machinery

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

#### (h) Insurance income

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

#### (i) 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.

#### (j) 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).

#### (k) Services income

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

#### (l) Interest income generated from BT projects

Income from BT projects is accrued on a time basis, by making reference to the carrying amount and at the interest rate specified under contract terms.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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.

### 2.32 Assets held for sales

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below) (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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 and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, primarily with respect to the Renminbi ("RMB") and United States dollar ("US\$"), hence exposures to exchange rate fluctuation arise. The Group and the Company currently 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 adjust the financing structure if needed.

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

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

At 31 December 2015, if HK\$ had weakened/strengthened 5% against RMB with all other variables held constant, the consolidated profit before tax for the year would have been HK\$29,363,000 higher/lower (2014: HK\$565,000 lower/higher), respectively.

##### (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 23, 27 and 32 for details of debt securities, trade and other receivables and borrowings.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 3 Financial risk management *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (a) Market risk *(continued)*

##### (ii) Interest rate risk *(continued)*

The Group is also exposed to fair value interest rate risk in relation to fixed interest debt securities and fixed deposits. Fair value interest rate risk on fixed interest debt securities is considered immaterial. Management will also consider hedging significant interest rate exposure should the need 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 (2014: 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 (2014: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2015 would decrease/increase by HK\$37,071,000 (2014: decrease/increase by HK\$29,856,000).

#### (b) Credit risk

As at 31 December 2015, 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 Mainland China.

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

The credit risk on interests in infrastructure project investments and long term trade receivables are limited because the counterparties are PRC government-related entities, which, in most cases, provide collateral which are sufficient to cover the receivables for the outstanding balances owing to the Group.

Other than concentration of credit risk on liquid funds, interests in infrastructure project investments and amounts due from investee companies and long term trade receivables, the Group does not have any other significant concentration of credit risk. Trade receivables, loan to a joint venture, amounts due from investee companies, associates, joint ventures, subsidiaries and immediate holding company of the Group and the Company consist of a large number of parties, spread across diverse industries and geographical areas.

#### (c) Liquidity risk

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

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

	Less than 6 months HK\$'000	Between 6 months and 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>The Group</b>						
At 31 December 2015						
Trade payables, other payables and accruals, excluding deferred income	19,065,054	129,597	1,971,555	701,236	859	21,868,301
Amounts due to joint ventures	625,844	-	-	-	-	625,844
Borrowings	654,499	514,394	1,215,053	11,318,307	2,096,482	15,798,735
Guaranteed notes payables	60,938	60,938	121,875	3,910,041	-	4,153,792
Obligations under finance leases	489	489	794	1,773	859	4,404
	<b>20,406,824</b>	<b>705,418</b>	<b>3,309,277</b>	<b>15,931,357</b>	<b>2,098,200</b>	<b>42,451,076</b>
At 31 December 2014						
Trade payables, other payables and accruals, excluding deferred income	15,199,120	177,080	1,125,357	716,512	596	17,218,665
Amounts due to joint ventures	354,111	-	-	-	-	354,111
Amount due to an associate	26,480	-	-	-	-	26,480
Borrowings	472,824	481,169	1,385,345	5,330,952	5,652,864	13,323,154
Guaranteed notes payables	60,938	60,938	121,875	4,052,594	-	4,296,345
Obligations under finance leases	513	513	988	2,012	1,402	5,428
	<b>16,113,986</b>	<b>719,700</b>	<b>2,633,565</b>	<b>10,102,070</b>	<b>5,654,862</b>	<b>35,224,183</b>

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 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 and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 45.9% as at 31 December 2015 (2014: 36.8%). The increase was mainly caused by overed-budget capital expenditures due to more suitable investment opportunities than expected and the decrease in total equity due to the depreciation of Renminbi.

### 3.3 Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

	31 December 2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Available-for-sale investments</b>				
Listed debt securities	107,811	–	–	107,811
Unlisted investment funds and certificate of deposits	–	–	19,061	19,061
Unlisted equity securities	–	–	112,631	112,631
	107,811	–	131,692	239,503

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 3 Financial risk management (continued)

### 3.3 Fair value estimation (continued)

	31 December 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Available-for-sale investments</b>				
Listed debt securities	107,511	–	–	107,511
Unlisted investment funds and certificate of deposits	–	–	18,853	18,853
Unlisted equity securities	–	–	326,922	326,922
	107,511	–	345,775	453,286

There were no transfers between the levels during the year.

The following table presents the changes in level 3 instruments for the years ended 31 December 2015 and 2014:

	Available-for-sale investments HK\$'000
At 1 January 2014	350,237
Exchange adjustments	(14)
Change in fair value	(4,448)
At 31 December 2014	345,775
Exchange adjustments	(221)
Additions	1,000
Reclassification to associate	(577,215)
Change in fair value	362,353
At 31 December 2015	131,692

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.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 3 Financial risk management *(continued)*

### 3.3 Fair value estimation *(continued)*

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

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

Specific valuation techniques used to value financial instruments include:

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

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

- Trade and other receivables, deposits and prepayments
- Bank balances and cash
- Trade payables, other payables and accruals, deposits received and advances from customers
- Borrowings

## 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4 Critical accounting estimates and judgements *(continued)*

### 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.

### 4.3 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 judgement. A considerable amount of judgement 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, trademark, project backlogs and licences, and goodwill

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 4 Critical accounting estimates and judgements *(continued)*

### 4.5 Impairment of concession operating rights

Determining whether concession operating rights are impaired requires an estimation of the recoverable amount. In measuring the recoverable amount of the concession operating rights, the Group has looked at the value in use based on the following factors: the expected future traffic 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 operating rights, the management exercised their judgement with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operating 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.

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

The Group has exercised significant accounting judgement on recognition of deferred tax assets in respect of losses in Far East Global Group Limited ("FEG"), a limited liability company incorporated in the Cayman Islands and listed on the Main Board of SEHK, and its subsidiaries (together the "FEG Group"). The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement regarding the future financial performance of the FEG Group. Those significant estimations and judgement include gross profit margin, overhead and capital expenditure applied to the profit forecasts.

### 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 5 Revenue

Revenue represents the revenue arising from construction contracts, facade contracting business, infrastructure investment projects, infrastructure operation, sales of building materials, machinery leasing, logistics services and insurance contracts.

	2015 HK\$'000	2014 HK\$'000
Revenue from construction contracts	21,676,285	17,506,644
Revenue from infrastructure investment projects (Note(a))	13,008,014	14,097,918
Revenue from facade contracting business	1,784,380	1,382,018
Revenue from infrastructure operation (Note(b))	946,031	921,969
Others (Note(c))	498,449	531,026
	<b>37,913,159</b>	<b>34,439,575</b>

Note:

- (a) Revenue from infrastructure investment projects comprise of revenue generated from the provision of construction services under BT model and the corresponding interest income.
- (b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.
- (c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services and insurance contracts.

## 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 geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates and India).

The FEG Group is currently managed by a separate business team. The chief operating decision maker regards the FEG Group as a distinct reportable segment and assesses its performance based on its overall result.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 6 Segment information (continued)

### Segment information (continued)

Segment revenue and results for the years ended 31 December 2015 and 2014 are as follows:

	Segment revenue		Gross profit/(loss)		Segment result	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Reportable segment						
Hong Kong	16,183,532	15,284,749	957,560	1,010,830	833,437	898,999
Mainland China	14,631,020	15,516,909	3,635,761	3,575,493	3,528,357	3,305,605
Macau	5,314,227	2,255,899	268,605	96,334	730,828	328,282
Overseas	–	–	(16,219)	(27,954)	(28,386)	(53,627)
FEG Group	1,784,380	1,382,018	184,067	88,389	19,003	(114,998)
	<b>37,913,159</b>	<b>34,439,575</b>	<b>5,029,774</b>	<b>4,743,092</b>	<b>5,083,239</b>	<b>4,364,261</b>
Unallocated corporate expenses					(229,280)	(192,962)
Non-recurring investment income, other income and other gains, net					13,088	13,992
Share of profits of joint ventures					423,728	294,345
Share of profits of associates					72,462	23,787
Finance costs					(607,082)	(455,829)
Profit before tax					<b>4,756,155</b>	<b>4,047,594</b>

### Measurement

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

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts and machinery leasing, insurance contracts and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from infrastructure investment projects, project consultancy services, thermoelectricity business, operating infrastructure projects, sales of building materials and logistics services.

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

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

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of joint ventures and associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 6 Segment information (continued)

### Segment information (continued)

Amounts included in the measure of segment profit or loss:

	Hong Kong		Mainland China		Macau		Overseas		FEG Group		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowance/(reversal) for doubtful debts on trade and other receivables	-	-	1,036	7,415	-	-	-	-	1,764	(4,483)	2,800	2,932
Depreciation and amortisation	5,109	4,877	307,669	272,640	3,954	6,975	-	36	24,279	35,853	341,011	320,381
Net gain/(loss) on disposal of property, plant and equipment	(46)	4,758	3,876	943	12	-	(301)	(9,433)	(2,200)	(424)	1,341	(4,156)
Gain on disposal of prepaid lease payment	-	-	90,569	-	-	-	-	-	-	-	90,569	-

### Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	939,178	1,034,165	119,131	181,875
Mainland China	8,550,764	9,010,758	303,446	321,402
Macau	129,108	131,411	5,268	10,959
Overseas	267,638	271,357	8,508	10,996
	<b>9,886,688</b>	<b>10,447,691</b>	<b>436,353</b>	<b>525,232</b>

Non-current assets exclude financial instruments, available-for-sale investments, deferred tax assets and interests in joint ventures and associates.

The information of the FEG Group was allocated to the Hong Kong, Mainland China and Overseas segments (including North America) in accordance with the locations that the 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 6 Segment information *(continued)*

### Major customers information

Revenue from one customer in the Hong Kong reportable segment amounted to approximately HK\$7,779,929,000 (2014: one customer in the Hong Kong reportable segment amounted to approximately HK\$5,021,915,000), which individually represents more than 10 percent of the Group's total revenue.

## 7 Investment income, other income and other gains, net

	2015 HK\$'000	2014 HK\$'000
Interest income on:		
Bank deposits	67,865	87,876
Debt securities	5,557	6,911
Imputed interest on amounts due from investee companies	15,514	14,317
Loan to a joint venture	112,647	45,557
Dividend income from:		
Unlisted available-for-sale investments	15,458	15,289
Gain on disposal of:		
Prepaid lease payments	90,569	–
Listed available-for-sale investments	–	13,992
Property, plant and equipment, net	1,341	–
Properties held for sale	75,682	244,166
Rental of properties	9,041	9,598
Service income	26,832	9,420
Gain on reclassification from available-for-sale investment to associate	375,127	–
Reversal of other payables and accruals	–	3,480
Others	37,167	24,733
	<b>832,800</b>	<b>475,339</b>

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 8 Finance costs

	2015 HK\$'000	2014 HK\$'000
Interest on bank loans	426,683	700,730
Interest on guaranteed notes payables	133,085	133,085
Interest on other loans	-	74
Finance lease charges	257	272
Others	57,932	33,544
<b>Total finance costs</b>	<b>617,957</b>	<b>867,705</b>
Less: Amounts capitalised in concession operating rights	-	(87,197)
Amounts capitalised in amounts due from customers for contract work	-	(313,934)
Amounts capitalised in construction in progress	(10,875)	(10,745)
	<b>607,082</b>	<b>455,829</b>

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 3.5% (2014: 3.5%).

## 9 Benefits and interests of directors

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eleven directors were as follows:

#### For the year ended 31 December 2015

	Zhou Yong	Tian Shuchen	Zhou Hancheng	Pan Shujie	Hung Cheung Shew	Wu Mingqing	Li Jian	Raymond Ho Chung Tai	Adrian David Li Man Kiu	Raymond Leung Hai Ming	Lee Shing See	Total 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (a))				(Note (b))	(Note (c))						
Fees	800	-	-	-	-	-	25	360	360	250	360	2,155
Other emoluments:												
Salaries	2,760	1,229	1,229	1,229	2,213	1,229	-	-	-	-	-	9,889
Discretionary bonuses (Note (d))	3,002	3,333	3,079	2,753	2,100	2,753	-	-	-	-	-	17,020
Housing allowance	-	-	-	-	-	-	-	-	-	-	-	-
Estimated money value of other benefits	-	-	-	-	-	-	-	-	-	-	-	-
Employer's contribution to retirement benefit scheme	18	18	18	18	18	18	-	-	-	-	-	108
Remunerations paid or receivable in respect of accepting office as director	-	-	-	-	-	-	-	-	-	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertakings	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total emoluments</b>	<b>6,580</b>	<b>4,580</b>	<b>4,326</b>	<b>4,000</b>	<b>4,331</b>	<b>4,000</b>	<b>25</b>	<b>360</b>	<b>360</b>	<b>250</b>	<b>360</b>	<b>29,172</b>



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 9 Benefits and interests of directors (continued)

### (a) Directors' and chief executive's emoluments (continued)

#### For the year ended 31 December 2014 (Restated)

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance has been restated in order to comply with the new scope and requirements of the Hong Kong Companies Ordinance (Cap.622).

	Zhou Yong	Tian Shuchen	Zhou Hancheng	Pan Shujie	Hung Cheung Shew	Wu Mingqing	Li Jian	Raymond Ho Chung Tai	Adrian David Li Man Kiu	Raymond Leung Hai Ming	Lee Shing See	Total 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (a))					(Note (b))	(Note (c))					
Fees	800	-	-	-	-	-	300	360	360	250	360	2,430
Other emoluments:												
Salaries	2,760	1,212	1,212	1,212	2,030	706	-	-	-	-	-	9,132
Discretionary bonuses (Note (d))	3,003	3,098	2,839	2,655	1,900	2,361	-	-	-	-	-	15,856
Housing allowance	-	-	-	-	-	-	-	-	-	-	-	-
Estimated money value of other benefits	-	-	-	-	-	-	-	-	-	-	-	-
Employer's contribution to retirement benefit scheme	17	17	17	17	17	10	-	-	-	-	-	95
Remunerations paid or receivable in respect of accepting office as director	-	-	-	-	-	-	-	-	-	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertakings	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total emoluments</b>	<b>6,580</b>	<b>4,327</b>	<b>4,068</b>	<b>3,884</b>	<b>3,947</b>	<b>3,077</b>	<b>300</b>	<b>360</b>	<b>360</b>	<b>250</b>	<b>360</b>	<b>27,513</b>

Notes:

- Mr. Zhou acts as Executive Director, Chairman and Chief Executive Officer of the Company.
- Mr. Wu Mingqing was appointed as an executive director of the Company on 3 June 2014.
- Mr. Li Jian resigned as a non-executive director of the Company with effect from 19 January 2015.
- The performance related incentive payment is determined primarily based on the performance of each director and the profitability of the Group.

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 2015 and 2014.

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 9 Benefits and interests of directors (continued)

### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 10 Senior management emoluments

The emoluments of the senior management for the years ended 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	23,166	24,830
Contributions to retirement benefit schemes	144	151
	<b>23,310</b>	<b>24,981</b>

The emoluments of the senior management for 2015 and 2014 were within the following bands:

	2015 No. of employees	2014 No. of employees
HK\$1,000,000 or less	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	2
More than HK\$3,000,000	4	4
	<b>8</b>	<b>9</b>

## 11 Income tax expenses, net

	2015 HK\$'000	2014 HK\$'000
Current tax:		
Hong Kong	94,266	93,475
Other jurisdictions	667,686	615,064
	<b>761,952</b>	<b>708,539</b>
Under/(over)provision in prior years:		
Hong Kong	1,106	(1,498)
Other jurisdictions	7,845	(2,032)
	<b>8,951</b>	<b>(3,530)</b>
	<b>770,903</b>	<b>705,009</b>
Deferred tax, net (Note 38)	<b>(116,377)</b>	<b>(45,293)</b>
Income tax expenses for the year	<b>654,526</b>	<b>659,716</b>

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 11 Income tax expenses, net (continued)

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

Income taxes arising in other jurisdictions, mainly Mainland China, are calculated at the rates prevailing in the relevant jurisdictions.

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax	4,756,155	4,047,594
Share of profits of		
Joint ventures	(423,728)	(294,345)
Associates	(72,462)	(23,787)
	4,259,965	3,729,462
Tax at domestic income tax rate of 16.5% (2014: 16.5%)	702,894	615,361
Effect of different tax rates of profit arising from other jurisdictions	87,392	129,600
Tax effect of expenses not deductible for tax purpose	41,215	11,250
Tax effect of income not taxable for tax purpose	(196,243)	(156,880)
Tax effect of tax losses not recognised	41,977	72,185
Tax effect of utilisation of previously unrecognised tax losses	(35,565)	(8,180)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 38)	5,247	(1,434)
Under/(over)provision in prior years	8,951	(3,530)
Others	(1,342)	1,344
Tax charge for the year	654,526	659,716

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 12 Profit for the year

	2015 HK\$'000	2014 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
— current year	9,157	7,719
— overprovision in prior year	—	(30)
	<b>9,157</b>	7,689
Depreciation of property, plant and equipment	331,820	319,974
Less: Amounts capitalised in contracts in progress	(192,710)	(174,890)
	<b>139,110</b>	145,084
Employee benefits expense including directors' emoluments:		
Staff costs	3,256,717	2,818,649
Contributions to retirement benefit plans	123,117	85,432
Less: Amounts capitalised in contracts in progress	(2,508,371)	(2,050,941)
	<b>871,463</b>	853,140
Operating lease rentals in respect of:		
Plant and machinery	409,444	340,415
Land and buildings	57,904	34,694
	<b>467,348</b>	375,109
Less: Amounts included in contracts in progress costs	(424,859)	(347,265)
	<b>42,489</b>	27,844
Rental income from investment properties, net of direct expenses	(9,041)	(9,598)
Depreciation of investment properties	1,003	1,007
Amortisation of concession operating rights (included in costs of sales)	180,863	142,257
Amortisation of trademark and project backlogs	14,615	25,956
Amortisation of prepaid lease payments	5,420	6,077
Contracts in progress costs recognised as expense	31,967,799	28,591,958
Raw materials and consumables used	431,940	375,695
Exchange loss, net	20,126	1,873
Allowance for impairment losses of trade and other receivables	2,800	2,932
(Gain)/loss on disposal of property, plant and equipment, net	(1,341)	4,156



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 13 Dividends

	2015 HK\$'000	2014 HK\$'000
Dividends recognised as distributions during the year:		
2014 Final, paid — HK15.00 cents (2014: 2013 Final, paid — HK12.00 cents) per share	601,863	467,088
2015 Interim, paid — HK13.00 cents (2014: 2014 Interim, paid — HK11.00 cents) per share	527,321	428,163
2015 special, paid — HK 2.00 cents per share	81,126	—
	<b>1,210,310</b>	895,251

The final dividend of HK18.00 cents (2014: HK15.00 cents) per share amounting to approximately HK\$730,137,000 (2014: HK\$601,863,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 14 Earnings per share

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	4,153,072	3,457,410

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,026,027	3,895,850
Effect of dilutive potential ordinary shares in respect of share options	35,387	54,658
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,061,414	3,950,508

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 15 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
<b>Cost</b>							
At 1 January 2014,							
as restated	1,094,711	1,599,054	893,538	162,369	101,364	252,054	4,103,090
Exchange adjustments	(4,963)	(5,223)	(1,761)	(1,279)	(205)	(744)	(14,175)
Additions	28,752	53,614	184,275	23,528	14,589	220,474	525,232
Reclassification upon the completion of construction	80,608	126,549	38,133	–	–	(245,290)	–
Disposals	(27,571)	(813)	(44,541)	(9,858)	(12,633)	–	(95,416)
At 31 December 2014	1,171,537	1,773,181	1,069,644	174,760	103,115	226,494	4,518,731
At 1 January 2015	1,171,537	1,773,181	1,069,644	174,760	103,115	226,494	4,518,731
Exchange adjustments	(59,975)	(99,258)	(10,189)	(7,000)	(3,607)	(11,061)	(191,090)
Additions	20,206	42,691	121,651	25,496	15,804	210,505	436,353
Reclassification upon the completion of construction	141,360	39,970	12,358	–	–	(193,688)	–
Disposals	(5,642)	–	(87,634)	(12,311)	(8,347)	–	(113,934)
At 31 December 2015	1,267,486	1,756,584	1,105,830	180,945	106,965	232,250	4,650,060
<b>Depreciation</b>							
At 1 January 2014,							
as restated	199,460	536,610	545,098	93,819	55,746	–	1,430,733
Exchange adjustments	(1,942)	(2,124)	(1,057)	(836)	(74)	–	(6,033)
Charge for the year	37,506	80,955	154,836	27,992	18,685	–	319,974
Disposals	(399)	(522)	(33,321)	(8,788)	(10,213)	–	(53,243)
At 31 December 2014	234,625	614,919	665,556	112,187	64,144	–	1,691,431
At 1 January 2015	234,625	614,919	665,556	112,187	64,144	–	1,691,431
Exchange adjustments	(14,533)	(36,460)	(5,688)	(4,200)	(1,843)	–	(62,724)
Charge for the year	41,313	78,138	169,416	25,307	17,646	–	331,820
Disposals	(4,448)	–	(63,641)	(7,962)	(6,406)	–	(82,457)
At 31 December 2015	256,957	656,597	765,643	125,332	73,541	–	1,878,070
<b>Carrying values</b>							
At 31 December 2015	1,010,529	1,099,987	340,187	55,613	33,424	232,250	2,771,990
At 31 December 2014	936,912	1,158,262	404,088	62,573	38,971	226,494	2,827,300

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 15 Property, plant and equipment (continued)

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

	2015 HK\$'000	2014 HK\$'000
Land and buildings in Hong Kong under medium-term leases	83,546	88,127
Heat and electricity plants in Mainland China under medium-term leases	310,341	313,135
Other premises in Mainland China under medium-term leases	471,787	397,002
Freehold land in Macau	72,664	77,998
Freehold land in Canada	15,764	17,934
Freehold land in the United States of America	56,427	42,716
	<b>1,010,529</b>	<b>936,912</b>

At 31 December 2015, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounted to approximately HK\$14,463,000 (2014: HK\$17,934,000).

At 31 December 2015, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK\$34,944,000 (2014: HK\$36,137,000).

## 16 Investment properties

	HK\$'000
<b>Cost</b>	
At 1 January 2014	54,538
Exchange adjustments	(22)
At 31 December 2014	54,516
Exchange adjustments	(350)
At 31 December 2015	<b>54,166</b>
<b>Depreciation</b>	
At 1 January 2014	15,453
Exchange adjustments	(17)
Charge for the year	1,007
At 31 December 2014	16,443
Exchange adjustments	(271)
Charge for the year	1,003
At 31 December 2015	<b>17,175</b>
<b>Carrying values</b>	
At 31 December 2015	<b>36,991</b>
At 31 December 2014	38,073

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 16 Investment properties (continued)

The carrying value of investment properties shown above comprises properties situated as follows:

	2015 HK\$'000	2014 HK\$'000
Land and buildings in Macau:		
Freehold land	18,879	19,377
Medium-term leases	16,820	17,246
Others	1,292	1,450
	<b>36,991</b>	<b>38,073</b>

The fair value of the Group's investment properties at 31 December 2015 is approximately HK\$242,866,000 (2014: HK\$228,876,000).

The fair value of the investment properties has been arrived at based on an open market valuation performed by Crowe Horwath (HK) Consulting & Valuation Limited 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 valuation included the use of inputs that are not based on observable market data (level 3 assets). The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

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.

## 17 Interests in infrastructure project investments

	2015 HK\$'000	2014 HK\$'000
Interests in infrastructure project investments	1,572,189	1,506,364
Less: Portion due within one year included in current assets	(35,817)	(17,176)
Portion due after one year	<b>1,536,372</b>	<b>1,489,188</b>

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

The effective interest rates on the infrastructure project investments range from 10.34% to 27.76% (2014: 9.40% to 31.07%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2015 and 2014.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2015 and 2014 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 18 Prepaid lease payments

As at 31 December 2015 and 2014, the Group's prepaid lease payments comprise of leasehold land located in Mainland China under medium-term leases.

## 19 Interests in joint arrangements

### Joint ventures

	2015 HK\$'000	2014 HK\$'000
Cost of investments, unlisted	2,570,354	2,366,858
Share of post-acquisition profits and other comprehensive income, net of dividends	1,003,308	1,082,176
	<b>3,573,662</b>	<b>3,449,034</b>

Set out below are the particulars of the principal joint ventures at 31 December 2015 and 2014, 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
			2015 %	2014 %	
Nanjing Changjiang Second Bridge Company Limited ("NCSB")	Incorporated	PRC	65	65	Operation and management of a toll bridge
中海港務(萊州)有限公司	Incorporated	PRC	60	60	Operation and management of ports

Set out below is the summarised financial information for NCSB and 中海港務(萊州)有限公司 and its subsidiaries ("萊州港務") which are accounted for using the equity method.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 19 Interests in joint arrangements (continued)

### Joint ventures (continued)

#### Summarised statement of financial position

	NCSB		萊州港務	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Current</b>				
Bank balances and cash	173,348	320,103	494,668	372,833
Other current assets	191,606	3,203	50,922	116,960
Total current assets	364,954	323,306	545,590	489,793
Financial liabilities	39,241	41,485	–	–
Other current liabilities	48,019	52,072	335,454	309,349
Total current liabilities	87,260	93,557	335,454	309,349
<b>Non-current</b>				
Property, plant and equipment	1,339,193	1,510,289	908,758	1,134,115
Concession operating rights	1,928,510	2,163,361	–	–
Other non-current assets	–	–	236,552	136,797
Total non-current assets	3,267,703	3,673,650	1,145,310	1,270,912
Financial liabilities	1,025,621	1,171,833	–	–
Other non-current liabilities	363,736	410,301	–	–
Total non-current liabilities	1,389,357	1,582,134	–	–
Non-controlling Interest	–	–	449	431
<b>Net assets</b>	<b>2,156,040</b>	<b>2,321,265</b>	<b>1,354,997</b>	<b>1,450,925</b>

#### Summarised statement of comprehensive income

	NCSB		萊州港務	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	778,690	821,541	376,829	–
Depreciation and amortisation	(151,110)	(148,221)	(80,889)	–
Interest income	5,044	5,500	8,693	–
Finance costs	(72,434)	(84,129)	–	–
Administrative expenses	(201,103)	(195,625)	(156,069)	–
Profit before tax	359,087	399,066	148,564	–
Income tax expenses, net	(88,877)	(92,137)	(24,851)	–
Profit for the year	270,210	306,929	123,713	–
Other comprehensive loss	(125,571)	(7,281)	(123,436)	–
Total comprehensive income	144,639	299,648	277	–
Dividends received from joint ventures	201,412	156,335	57,723	–

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 19 Interests in joint arrangements (continued)

### Joint ventures (continued)

#### Summarised statement of comprehensive income (continued)

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

NCSB and 萊州港務 are private companies and there are no quoted market prices available for their shares.

### Reconciliation of summarised financial information

Reconciliation of summarised financial information presented above to the carrying amount of the interests in NCSB and 萊州港務 are as follows:

	NCSB		萊州港務	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Opening net assets	2,321,265	2,262,132	1,450,925	–
Exchange adjustment	(125,571)	(7,281)	(123,436)	–
Profit for the year	270,210	306,929	123,713	–
Acquisition of a joint venture	–	–	–	1,450,925
Dividend declared	(309,864)	(240,515)	(96,205)	–
Closing net assets	2,156,040	2,321,265	1,354,997	1,450,925
Share of net assets	1,401,426	1,508,822	812,998	870,555
Goodwill	–	–	–	–
Carrying value of the Group's share of net assets	1,401,426	1,508,822	812,998	870,555

### Aggregate information of joint ventures that are not individually material

Set out below is the aggregate financial information of joint ventures that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Aggregate carrying value	1,359,238	1,069,657
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	173,863	94,841
Other comprehensive income	(79,777)	(3,048)
Total comprehensive income	94,086	91,793

There are no commitments or contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 19 Interests in joint arrangements (continued)

### Joint operations

In addition to the construction projects undertaken by certain joint ventures as listed above, the Group has also established joint arrangements with outsider contracts to undertake construction and engineering projects in the form of joint operations.

Particulars regarding the principal joint operations as at 31 December 2015 and 2014 are as follows:

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group		Principal activities
			2015 %	2014 %	
Atal-Degremont – China State Joint Venture	Unincorporated	Hong Kong	32.5	32.5	Civil engineering works
China Overseas Building – Bordon Joint Venture	Unincorporated	Hong Kong	50	50	Building construction
China State – Atal Joint Venture	Unincorporated	Hong Kong	56.4	56.4	Civil engineering works
China State – Atal Joint Venture	Unincorporated	Hong Kong	51	51	Civil engineering works
China State – Leader Joint Venture	Unincorporated	Hong Kong	51	51	Civil engineering works
China State – Shui On Joint Venture	Unincorporated	Hong Kong	60	60	Building construction
Consorcio De Krueger – CSME	Unincorporated	Macau	55	55	Mechanical and electrical engineering works
Krueger – China State M & E Joint Venture	Unincorporated	Hong Kong	50	50	Mechanical and electrical engineering works
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	45	45	Civil engineering works
Leighton – China State Joint Venture*	Unincorporated	Hong Kong	49	–	Civil engineering works
Maeda – China State Joint Venture	Unincorporated	Hong Kong	30	30	Civil engineering works
Penta Ocean – China State Joint Venture*	Unincorporated	Hong Kong	49	–	Civil engineering works



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 19 Interests in joint arrangements (continued)

### Joint operations (continued)

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group		Principal activities
			2015 %	2014 %	
Penta Ocean – Concentric – Alchmex Joint Venture	Unincorporated	Hong Kong	26	26	Civil engineering works
中建鋼構 – CSHK 合作經營	Unincorporated	Macau	30	30	Structural steel works

\* Newly formed in 2015

## 20 Interests in associates

	2015 HK\$'000	2014 HK\$'000
Unlisted companies		
Cost of investments in associates	3,124,775	1,843,828
Share of post-acquisition profits, net of dividends	48,768	9,740
	3,173,543	1,853,568
Amounts due from associates	626,650	251,375
	3,800,193	2,104,943

Included in the cost of investments in associates is goodwill of approximately HK\$494,000 (2014: HK\$494,000) arising from acquisitions of associates in prior years.

The amounts due from associates are unsecured, interest free and have no specific repayment terms, but are considered by the directors to be part of the long term interests in associates.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 20 Interests in associates (continued)

Set out below are the associates of the Group as at 31 December 2015 and 2014.

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		Principal activities
				2015	2014	
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
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI	Non-voting class B <sup>#</sup>	29.0%	29.0%	Investment holding
Omar Property Development Company Limited (Note)	Incorporated	Macau	Ordinary	15.0%	–	Property development
安徽興泰融資租賃有限責任公司*	Incorporated	PRC	Ordinary	25.0%	–	Loan financing
澳門水泥廠*	Incorporated	Macau	Ordinary	31.34%	–	Manufacture and sale of ready-mixed concrete
深圳市毅駿房地產開發有限公司*	Incorporated	PRC	Ordinary	20.0%	–	Property development

\* Acquired or incorporated in 2015

# Holder of non-voting class B share of Fast Shift, through Fast Shift's interest in Nova Taipa – Urbanizações, Limitada ("NTUL"), is entitled to 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V in Macau owned and developed by NTUL.

Note: Significant influence is obtained by the Group through participation in the board of directors of the associate in 2015.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 20 Interests in associates (continued)

Set out below is the summarised financial information for Fast Shift which is accounted for using the equity method.

### Summarised statement of financial position

	Fast Shift	
	2015	2014
	HK\$'000	HK\$'000
<b>Assets</b>		
Current assets	8,983,118	8,486,001
Total assets	8,983,118	8,486,001
<b>Liabilities</b>		
Non-current liabilities	856,373	1,264,753
Current liabilities	1,849,692	942,176
Total liabilities	2,706,065	2,206,929
<b>Net assets</b>	<b>6,277,053</b>	<b>6,279,072</b>

### Summarised statement of comprehensive income

	Fast Shift	
	2015	2014
	HK\$'000	HK\$'000
Revenue	–	–
Loss and total comprehensive loss for the year	(2,019)	(998)
Dividends received from associate	–	–

The information above reflects the amounts presented in the financial statements of Fast Shift, adjusted for differences in accounting policies between the Group and Fast Shift, and not the Group's share of those amounts.

Fast Shift is a private company and there are no quoted market prices available for its shares.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 20 Interests in associates (continued)

### Reconciliation of summarised financial information

Reconciliation of summarised financial information presented above to the carrying amount of the interests in Fast Shift are as follows:

	Fast Shift	
	2015	2014
	HK\$'000	HK\$'000
Opening net assets	6,279,072	–
Acquisition of an associate	–	6,280,070
Loss for the year/period	(2,019)	(998)
Closing net assets	6,277,053	6,279,072
Share of net assets	1,820,345	1,820,931
Goodwill	–	–
Carrying value of the Group's share of net assets	1,820,345	1,820,931
Amount due from an associate	260,075	251,375

### Aggregate information of associates that are not individually material

Set out below is the aggregate financial information of associates that are not individually material:

	2015	2014
	HK\$'000	HK\$'000
Aggregate carrying value	1,353,198	32,637
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	73,047	24,077
Other comprehensive income	(16,587)	–
Total comprehensive income	56,460	24,077

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2015 and 2014.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 21 Concession operating rights

	HK\$'000
<b>Cost</b>	
At 1 January 2014	6,735,017
Exchange adjustments	(22,423)
Additions	340,733
At 31 December 2014	7,053,327
Exchange adjustments	(379,809)
Additions	38,263
At 31 December 2015	6,711,781
<b>Amortisation</b>	
At 1 January 2014	381,184
Exchange adjustments	(1,106)
Charge for the year	142,257
At 31 December 2014	522,335
Exchange adjustments	(35,619)
Charge for the year	180,863
At 31 December 2015	667,579
<b>Carrying values</b>	
At 31 December 2015	6,044,202
At 31 December 2014	6,530,992

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\$3,413,704,000 (2014: HK\$3,751,314,000) and HK\$2,630,498,000 (2014: HK\$2,779,678,000), respectively, both of which are located in Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041 and class 1 Highway from Yangquan to Niangziquan, Shanxi Province is from 22 July 2015 to 21 July 2045. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2015 and 2014, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK\$3,413,704,000 (2014: HK\$3,751,314,000) had been pledged to secure the bank loan with a carrying amount of approximately HK\$2,254,197,000 (2014: HK\$2,488,002,000).



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 22 Trademark, project backlogs, licences and goodwill

	Trademark HK\$'000	Project backlogs HK\$'000	Licences HK\$'000	Goodwill HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2014, 31 December 2014 and 31 December 2015	216,708	45,359	9,950	577,664	849,681
<b>Amortisation</b>					
At 1 January 2014	18,961	26,460	–	–	45,421
Charge for the year	10,836	15,120	–	–	25,956
At 31 December 2014	29,797	41,580	–	–	71,377
Charge for the year	10,836	3,779	–	–	14,615
At 31 December 2015	40,633	45,359	–	–	85,992
<b>Carrying values</b>					
At 31 December 2015	<b>176,075</b>	–	<b>9,950</b>	<b>577,664</b>	<b>763,689</b>
At 31 December 2014	186,911	3,779	9,950	577,664	778,304

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 zero growth rates which do not exceed the long-term average growth rates of the sectors covered by the construction licenses.

Goodwill is allocated to the Group's CGU comprising the FEG Group. For impairment assessment of goodwill, the recoverable amount of the FEG Group is determined based on fair value less costs to sell by making reference to its market share price.

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 23 Available-for-sale investments

Available-for-sale investments comprise:

	2015 HK\$'000	2014 HK\$'000
Listed securities:		
— Debt securities listed in Hong Kong with fixed interest of 4.75% and maturity date in 2018	39,269	38,400
— Debt securities listed in Hong Kong with fixed interest of 4-6.45% and maturity date in 2022-2043 (Note (a))	68,542	69,111
	107,811	107,511
Unlisted securities:		
— Investment funds and certificate of deposits	19,061	18,853
— Equity securities (Note (b))	112,631	326,922
Total	239,503	453,286

Notes:

- (a) At 31 December 2015, an amount of HK\$49,147,000 (2014: HK\$49,750,000) included in the carrying amount of debt securities listed in Hong Kong, is debentures issued by a subsidiary of COLI, a fellow subsidiary of the Group.
- (b) At 31 December 2015, an amount of HK\$65,636,000 (2014: HK\$280,706,000) included in the carrying amount of equity securities are those issued by subsidiaries of COLI, a fellow subsidiary of the Group.

For the impairment assessment of listed equity securities, as there were significant declines in the fair values of the equity securities below their costs, an 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 2015 and 2014 as there is no objective evidence of impairment loss.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets is either past due or impaired. No impairment loss on debt securities is recognised as the issuers of the securities have high credit ratings and no default interest payments have occurred in the past.

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

	2015 HK\$'000	2014 HK\$'000
HK\$	57,293	54,277
RMB	3,857	4,078
US\$	126,873	126,363
Macao Pataca ("MOP")	51,480	268,568
	239,503	453,286

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 24 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 ranging from 5.25% to 7.83% per annum (2014: 5.25% to 7.83% per annum) and the balances are denominated in RMB (2014: RMB and MOP).

At 31 December 2015, amounts due from investee companies including HK\$262,230,000 (2014: HK\$392,210,000) to subsidiaries of COLI, a fellow subsidiary of the Group.

## 25 Inventories

	2015 HK\$'000	2014 HK\$'000
Raw materials and consumables	94,103	124,897
Work in progress	812	1,413
Finished goods	13,920	33,979
	<b>108,835</b>	160,289

## 26 Amounts due from/(to) customers for contract work

	2015 HK\$'000	2014 HK\$'000
Contract costs incurred plus recognised profit less foreseeable losses	85,465,277	54,141,631
Less: progress billings	(87,712,577)	(56,580,535)
	<b>(2,247,300)</b>	(2,438,904)
Analysed for reporting purposes as:		
Amounts due from contract customers	2,421,715	1,354,148
Amounts due to contract customers	(4,669,015)	(3,793,052)
	<b>(2,247,300)</b>	(2,438,904)

At 31 December 2015, retentions held by customers for contract work amounted to approximately HK\$2,577,509,000 (2014: HK\$2,025,904,000) and have been included in trade and other receivables under current assets. No advances received from customers for contract work not yet commenced at 31 December 2015 and 2014 and have been included in deposits received and advance from customers under current liabilities.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 27 Trade and other receivables

	2015 HK\$'000	2014 HK\$'000
Trade receivables and retention receivables	34,975,504	24,510,257
Less: allowance for doubtful debts	(21,538)	(19,930)
	<b>34,953,966</b>	24,490,327
Other receivables	1,167,316	954,224
Less: allowance for doubtful debts	(1,158)	(1,202)
	<b>1,166,158</b>	953,022
Trade and other receivables (Note (a))	<b>36,120,124</b>	25,443,349
Current portion	<b>(18,170,163)</b>	(12,542,067)
Non-current portion (Note (b))	<b>17,949,961</b>	12,901,282

Notes:

- (a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK\$61,332,000 (2014: HK\$181,160,000), which were unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK\$664,313,000 (2014: HK\$667,206,000), which were unsecured, interest free and repayable on demand.
- (b) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under BT model) on the Mainland China. The balances are secured by certain assets from employers as collateral and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2017 to 2020, with approximately HK\$8,588,196,000 in 2017, HK\$8,146,093,000 in 2018, HK\$1,215,672,000 in 2019 to 2020. As a result, they are classified as non-current.

The analysis of trade and other receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date or the term of the related contract, is as follows:

	2015 HK\$'000	2014 HK\$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	10,695,737	5,373,856
31–90 days	4,449,776	3,030,702
Over 90 days	17,230,944	14,059,865
	<b>32,376,457</b>	22,464,423
Retention receivables	2,577,509	2,025,904
Other receivables	1,166,158	953,022
Trade and other receivables	<b>36,120,124</b>	25,443,349
Portion classified as current assets	<b>(18,170,163)</b>	(12,542,067)
Non-current portion	<b>17,949,961</b>	12,901,282

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 27 Trade and other receivables (continued)

Included in the receivables aged over 90 days were receivable attributable to the infrastructure investment projects amounts to HK\$16,704,856,000 (2014: HK\$13,690,541,000).

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2015, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$1,305,526,000 (2014: HK\$1,111,393,000).

Except for the receivable arising from construction contracts, including infrastructure investment projects trading under BT model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2014: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

The aging analysis of the Group's trade receivables balances which are past due but not impaired is presented as follows:

	2015 HK\$'000	2014 HK\$'000
91–180 days	–	33,041
181–365 days	251,240	86,934
Over 365 days	438,197	549,654
Total	689,437	669,629

Except for the amount of approximately HK\$22,696,000 (2014: HK\$21,132,000) which was provided for doubtful debts as at 31 December 2015, no allowance for doubtful debt is considered to be necessary for past due trade receivables based on the management's evaluation of creditworthiness and the past collection history of those receivables.

### Movement in the allowance for doubtful debts

	2015 HK\$'000	2014 HK\$'000
1 January	21,132	18,142
Exchange adjustments	(1,236)	58
Impairment losses recognised on receivables	2,800	2,932
31 December	22,696	21,132

Before accepting any new customer, the Group will assess the potential customer's credit quality and will define a credit limit. Limits attributed to customers are reviewed every year.



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 27 Trade and other receivables (continued)

Trade and other receivables are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
HK\$	4,664,747	3,918,400
RMB	29,346,885	19,321,842
MOP	1,420,993	1,178,964
US\$	240,738	177,853
Others	446,761	846,290
	<b>36,120,124</b>	<b>25,443,349</b>

## 28 Amount due to an associate

Amount due to an associate was unsecured, interest-free and repayable on demand. The balance was mainly denominated in RMB.

## 29 Amounts due from/(to) joint ventures and loan to a joint venture

The amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. The balances are mainly denominated in RMB. The balances are expected to be repaid within twelve months after the end of the reporting period.

The loan to a joint venture is unsecured, carrying interest at 10% to 12% per annum and expected to be repaid within twelve months after the end of the reporting period. The balances are denominated in RMB.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 30 Bank balances and cash

	2015 HK\$'000	2014 HK\$'000
Pledged bank deposits	291	682
Deposit with financial institutions	23	20
Bank balances and cash	8,014,873	7,451,746
	<b>8,015,187</b>	<b>7,452,448</b>

### Pledged bank deposits

At 31 December 2015, bank deposits amounting to approximately HK\$291,000 (2014: HK\$682,000) are pledged and earn interest at fixed rates ranging from 0.3% to 0.35% per annum (2014: 0.35% to 0.385% per annum).

### Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2014: 1 to 6 months) earning interest at a fixed rate of 0.001% per annum (2014: 0.00146% to 0.97498% per annum).

### Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 5.1% per annum (2014: 0.001% to 5.1% 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:

	2015 HK\$'000	2014 HK\$'000
HK\$	2,850,071	2,016,188
RMB	3,810,485	4,270,081
MOP	1,297,252	980,358
Others	57,379	185,821
	<b>8,015,187</b>	<b>7,452,448</b>

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 31 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:

	2015 HK\$'000	2014 HK\$'000
Trade payables, aged:		
0–30 days	8,072,265	5,826,387
31–90 days	2,056,945	2,584,934
Over 90 days	3,740,657	2,729,907
	<b>13,869,867</b>	11,141,228
Retention payables	5,986,535	4,282,776
Other payables and accruals	2,069,820	1,837,314
	<b>21,926,222</b>	17,261,318

Other payables included in the other payables and accruals amounted to approximately HK\$2,011,899,000 (2014: HK\$1,794,661,000), which comprise primarily staff cost, other tax and other operating expenses payables.

Trade payables and retention payables included balances with related companies amounting to approximately HK\$1,788,869,000 (2014: HK\$1,812,070,000), which were unsecured, interest free and repayable in accordance with the terms of relevant agreements.

Other payables included balances with related companies amounting to approximately HK\$660,002,000 (2014: HK\$573,591,000), which were unsecured, interest free and repayable on demand.

The average credit period on trade and construction cost payables is 60 days (2014: 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 2015, the amount of retention payables expected to be due after more than one year was approximately HK\$2,673,649,000 (2014: HK\$1,842,466,000).

Trade payables, other payables and accruals are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
HK\$	6,364,435	4,781,162
RMB	14,107,905	11,325,294
MOP	1,182,653	736,003
US\$	60,904	77,259
Others	210,325	341,600
	<b>21,926,222</b>	17,261,318

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 32 Borrowings

	2015 HK\$'000	2014 HK\$'000
Bank loans, secured	2,267,388	2,462,752
Bank loans, unsecured	11,626,503	8,486,321
	<b>13,893,891</b>	10,949,073
Less: Amount due within one year shown under current liabilities	(808,197)	(587,269)
Amount due after one year	<b>13,085,694</b>	10,361,804
Carrying amount repayable:		
Within one year	808,197	587,269
More than one year but not exceeding two years	815,832	1,065,761
More than two years but not more than five years	10,663,147	4,394,662
More than five years	1,606,715	4,901,381
	<b>13,893,891</b>	10,949,073

The Group's bank loans are mainly denominated in HK\$ and RMB, all of which are functional currencies of the respective Group entities. The Group's secured bank loans are secured by land and building and concession operating rights of the Group.

The fair values of borrowings approximate their carrying amounts as the impact of discounting is not significant.

The effective interest rates of borrowings are as follows:

	2015				2014			
	HK\$ %	RMB %	Canadian Dollar ("CAD") %	US\$ %	HK\$ %	RMB %	CAD %	US\$ %
Bank loans, secured	–	4.86	6.26	–	–	6.06	6.26	–
Bank loans, unsecured	2.41	5.67	3.45	3.11	2.45	6.45	4.00	4.00

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 33 Assets held for sale

### (a) Assets held for sale

	2015 HK\$'000	2014 HK\$'000
Amounts due from customers for contract works	–	9,994,376
Trade and other receivables	–	798,303
Bank balances and cash	–	53,382
Other current assets	–	75,705
<b>Total assets</b>	<b>–</b>	<b>10,921,766</b>

### (b) Liabilities directly associated with assets held for sale

	2015 HK\$'000	2014 HK\$'000
Trade payables, other payables and accruals	–	1,054,992
Bank loan (Note)	–	5,811,514
Current tax payables	–	571,629
<b>Total liabilities</b>	<b>–</b>	<b>7,438,135</b>

Note: Bank loan was secured by an asset provided by a customer.

### (c) Cumulative income recognised in other comprehensive income relating to assets classified as held for sale

	2015 HK\$'000	2014 HK\$'000
Foreign exchange translation adjustment	–	102,330



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 33 Assets held for sale (continued)

The assets and liabilities related to a wholly owned subsidiary of the Company, have been presented as held for sales as at 31 December 2014 following the completion of a BT construction contract in the Mainland China and the Group has committed to transfer its entire interest in the subsidiary to an independent third party. The transfer transaction was completed by 31 December 2015. Therefore, the relevant assets and liabilities were derecognised by the year end.

The Group provided a corporate guarantee in respect of the bank loan drawn by the disposed subsidiary but before the transfer. However, the Group is in the process of negotiating with the banks to release the corporate guarantee at the end of the year. No financial exposure is expected and therefore no financial impact has been resulted as the bank loan was secured by adequate collateral provided by a customer.

## 34 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 2014	3,888,744,651	97,219
Issue of ordinary shares upon exercise of share options	6,394,981	160
Acquisition of subsidiaries and a joint venture (Note)	117,278,000	2,931
Balance at 31 December 2014	4,012,417,632	100,310
Issue of ordinary shares upon exercise of share options	43,896,990	1,098
Balance at 31 December 2015	4,056,314,622	101,408

Note: In December 2014, Ever Power Group Limited, a wholly-owned subsidiary of the Company, completed the acquisition of China Overseas Ports Investment Company ("COP") from COHL, immediate holding company of the Company, including a shareholder's loan to COP for 117,278,000 shares of the Company. The ordinary shares issued rank pari passu as the other shares in issue. The fair value of the shares issued amounted to HK\$1,320,550,000 (HK\$11.26 per share).

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 35 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
At 1 January 2014, as restated	8,117,735	(1,849,113)	337	3,058	63,842	1,235,920	190,051	8,074,587	15,836,417
Profit for the year	-	-	-	-	-	-	-	3,457,410	3,457,410
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	-	-	-	-	(9,954)	-	-	-	(9,954)
Gain on fair value changes of available-for-sale investments, net of tax	-	-	-	-	4,838	-	-	-	4,838
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(161,466)	-	-	(161,466)
Total comprehensive income for the year	-	-	-	-	(5,116)	(161,466)	-	3,457,410	3,290,828
Issue of ordinary shares upon exercise of share options	1,673	-	-	(392)	-	-	-	-	1,281
Issue of shares upon acquisition of subsidiaries and joint venture (Note 34)	1,317,619	-	-	-	-	-	-	-	1,317,619
Contribution from a former shareholder	-	178,892	-	-	-	-	-	-	178,892
2013 final dividend paid	-	-	-	-	-	-	-	(467,088)	(467,088)
2014 interim dividend paid	-	-	-	-	-	-	-	(428,163)	(428,163)
Transfer to statutory reserve	-	-	-	-	-	-	21,172	(21,172)	-
Total transactions with owners, recognised directly in equity	1,319,292	178,892	-	(392)	-	-	21,172	(916,423)	602,541
At 31 December 2014	9,437,027	(1,670,221)	337	2,666	58,726	1,074,454	211,223	10,615,574	19,729,786

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 35 Share premium and reserves (continued)

	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
At 1 January 2015	9,437,027	(1,670,221)	337	2,666	58,726	1,074,454	211,223	10,615,574	19,729,786
Profit for the year	-	-	-	-	-	-	-	4,153,072	4,153,072
Release of investment revaluation reserve to income statement upon reclassification to associate	-	-	-	-	(375,127)	-	-	-	(375,127)
Gain on fair value changes of available-for-sale investments, net of tax	-	-	-	-	362,598	-	-	-	362,598
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,623,508)	-	-	(1,623,508)
Total comprehensive income for the year	-	-	-	-	(12,529)	(1,623,508)	-	4,153,072	2,517,035
Issue of ordinary shares upon exercise of share options	10,957	-	-	(2,160)	-	-	-	-	8,797
Lapse of share options	-	-	-	(506)	-	-	-	506	-
2014 final dividend paid	-	-	-	-	-	-	-	(601,863)	(601,863)
2015 interim dividend paid	-	-	-	-	-	-	-	(527,321)	(527,321)
2015 special dividend paid	-	-	-	-	-	-	-	(81,126)	(81,126)
Transfer to statutory reserve	-	-	-	-	-	-	52,261	(52,261)	-
Total transactions with owners, recognised directly in equity	10,957	-	-	(2,666)	-	-	52,261	(1,262,065)	(1,201,513)
At 31 December 2015	9,447,984	(1,670,221)	337	-	46,197	(549,054)	263,484	13,506,581	21,045,308

Notes:

- (a) Special reserve arose from:
- 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. In 2014, the Group further acquired COP and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.
  - During 2012, the Group obtained control over FEG which then became the Group's subsidiary. Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of FEG at a price of HK\$1.26 per share through a 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 the partial interest in FEG of approximately HK\$57 million and the 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 ordinary shares repurchased.
- (c) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and Mainland China subsidiaries which were established in accordance with the relevant regulations.
- (d) Included in retained profits as at 31 December 2015 is the proposed 2015 final dividend of approximately HK\$730,137,000 (2014: HK\$601,863,000).

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 36 Guaranteed notes payables

In April 2013, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$500 million (equivalent to approximately HK\$3,860 million) (the "Notes") at the issue price of 99.542%. The Notes, which bear fixed interest at the rate of 3.125% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 2 April 2018 at the principal amount. The fair value of the Notes at 31 December 2015 was estimated at approximately HK\$3,920 million (2014: HK\$3,878 million), which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

## 37 Deferred income

	2015 HK\$'000	2014 HK\$'000
Deferred income arose from the following:		
Connection services	796,531	778,460

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 transmission to be rendered with reference to the term of the operating licence of the relevant entities.

The deferred income represented the connection service income received attributable to the transmission of heat services not yet recognised as income.

The following is the analysis of the deferred income balances for financial reporting purposes:

	2015 HK\$'000	2014 HK\$'000
Deferred income due within one year included in trade payables, other payables and accruals under current liabilities	57,921	42,652
Deferred income due after one year	738,610	735,808
	796,531	778,460

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 38 Deferred taxation

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

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets:		
To be recovered after more than twelve months	225,824	154,216
To be recovered within twelve months	55,127	33,104
	<b>280,951</b>	<b>187,320</b>
Deferred tax liabilities:		
To be recovered after more than twelve months	359,451	384,724
To be recovered within twelve months	7,791	4,753
	<b>367,242</b>	<b>389,477</b>

	Accelerated tax depreciation HK\$'000	Concession operating rights HK\$'000	Deferred income HK\$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK\$'000	Recognition of intangible assets on business combination HK\$'000	Revaluation of land HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2014, as restated	9,420	248,590	19,430	67,630	42,459	5,158	(152,352)	6,958	247,293
Exchange adjustments	-	(632)	(85)	-	-	-	874	-	157
Charged/(credited) to consolidated income statement (Note 11)	9,197	8,356	(10,021)	(1,434)	(4,522)	-	(37,168)	(9,701)	(45,293)
At 31 December 2014	18,617	256,314	9,324	66,196	37,937	5,158	(188,646)	(2,743)	202,157
At 1 January 2015	18,617	256,314	9,324	66,196	37,937	5,158	(188,646)	(2,743)	202,157
Exchange adjustments	-	(8,239)	280	-	(3,596)	-	12,066	-	511
Charged/(credited) to consolidated income statement (Note 11)	(1,014)	(3,402)	(4,514)	5,247	(6,998)	-	(105,696)	-	(116,377)
At 31 December 2015	17,603	244,673	5,090	71,443	27,343	5,158	(282,276)	(2,743)	86,291



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 38 Deferred taxation (continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	280,951	187,320
Deferred tax liabilities	(367,242)	(389,477)
	<b>(86,291)</b>	<b>(202,157)</b>

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:

	2015 HK\$'000	2014 HK\$'000
Unused tax losses (Note (a))	843,675	804,705
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (Note (b))	3	111
	<b>843,678</b>	<b>804,816</b>

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\$412,660,000 (2014: HK\$585,292,000) 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.

## 39 Major non-cash transaction

During the year ended 31 December 2015, the Group recognised concession operating rights of approximately HK\$38,263,000 (2014: HK\$319,247,000) 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.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 40 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.

No share option remained outstanding as at 31 December 2015. At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 52,180,000, representing approximately 1.30% 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 options granted and which 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.

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 2014, there were 52,180,000 vested options outstanding with an adjusted exercise price of HK\$0.2544 per share.

The following table discloses the Company's share options held by employees (including directors) and consultants:

	Outstanding at 1 January 2014 '000	Exercised during the year '000	Outstanding at 31 December 2014 '000	Cancelled during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 December 2015 '000
Directors	4,614	(4,614)	-	-	-	-	-
Employees	35,529	-	35,529	(46)	(31,975)	(3,508)	-
Consultants	18,432	(1,781)	16,651	-	(11,922)	(4,729)	-
	58,575	(6,395)	52,180	(46)	(43,897)	(8,237)	-

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 40 Share-based payments (continued)

The following table discloses movements of the Company's share options by the exercisable period during the year.

	Outstanding at 1 January 2014 '000	Exercised during the year '000	Outstanding at 31 December 2014 '000	Cancelled during the year '000	Exercised during the year '000	Lapsed during the year '000	Outstanding at 31 December 2015 '000
Granted on 14 September 2005							
– with exercisable period of 14 September 2006 to 13 September 2015	6,848	(6,395)	453	(46)	–	(407)	–
– with exercisable period of 14 September 2007 to 13 September 2015	9,523	–	9,523	–	(1,693)	(7,830)	–
– with exercisable period of 14 September 2008 to 13 September 2015	11,590	–	11,590	–	(11,590)	–	–
– with exercisable period of 14 September 2009 to 13 September 2015	11,590	–	11,590	–	(11,590)	–	–
– with exercisable period of 14 September 2010 to 13 September 2015	19,024	–	19,024	–	(19,024)	–	–
	58,575	(6,395)	52,180	(46)	(43,897)	(8,237)	–
Exercisable at the end of the year	58,575		52,180				–

In respect of the share options exercised during the year, the weighted average share price was HK\$11.10 (2014: HK\$12.27).

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 reliably, 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 2015 and 2014.

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 41 Operating lease arrangements

### The Group as lessee

At 31 December 2015 and 2014, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2015 HK\$'000	2014 HK\$'000
Within one year	46,500	32,556
In the second to fifth year inclusive	42,543	13,349
	89,043	45,905

Leases in respect of land and buildings are negotiated and fixed for an average term of two years.

Leases in respect of plant and machinery are negotiated based on individual contracts and the Group had no commitments for future minimum lease payments under the operating leases of plant and machinery.

### The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK\$36,991,000 (2014: HK\$38,073,000) were let out under operating leases.

Property rental income earned, net of direct expenses, during the year was approximately HK\$11,139,000 (2014: HK\$9,598,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to seven years without termination options granted to tenants.

At 31 December 2015 and 2014, the Group had contracted with tenants for the following future minimum lease payments:

	2015 HK\$'000	2014 HK\$'000
Within one year	9,432	7,905
In the second to fifth year inclusive	17,256	10,206
Over five years	9,627	1,685
	36,315	19,796

## 42 Commitments

At 31 December 2015 and 2014, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for — construction in progress for property, plant and equipment	554,885	116,671

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 43 Related party transactions

Apart from the balances due from or to related parties set out in Notes 23, 24, 27, 28, 29 and 31, the Group had the following transactions with related parties during the year:

The Group had the following transactions with immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the year:

### Transactions

	2015 HK\$'000	2014 HK\$'000
Fellow subsidiaries		
Rental expenses	14,684	14,824
Security service payment	14,785	17,163
Revenue from construction contracts	360,154	–
Project consultancy services income	23,752	23,382
Construction costs	4,413,982	2,864,093
Insurance premium income	1,112	2,099
Design consultancy fee charge	–	4,354
Revenue from connection service	19,273	72,042
Associates		
Purchase of construction materials	418,905	132,695
Revenue from construction contracts	618,582	131,582
Joint ventures		
Revenue from construction contracts	2,757,716	2,958,048
Rental income from lease of machinery	574	1,793
Purchase of materials	109,257	122,969
Sales of building materials	22,322	14,951
Insurance premium income	27,806	111,174
Construction costs	772,012	25,280
Consultancy income	66	–
Gain on disposal of prepaid lease payment	90,569	–
Immediate holding company		
Management fee income	1,702	12,000
Intermediate holding company		
Revenue from construction contracts	1,365	–
Construction costs	473,022	584,921



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 43 Related party transactions *(continued)*

### Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its immediate holding company, intermediate holding company, fellow subsidiaries, associates and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

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

Certain of the Company's subsidiaries had entered into various transactions with state-controlled entities, including general banking facilities transactions with certain banks and financial institutions which are state-controlled entities, in their ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

### Compensation of key management personnel

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

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	52,230	52,248
Post-employment benefits	252	246
	<b>52,482</b>	<b>52,494</b>

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

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 44 Company Statement of Financial Position and Reserve Movement

	2015 HK\$'000	2014 HK\$'000
<b>Non-current Asset</b>		
Interests in subsidiaries	10,396,924	8,602,692
<b>Current Assets</b>		
Deposits, prepayments and other receivables	243	31,520
Amounts due from subsidiaries	5,519,912	6,198,748
Tax recoverable	651	–
Bank balances and cash	602,583	7,114
	6,123,389	6,237,382
<b>Current Liabilities</b>		
Other payables	10,680	10,116
Current tax payables	–	1,579
	10,680	11,695
<b>Net Current Assets</b>	6,112,709	6,225,687
<b>Total Assets less Current Liabilities</b>	16,509,633	14,828,379
<b>Capital and Reserves</b>		
Share capital	101,408	100,310
Share premium and reserves (Note)	10,271,985	10,128,069
	10,373,393	10,228,379
<b>Non-current Liability</b>		
Borrowings	6,136,240	4,600,000
	16,509,633	14,828,379

On behalf of the Board

**Zhou Yong**  
Director

**Zhou Hancheng**  
Director

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 44 Company Statement of Financial Position and Reserve Movement

(continued)

Note:

	Share Premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	8,117,735	337	3,058	580,295	8,701,425
Profit and total comprehensive income for the year	–	–	–	1,002,995	1,002,995
Issue of ordinary shares upon exercise of share options	1,673	–	(392)	–	1,281
Issue of shares upon acquisition of subsidiaries and a joint venture	1,317,619	–	–	–	1,317,619
2013 final dividend paid	–	–	–	(467,088)	(467,088)
2014 interim dividend paid	–	–	–	(428,163)	(428,163)
At 31 December 2014	9,437,027	337	2,666	688,039	10,128,069
Profit and total comprehensive income for the year	–	–	–	1,345,429	1,345,429
Issue of ordinary shares upon exercise of share options	10,957	–	(2,160)	–	8,797
Lapse of share options	–	–	(506)	506	–
2014 final dividend paid	–	–	–	(601,863)	(601,863)
2015 interim dividend paid	–	–	–	(527,321)	(527,321)
2015 special dividend paid	–	–	–	(81,126)	(81,126)
At 31 December 2015	9,447,984	337	–	823,664	10,271,985

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Directly held by the Company:</b>					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK\$300,000,000	100	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK\$150,000	100	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK\$655,569,190 (2014: 355,569,190 ordinary shares of HK\$355,569,190) and 844,430,810 non-voting deferred shares of HK\$844,430,810	100	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited (formerly known as Xun An Engineering Company Limited)	Hong Kong	100 ordinary shares of HK\$100	100	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Zetson Enterprises Ltd	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Directly held by the Company:</b> (continued)					
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US\$1	100	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Investment holding
<b>Indirectly held by the Company:</b>					
China Overseas Building Construction Limited	Hong Kong	19,999,900 ordinary shares of HK\$199,999,000 (2014: 4,999,900 ordinary shares of HK\$49,999,000) and 100 non-voting deferred shares of HK\$1,000	100	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK\$50,000,000	100	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK\$19,999,000 and 100 non- voting deferred shares of HK\$1,000	100	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK\$99,500,000 (2014: 46,500,000 ordinary shares of HK\$46,500,000) and 500,000 non-voting deferred shares of HK\$500,000	100	100	Foundation engineering works and project management



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
China State Grand Wealth Investments Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Investment holding
China State Machinery Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK\$100,000,000 (2014: 10,000,000 ordinary shares of HK\$10,000,000)	100	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Holding of trade marks
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK\$2	100	100	Investment holding
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of \$90,000,000	74.06	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK\$100	100	100	Project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK\$2	74.06	74.06	Building construction
Transcendence Company Limited	Hong Kong	1 ordinary share of HK\$1	100	100	Sales and distribution of construction materials

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
Barkgate Enterprises Limited	BVI/Hong Kong	200 ordinary shares of US\$1 each	100	100	Investment holding
China Overseas Public Utility Investment Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
China Overseas Ports Investment Company Limited	BVI	US\$64,100,000	100	100	Investment holding
China Overseas Technology Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Citycharm Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Fuller Sky Enterprises Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Perfect Castle Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
Value Idea Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Weedon International Limited	BVI/Hong Kong	1 ordinary share of US\$1	100	100	Investment holding
Gamma Windows and Walls International, Inc.	Canada	100 common shares of CAD53,362.36 each	40.73	40.73	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Far East Global Group Limited (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK\$0.01 each	74.06	74.06	Investment holding
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	100	100	Building construction, civil and marine engineering works, project and construction management
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	74.06	74.06	Installation of curtain walls, aluminium windows and other related products

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
China Construction Engineering (Macau) Company Limited	Macau	MOP300,000,000	100	100	Building construction and civil engineering works, properties holding and investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP200,000	100	100	Foundation engineering works
CSME (Macau) Limited	Macau	MOP200,000	100	100	Mechanical and electrical engineering works and investment holding
Netfortune Engineering (FEA) Macau Limited	Macau	MOP25,000	74.06	74.06	Installation of curtain walls, aluminium windows and other related products
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	100	100	Building construction and road contracting

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
Gamma North Corporation	United States of America	1 share of US\$1	40.73	40.73	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc.	United States of America	1,000 shares of US\$0.001 each	40.73	40.73	Design, manufacture and installation of curtain walls, aluminium windows and other related products
中建(珠海)有限公司 (i)	PRC	HK\$10,770,000	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
深圳中海建築有限公司 (i)	PRC	RMB350,000,000	100	100	Building construction and investment holding
中海監理有限公司 (formerly known as 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



# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
深圳海龍建築制品有限公司 (i)	PRC	RMB50,000,000	100	100	Manufacturing and sales of precast structures
安徽海龍建築工業有限公司 (ii)	PRC	RMB10,000,000	100	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	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
中建國際投資(中國)有限公司 (formerly known as 中建宏達投資 (中國)有限公司) (ii)	PRC	US\$878,000,000	100	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	PRC	US\$48,000,000	100	100	Building investment
重慶海建投資有限公司 (ii)	PRC	RMB10,000,000	100	100	Building investment

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company: (continued)</b>					
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	RMB310,000,000	100	100	Infrastructure investment
無錫海嘉建設有限公司 (ii)	PRC	RMB150,000,000	100	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	PRC	RMB120,000,000	100	100	Infrastructure investment
溫洲海嘉建設有限公司 (ii)	PRC	RMB500,000,000	100	100	Infrastructure investment
平陽海嘉建設有限公司 (ii)	PRC	RMB200,000,000	100	100	Infrastructure investment
中建國際投資(鎮江)有限公司 (ii)	PRC	RMB180,000,000	100	100	Infrastructure investment
中海物流(深圳)有限公司 (ii)	PRC	HK\$50,000,000	100	100	Provision of logistic services and properties holding
深圳市中海港口物流有限公司 (ii)	PRC	RMB10,000,000	100	100	Provision of logistic services
上海力進鋁質工程有限公司 (ii)	PRC	RMB10,000,000	74.06	74.06	Design, manufacture of curtain walls, aluminium windows and other related products
遠東幕牆制品(深圳)有限公司 (ii)	PRC	RMB20,000,000	74.06	74.06	Manufacture of curtain walls, aluminium windows and other related products

# Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

## 45 Particulars of principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held		Principal activities
			2015 %	2014 %	
<b>Indirectly held by the Company:</b> (continued)					
龍海海嘉建設有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(湖州)有限公司 (ii)(iv)	PRC	RMB170,000,000	100	–	Infrastructure investment
中建國際投資(杭州)有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(青島)有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(淮安)有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(句容)有限公司 (ii)(iv)	PRC	RMB150,000,000	90	–	Infrastructure investment
嘉興海悅建設有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
資陽海悅建設有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
濱州海嘉建設有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
淮安海嘉建設有限公司 (ii)(iv)	PRC	RMB250,000,000	100	–	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment

Notes:

- (i) Registered as foreign owned enterprise
- (ii) Limited liability company registered in the PRC
- (iii) Listed company
- (iv) Incorporated in 2015

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				2015 HK\$'000
	2011 HK\$'000 (restated)	2012 HK\$'000 (restated)	2013 HK\$'000 (restated)	2014 HK\$'000	
Revenue	17,510,533	22,059,910	27,285,620	34,439,575	<b>37,913,159</b>
Operating profit	1,679,150	2,278,536	3,140,029	4,185,291	<b>4,867,047</b>
Share of profits of					
Joint ventures	359,002	413,284	430,228	294,345	<b>423,728</b>
Associates	13,702	18,255	21,941	23,787	<b>72,462</b>
Finance costs	(194,896)	(255,601)	(418,440)	(455,829)	<b>(607,082)</b>
Profit before tax	1,856,958	2,454,474	3,173,758	4,047,594	<b>4,756,155</b>
Income tax expense, net	(339,670)	(405,095)	(503,071)	(659,716)	<b>(654,526)</b>
Profit for the year	1,517,288	2,049,379	2,670,687	3,387,878	<b>4,101,629</b>
Attributable to:					
Owners of the Company	1,514,514	2,044,337	2,749,551	3,457,410	<b>4,153,072</b>
Non-controlling interests	2,774	5,042	(78,864)	(69,532)	<b>(51,443)</b>
	1,517,288	2,049,379	2,670,687	3,387,878	<b>4,101,629</b>

Note: The consolidated results for the years ended 31 December 2011, 2012 and 2013 have been restated for the application of merger accounting for common control combination.

## Five Year Financial Summary (continued)

### Consolidated Net Assets

	As at 31 December				
	2011 HK\$'000 (restated)	2012 HK\$'000 (restated)	2013 HK\$'000 (restated)	2014 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	2,211,357	2,523,107	2,672,357	2,827,300	2,771,990
Investment properties	41,063	40,044	39,085	38,073	36,991
Interests in infrastructure project investments	673,224	915,049	1,186,012	1,489,188	1,536,372
Prepaid lease payments	282,836	277,795	280,063	273,022	269,816
Interests in joint ventures	2,506,098	2,630,927	2,149,893	3,449,034	3,573,662
Interests in associates	29,237	36,156	48,757	2,104,943	3,800,193
Concession operating rights	4,926,465	5,501,701	6,353,833	6,530,992	6,044,202
Deferred tax assets	–	–	151,027	187,320	280,951
Trademark, project backlogs and licences	9,950	252,551	226,596	200,640	186,025
Goodwill	–	577,664	577,664	577,664	577,664
Available-for-sale investments	490,842	497,861	543,642	453,286	239,503
Investment in convertible bonds	240,000	296,827	–	–	–
Amounts due from investee companies	356,085	361,471	399,645	411,838	281,858
Trade and other receivables	919,473	3,186,846	8,141,167	12,901,282	17,949,961
Deposit paid for an investment	–	–	500,000	–	108,043
Loan to a joint venture	–	–	127,550	804,918	–
	12,686,630	17,097,999	23,397,291	32,249,500	37,657,231
<b>CURRENT ASSETS</b>	14,759,220	21,269,340	29,052,920	34,329,607	32,407,304
<b>TOTAL ASSETS</b>	27,445,850	38,367,339	52,450,211	66,579,107	70,064,535
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	(4,961,268)	(10,101,194)	(8,600,258)	(10,361,804)	(13,085,694)
Guaranteed notes payables	–	–	(3,860,286)	(3,869,804)	(3,879,322)
Deferred income	(421,938)	(520,791)	(638,802)	(735,808)	(738,610)
Deferred tax liabilities	(279,527)	(365,778)	(398,320)	(389,477)	(367,242)
Obligations under finance leases	–	(4,938)	(4,280)	(3,480)	(2,719)
	(5,662,733)	(10,992,701)	(13,501,946)	(15,360,373)	(18,073,587)
<b>CURRENT LIABILITIES</b>	(12,287,343)	(13,612,234)	(22,761,392)	(31,221,072)	(30,743,970)
<b>TOTAL LIABILITIES</b>	(17,950,076)	(24,604,935)	(36,263,338)	(46,581,445)	(48,817,557)
<b>NET ASSETS</b>	9,495,774	13,762,404	16,186,873	19,997,662	21,246,978

Note: The consolidated net assets as at 31 December 2011, 2012 and 2013 have been restated for the application of merger accounting for common control combination.



# 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 Floors, 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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