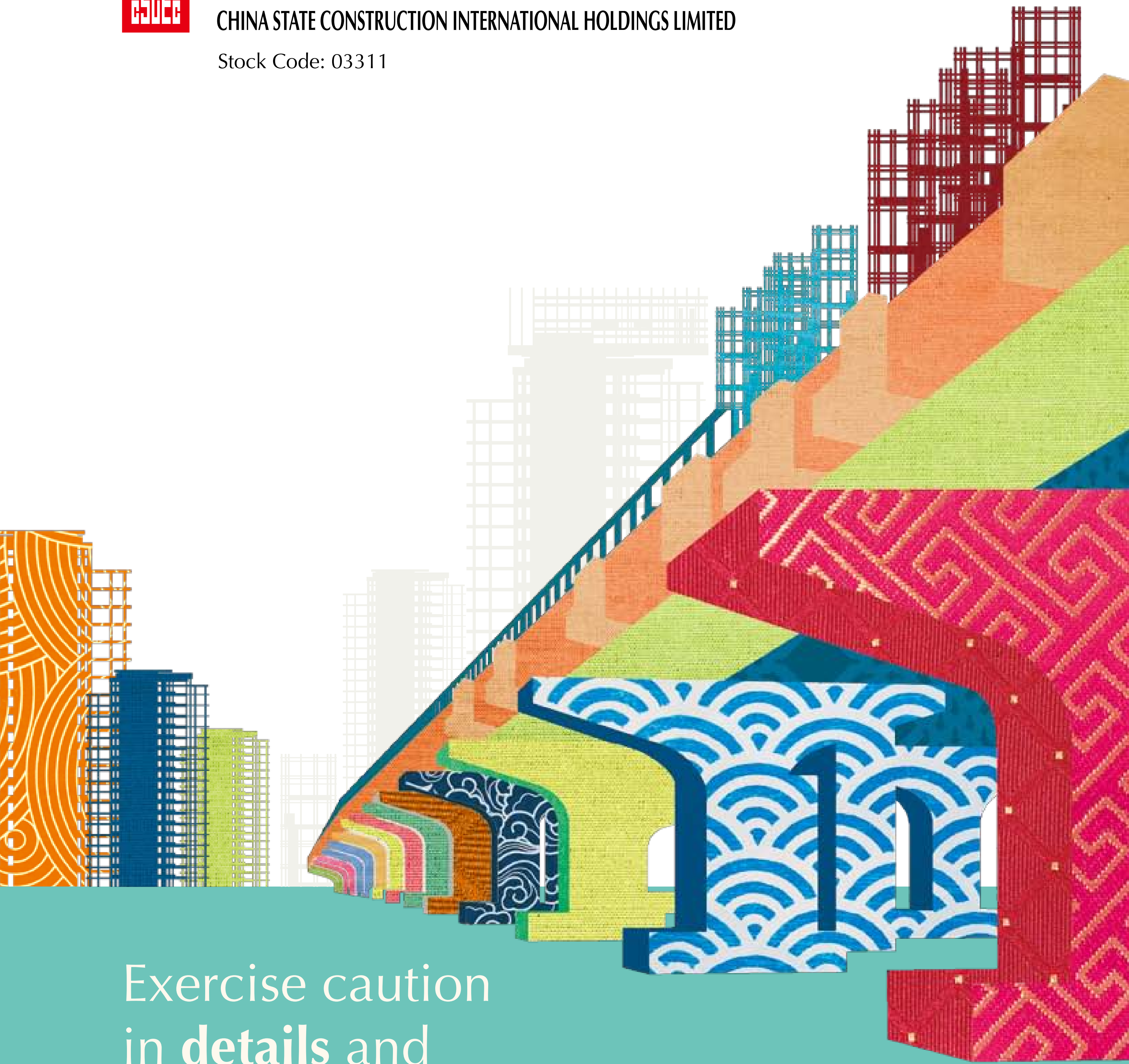
中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Stock Code: 03311



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

Annual Report 2016

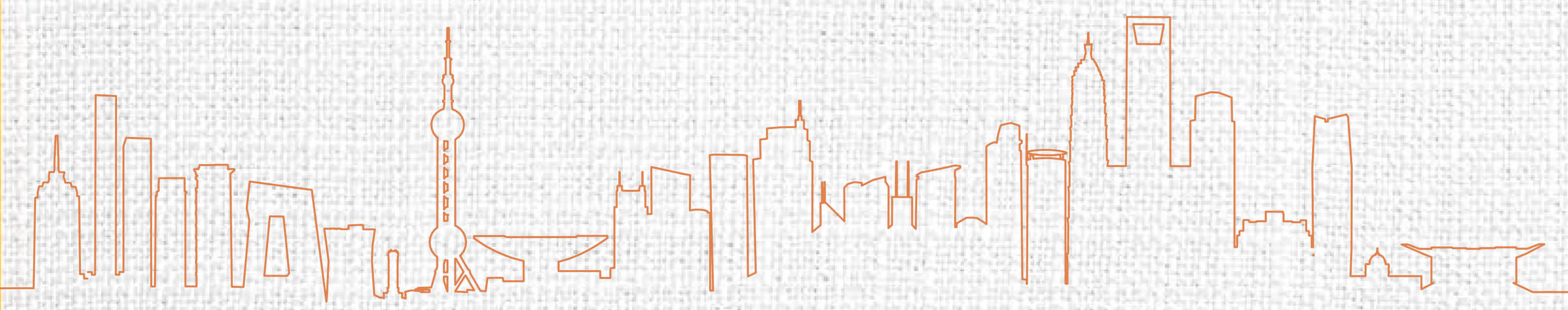
Vision

The Group is dedicated to its core value of

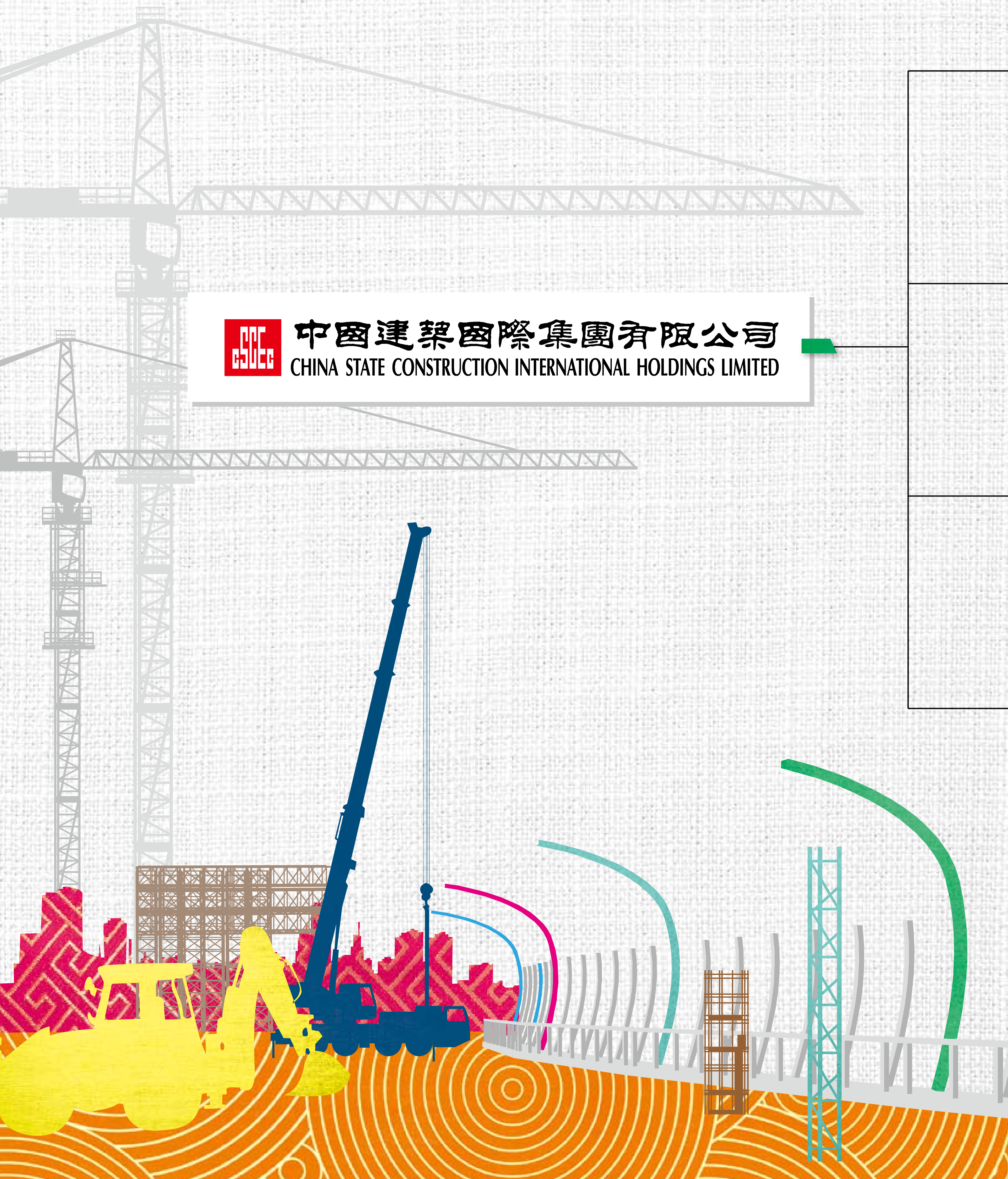
“Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success.”

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

Contents



Corporate Structure



Corporate Structure (continued)

MAINLAND CHINA

- Infrastructure Investment (PPP*)
- Operation of Infrastructure Assets
- Prefabricated Construction
- Equity Investment in Real Estate
- Other Construction Related Business

HONG KONG

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

MACAU

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

OTHERS

- Curtain Wall System**

* "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, a wholly owned subsidiary of the Company

Website

www.csci.com.hk

Financial Calendar

Closure of Register of Members — Annual General Meeting
26 May 2017 to 1 June 2017 (both days inclusive)

Annual General Meeting
1 June 2017

Closure of Register of Members — Final Dividend
9 June 2017

Payment of Proposed Final Dividend
4 July 2017

Financial Highlights

	For the year ended 31 December (Note a)				
	2012 (restated)	2013 (restated)	2014 (restated)	2015 (restated)	**2016**
Results (HK$'000)					
Revenue	22,130,646	27,365,719	34,522,262	38,001,876	**46,207,508**
EBITDA (Note b)	3,335,193	4,305,419	5,118,701	6,103,727	**7,061,232**
Profit attributable to owners of the Company	2,359,613	2,996,716	3,575,331	4,524,126	**5,130,666**
Financial Ratios					
Net margin (%)	10.7	11.0	10.4	11.9	**11.1**
Current ratio (times)	1.45	1.22	1.07	1.02	**1.01**
Financial Information Per share					
Earnings (HK cents)	63.46	77.07	91.77	112.37	**119.80**
Dividend (HK cents)	16.00	21.00	26.00	33.00	**33.00**
Net assets (HK$)	3.87	4.56	5.40	5.74	**5.72**
Other Information					
Value of incomplete contracts at 31 December (HK$ billion)	57.69	76.48	93.10	127.06	**153.89**

Notes:

(a) The figures from 2012 to 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe Global Limited and its subsidiaries and changes of measurement of investment properties.

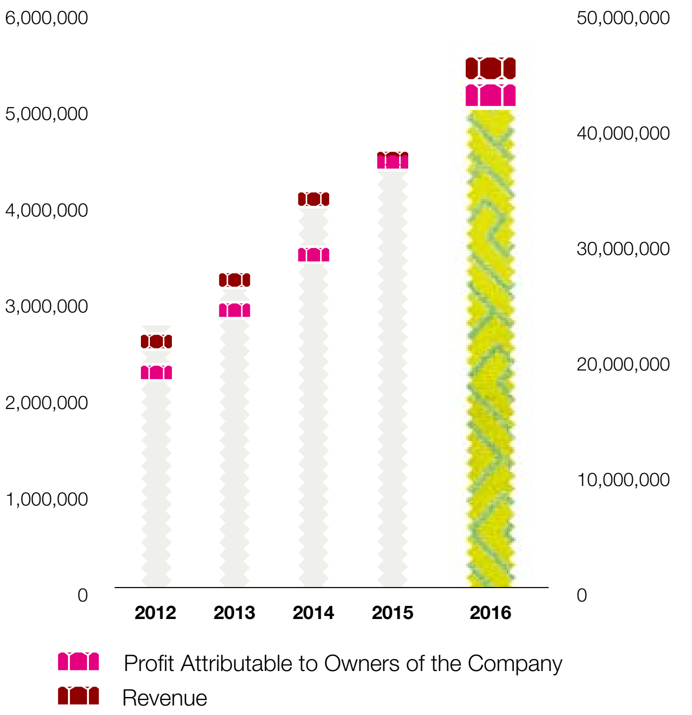
(b) EBITDA represents Profit before Tax, Finance costs, Depreciation and Amortisation charged to the Income Statement during the year.

Financial Highlights (continued)

Results

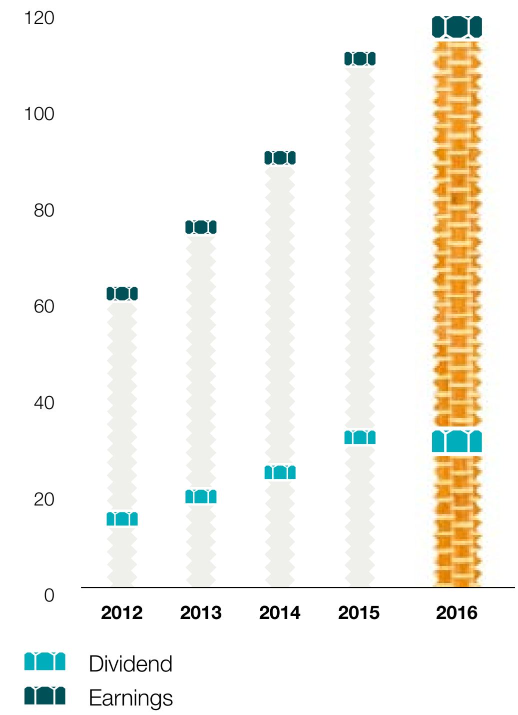
Profit Attributable to Owners of the Company
(HK'000)

Revenue
(HK'000)



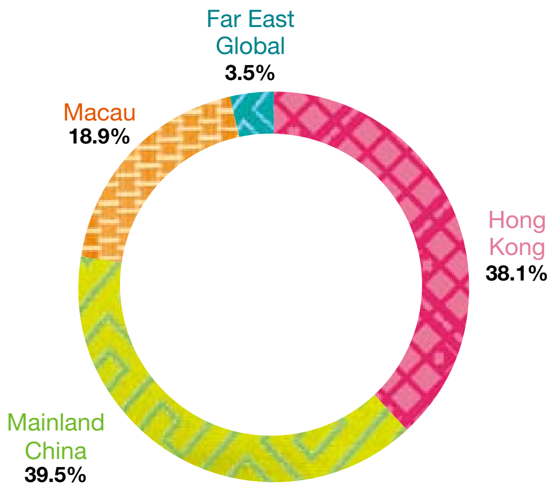
Financial Information Per Share

(HK cents)



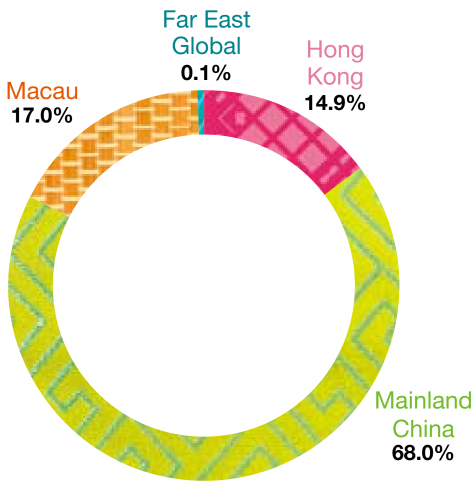
Breakdown of Segment Revenue

for the year ended 31 December 2016



Breakdown of Segment Results*

for the year ended 31 December 2016



* Excluding loss of Overseas Segment

Major Events of the Year 2016

January

Staff of the Group joined the "Walk for Millions" by the Community Chest

Approximately 250 staff of the Group and their families joined the "Hong Kong and Kowloon Walk" organized by the Community Chest on 10 January 2016. Funds raised from this event were allocated to the "Family and Child Welfare Services", to help those families in need and encourage mutual support relationship among family members in order to maintain and strengthen family bonding.

January

The Group received the gold awards at the "Good Housekeeping Forum and Award Presentation 2015-16" jointly organized by the Occupational Safety and Health Council and Construction Industry Council

On 5 January 2016, the construction project of HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi of the Group won the gold awards at the "Good Housekeeping Forum and Award Presentation 2015-16" jointly organized by the Occupational Safety and Health Council and Construction Industry Council at the Hong Kong Convention and Exhibition Center.

Major Events of the Year 2016 (continued)

February

Shenzhen Hailong passed the re-examination of national high and new technology enterprise

Shenzhen Hailong Building Products Co., Ltd. passed the re-examination of national high and new technology enterprise and continued to be benefited from the supporting policies and relevant preferential tax treatments of the government.

February

The Group was listed as one of the top 100 Hong Kong listed companies

The Group was listed as one of the "Top H-Share 100" jointly organised by Tecent and Finet, being the second time since the establishment of the list in 2012, which highlighted our long term outstanding operating performance in the capital market.

March

The Group received multiple awards at the "Safety Teams in Construction Industry Safety Award Scheme 2015/2016"

On 6 March 2016, leveraged by the outstanding safety performance of our construction projects, the Group won multiple awards at the award ceremony of "Safety Teams in Construction Industry Safety Award Scheme 2015/2016" organised by 16 organizations, including the Labour Department of Hong Kong, Occupational Safety & Health Council, other government authorities and industry-related organizations.

Major Events of the Year 2016 (continued)

April

The Group received numerous awards at the Fifth "Macau Construction Industry Safety Award Scheme"

On 28 April 2016, at the sharing seminar and award ceremony of the "Macau Construction Industry Safety Award Scheme" organized by the Labour Affairs Bureau of the Macau SAR Government, China Construction Engineering (Macau) Company Limited, a subsidiary of the Group, received a total of 37 awards in three group categories and two individual categories, and China State Mechanical & Electrical Engineering Limited received 5 awards in three group categories and one individual category.

May

Leaders of the Group were invited to visit the newly-built Fire and Ambulance Services Academy

On 20 May 2016, leaders of the Group were invited by Mr. Lai Man-hin, the former Director of Fire Services, to visit the newly-built Fire and Ambulance Services Academy and a training session.

May

The Group received various awards in the "Considerate Contractors Site Award Scheme"

On 27 May 2016, the Group received various awards, including the Considerate Contractor Award and Outstanding Environmental Management Award, in the "22nd Considerate Contractors Site Award Scheme" jointly held by the Development Bureau and the Construction Industry Council.

Major Events of the Year 2016 (continued)

June

Topping-out ceremony of OGB building, an extension of the Tai Po Water Treatment Works

In the morning of 21 June 2016, the topping-out ceremony was held for the OGB building, an extension of the Tai Po Water Treatment Works. Mr. Enoch Lam Tin Sing, the Director of Water Supplies, recognized the strategic importance of the expansion of Tai Po Water Treatment Works to water supply of Hong Kong, highly praised the project management provided by the China State Construction Engineering (Hong Kong) Limited and congratulated the smooth completion of the OGB building in his speech.

July

The Group won the bidding of Tseung Kwan O — Lam Tin Tunnel project

In July 2016, China State Construction Engineering (Hong Kong) Limited, a subsidiary of the Group, and Leighton Asia jointly won the bidding of Tseung Kwan O — Lam Tin Tunnel project with a total contractual amount of approximately HK$8.73 billion. The Company holds 49% interests in the joint venture, representing approximately HK$4.28 billion of the contractual amount.

Major Events of the Year 2016 (continued)

September

Mr. CHAN Ka-kui, the Chairman of the Construction Industry Council, and his team visited the industrialization project of the Group in Hefei

On 10 September 2016, Mr. CHAN Ka-kui, the Chairman of the Construction Industry Council, and his team visited the Binhu Run Garden Public Housing Project in Hefei, Anhui, (安徽合肥濱湖潤園安置房項目) invested and constructed by the Group with industrialized construction technique in the mainland China, and inspected the prefabricated parts factory of Anhui Hailong Construction Industrial Co., Ltd..

October

The Group received the "Excellence in Responding to Climate Change Enterprise Award"

The Group received the "Excellence in Responding to Climate Change Enterprise Award" from Carbon Disclosure Project ("CDP"), an organization committed to tackling climate change, in recognition of the outstanding achievement in global environmental information disclosure in 2016 of the Group.

November

Association of the Group held a half-day Eco-tour

In the morning of 26 November 2016, the Association of the Group organized a "Half day Eco-tour at Yim Tin Tsai, Sai Kung" (西貢鹽田梓半日生態導賞) for the employees of the headquarters of the Group, CSCEHK and Far East Global and their families, and a total of 40 people participated. Ms. Anna Kwong (鄺心怡女士), a senior architect in Hong Kong who has been in charge of maintenance and design projects of churches, has shared the story about the renovation project of the catholic church.

Major Events of the Year 2016 (continued)

December

The Group won the NCE Tunnelling Award 2016

The Central — Wan Chai Bypass — Causeway Bay Typhoon Shelter section undertaken by the China State Construction Engineering (Hong Kong) Limited, a subsidiary of the Group, which is characterised by its high technical difficulty and effective project management, won the tunnelling project award of USD500 million or above among over 40 global competitors at the New Civil Engineer ("NCE") Tunnelling Award 2016 held by the Institution of Civil Engineers ("ICE"). This is the first major award received from the ICE by the CSCEHK since its establishment.

December

Roadshow of Hunan Changsha Huanghua Integrated Free Trade Zone (Hong Kong) was successfully held

The "Roadshow of China-Changsha Huanghua Integrated Free Trade Zone (Hong Kong)" (中國一長沙黃花綜合保税區(香港)招商推介會) hosted by the Group, Department of Commerce of Hunan Province and Changsha Government, and co-organized by China State Construction International Investments, the People's Government of Changsha County and Hunan Changsha Huanghua Integrated Free Trade Zone at the Hong Kong Convention and Exhibition Center successfully held on 19 December 2016 with over 200 participants, including representatives of organizations including the Liaison Office of the Central People's Government in the Hong S.A.R., the Hong Kong Chinese Enterprises Association and the Hong Kong Trade Development Council, as well as companies engaging in processing, trading, bonded logistics, cross-boundary e-commerce and bonded services.

Chairman's Statement

In the year, the Group secured **55** new contracts with attributable contract value of approximately **83.8** HK$ billion.

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

Chairman's Statement (continued)

Chairman's Statement (continued)

Progressive Market Expansion

Operation Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2016 was HK$5,130 million, representing an increase of 13.4% as compared with the corresponding period of last year. The revenue was HK$46,208 million, representing an increase of 21.6% as compared with the same period of last year. Cash returns on investments in Mainland China amounted to HK$14,270 million, representing an increase of 75.9% as compared with the same period of last year. Earnings per share was HK119.8 cents, representing an increase of 6.6% as compare with the same period of last year.

Dividend Payment

The Board recommends distributing a final dividend of HK18.0 cents per share for the year ended 31 December 2016. The total dividend to be distributed for the year will be HK33.0 cents per share, representing an increase of 6.5% as compared with the same period of last year.

Review of Operation

In 2016, the global economic recovery was sluggish and unbalanced against a backdrop of increasing uncertainties, such as financial and political turmoil. The economic development of the US was rather buoyant and entered into the rate hike cycle while the Eurozone was dragged down by the high unemployment rate and huge debts. China embraced the new normal of economic trends through continuous optimisation of its economic structure.

During the year, the Group adopted an operating strategy of "**prudent and innovative operation to expand its markets and manage its brand**". In the face of complicated market environment, the Group pursued its "Dual Core Driving Strategy of Construction Contracting and Infrastructure Investment", so as to consolidate its business scale and brand advantages in construction industry in Hong Kong and Macau. By grasping opportunities brought by the increasing number of Public-Private-Partnership ("PPP") projects in China, the Group was able to capitalise on its competitive strengths to innovate its development model, strengthen its brand management and enhance its project integrated control.

Market Conditions

Due to the economic downturn, the development of construction market in Hong Kong and Macau slowed down while the stress in industry resources was slightly alleviated. In China, the economic growth was steady and a new round of adjustments was launched in the real estate market. Infrastructure investments became an important driving force of investment and economic growth while the development of the PPP project investment market gathered momentum.

1. *Hong Kong and Macau*

   Driven by infrastructure and livelihood-related projects launched by governments and increasing housing supply, the scale of construction market in Hong Kong and Macau remained stable. However, the competition within the industry was intensified. Its advantages in management, technology, resources and branding enabled the Group to explore new partnership and cooperation model. Efforts were made to deepen its internal synergy effects in close tandem with market trends and formulate accurate bidding strategies for enhancing overall bidding efficiency. New contracts in Hong Kong and Macau amounted to HK$22,080 million during the year. In particular, winning the bid of Tseung Kwan O—Lam Tin Tunnel, one of the most important infrastructure projects in Hong Kong in recent years, further consolidated its market share in Hong Kong and Macau. The Group actively implemented the optimised asset distribution strategy and deployed investment-driven contracting business which have been proven successful.

2. *Mainland China*

   The infrastructure investment market in Mainland China remained buoyant. As the PPP model has become the major way for the government's infrastructure investment, market competition has been intensified. The Group optimised its business strategy in a timely manner and persistently innovated its development model by grasping opportunities brought by the market trend. Emphasis was placed on the launch of the "3+Models", namely "Construction Industrialization +", "Industrial Park +" and "Government Platform +". The Group also promoted the "Four in One Unit" operation model which represents the cooperation among the business department, the construction department and the design department of the internal divisions of China State Construction. The "3+ Models" and the "Four in One Unit" operation model have expanded the infrastructure investment business of the Group, in terms of business coverage and regional market operation. As such, dual development of traditional infrastructure and emerging businesses was carried out to ensure business transactions during operations and expand business scale. During the year, new contracts amounted to HK$58,540 million, marking the success of its basic business expansion throughout China.

Chairman's Statement (continued)

3. *Curtain Wall*

While the curtain wall market in Hong Kong and Macau remained stable and the market in North America was in recovery, the market in Mainland China was stagnant. Leveraging its long term business relationship with key customers, Far East Global Group Limited ("FEG") focused on the collaboration between different regions and capitalised on the global synergistic effects. With larger customer base and better operation results, new contracts of HK$3,140 million were secured during the year. Several quality projects with branding effects were also secured through bids, including the Hudson Street project (美國哈德遜大街項目) in the US and the Aurora Tower in Australia (澳洲極光之塔項目). The Group continued to enhance internal management built on its "one-stop" operating procedures and incentive system which resulted in better management efficiency.

Completed Projects during the Period

In 2016, the Group completed 23 projects.

New Projects Awarded

The Group secured 55 new projects in 2016, with an aggregate attributable contract value of HK$83,770 million, of which the Hong Kong market accounted for 19.5%, Mainland China market accounted for 69.9%, the Macau market accounted for 6.9% and FEG accounted for 3.7%.

10 new projects were awarded to the Group during the first two months in 2017, resulting in an aggregate contract value of HK$18,980 million.

Projects in Progress

As at 31 December 2016, the Group had a total of 108 projects in progress, amounting to an aggregate attributable contract value of HK$249,628 million. The attributable contract value of incomplete works was HK$153,885 million. At the end of February 2017, the Group had an attributable contract value of HK$266,955 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 maintaining a high standard of business ethics, a healthy corporate culture and good corporate governance practices. 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 in a timely manner to better capitalise on the function and role of each dedicated decision making team. The Group also strengthened the regional and specialised management capabilities and efficiency of each business unit.

Risk Management

Based on its general operation target, the Group has established a sound risk management system. Through formulating a 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.

The Group has further optimised its assets allocation. Efforts were made to increase the proportion of overseas assets pegged with US dollars. It further consolidated the financing platform in Mainland China and increased the proportion of Renminbi loans. Flexible measures were taken in line with the changes in exchange rates in order to ensure cross-border efficient capital allocation. The Group closely monitored the risks of its investment projects and adopted effective measures for cash collection.

Financial Management

Adhering to its prudent financial management principle, the Group accelerated the turnover rate of assets and efficiently arranged its financial resources to reduce its financing costs and strengthen its capital management effectiveness. The Mainland investment business of the Group enhanced cash collection, resulting in better-than-expected collection amount. The Group effectively maintained a stable cash flow by collecting HK$14,200 million (attributable amount to the Group). During the year, the Group secured new loans equivalent to HK$8,970 million in Mainland China, with drawdown of Renminbi loans equivalent to HK$2,607 million and repayment of loans equivalent to HK$594 million. Meanwhile, drawdown of loans in Hong Kong amounted to HK$2,750 million while repayment of loans amounted to HK$1,060 million.

As at 31 December 2016, the Group had bank deposits of HK$11,485 million and total borrowings of HK$21,194 million, and a net gearing ratio of 37.8%, and committed but unutilised credit facilities amounting to HK$26,532 million. Its available Renminbi loan amount was equivalent to HK$16,124 million.

Chairman's Statement (continued)

Human Resources

The Group expanded the sources of talents according to different characteristics of each area and business segment. This effort provided a solid talent pool for its sustainable development. The Group took various initiatives to consolidate its human resources management system at headquarters level. These initiatives included deployment of organisation structure, review of operation procedures, adjustment to division of responsibilities and standardisation and streamlining of talent management system, resulting in a more efficient human resources system. With stronger human resources management efforts, the Group gave guidance to the human resources team of each region for better implementation of plans and more efficient team work in order to cater for the needs of rapid business development.

Capital Operation

In January 2016, the long-term credit rating and senior unsecured note rating of the Group have been raised by Fitch from "BBB" to "BBB+" with outlook of "stable", reflecting the recognition from the capital market regarding the order growth and strong financial position of the Group amid the adverse environment.

In June 2016, the Group has successfully placed shares to the parent company with net proceeds raised of HK$4,810 million which has expanded its capital strength and optimised its capital structure for consolidating the financial resources of its infrastructure investments. In addition, the Group acquired China Overseas Building, an A-graded office building in Wan Chai, Hong Kong as its headquarters. The acquisition has further enhanced the brand reputation of the Group and brought stable investment returns.

During the year, the Group maintained close contacts with shareholders, banks, media and potential investors. In October and November 2016, the Group successfully conducted reverse road shows for international investors and arranged visits of Hong Kong media for projects in Mainland China. The visit and field study on businesses, such as construction industrialization, PPP investment and affordable housing construction in Hefei, Anhui Province, are effective ways for the international investment community and mass media to better understand the operation of the Group.

Technology Innovation

The Group have been strengthening its advantages in the technology on construction industrialization and establishing three principal production bases for construction industrialization in Shenzhen, Anhui and Shandong to expand its market shares rapidly. The Group achieved remarkable technology innovation results for the year and was granted a total of 16 national patents, including 4 invention patents. The Construction Project of Cross Harbor Tunnel Railway of the Shatin to Central Link, Hong Kong is the first major immersed-tube tunnel construction undertaken by China State Construction. This project has allowed the Group to gain experiences and lay the foundation for undertaking similar projects in the future. The Group has successfully applied its research results from the "Critical Technology Research and Application of Micro Radius of Curvature Shield Tunnel in Complex Geological Conditions" (《複雜地質環境條件下超小曲率半徑盾構隧道關鍵施工技術研究與應用》) on the Construction of Shield Tunnel and Diaphragm Wall for Main Pumping Station at Stonecutters Island Sewage Treatment Works. The application has been economically and socially efficient and was awarded 2016 China State Construction Engineering Corporation Science and Technology (Province Level) Second Class Prize. In addition, four construction methods were approved as 2016 China State Construction Engineering Corporation (province level) construction methods and two professional academic research papers were awarded the first prize in the first China Construction Industry Outstanding Paper Award (全國建築業優秀論文). Five research papers were elected into the 2016 Publications of the Annual Academic Meeting (二零一六年學術年會論文集) of China Civil Engineering Society.

The Group has adopted the principle of "doing it right the first time and every time" in its quality management and has been in pursuit of production and management sophistication. The Group prepared the third revision of "The Quality Control Procedures of Key Construction Processes of Construction Projects" (《項目工程關鍵施工工序質量監控程序》第三版） in accordance with Quality Control Guideline No. 3323 (品質管制「3323」方針). The Group refined relevant contingency notification mechanism for quality incidents and updated "The Follow-up Procedures and Notification Process of Quality Incidents" (《質量事故跟進及通報工作程序》). Four booklets regarding the monitoring guidelines on quality control of housing projects were prepared. The Group was granted the ISO9001:2015 certification and received an award from the 2016 China State Construction Engineering Corporation Outstanding Construction Projects (二零一六年度中建總公司優秀項目獎).

The Group has set up a scientific and efficient management system for information safety, including the safety principles, requirements and audit methods, in order to enhance its abilities to cope with emergencies. The system was granted with the ISO27001:2013 certification for information safety management system in September 2016. Such certification has served as an

Chairman's Statement (continued)

important qualification for its future project tenders and construction with the aim to expand its business development. On this basis, the Group will strive to establish stronger and safer network environment to enhance its competitiveness in informatisation.

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 every year since 2008. Leveraging its outstanding performance in the participation in annual global environment related information disclosure in 2016 and its excellent environmental protection contribution at construction sites, the Group received the "Excellence in Responding to Climate Change Enterprise Award" (應對氣候變化企業優秀獎) from Carbon Disclosure Project ("CDP"), an organization committed to tackling climate change, and the merit award under the New Buildings Category from the Green Building Award 2016 jointly held by the Hong Kong Green Building Council and the Professional Green Building Council, respectively.

During the year, over 100 staffs of the Group and their family members joined the largest charity walk in Hong Kong "2015/16 Hong Kong and Kowloon Walk for Millions by the Community Chest" to raise funds for "Family and Child Welfare Services", which demonstrated the Group's spirit of actively fulfilling its social responsibilities.

In response to "World Environment Day", the Group also organised the "Guide Tour to Mai Po Nature Reserve" and "Eco-tour at Yim Tin Tsai, Sai Kung" (西貢鹽田梓生態導賞) as an opportunity for its employees to experience the conservation work in the wetland and the making process of sea salt and observe birds in the nature reserve area. Such activities demonstrated contributions of the Group for the promotion of eco-cultural protection.

Key Awards

In January 2016, the construction sites of HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi first won gold awards in Good Housekeeping Competition (Construction Category) jointly organised by Occupational Safety and Health Council and Construction Industry Council.

Leveraging its excellent operating results, stable growth and sound corporate governance, the Group ranked 59th among "Top 100 HK" jointly organised by QQ.com and Finet in February 2016.

In March 2016, the Group won a bronze award in Building Sites (Public Sector), a merit award in Civil Engineering Sites, a gold award in Safety Teams and two merit awards in "Safety Teams in Construction Industry Safety Award Scheme 2015/2016" organised by the Labour Department of Hong Kong and other government authorities.

In April 2016, in Construction Safety Award Scheme organised by Labour Affairs Bureau of Macau, the Group won two silver awards in Best Occupational Health and Safety (no gold award was presented) (Building Site Category), a silver award in special construction projects, a silver award in Best Safety Management, a silver award in Safety Enhancement Program, two silver awards in Best Safety Management Personnel and a silver award in Outstanding Occupational Health and Safety Employee.

In May 2016, the Group won two bronze awards and one merit award in "Innovative Safety Initiative Award 2016" in Construction Safety Week organised by Development Bureau. The Group won one gold award and four merit awards in Considerate Contractor Award and two bronze awards and one merit award in Outstanding Environmental Management and Performance Award in the "22nd Considerate Contactors Site Award Scheme".

In July 2016, in the annual poll of "The Best Listed Companies in Asia" organised by "Institutional Investor", the Group ranked top among six categories in the industrial sector and ranked first in "Most Honored Companies" and "Best CEO" in Asia for two consecutive years, which are indicatives of the international capital market's continual affirmation in respect of the Group's investor relations. The Group received a gold award of annual report "Vision Award" (types of construction industry) and received a silver award of ARC Award (types of construction industry: cover and content) for the first time from the League of American Communications Professionals, a world-renowned institution. In the same month, the Construction Project of Cross Harbor Tunnel Railway of the Shatin to Central Link, Hong Kong (Shek O Casting Yard) of the Group received a gold award of "Best Safety Culture Site" on the 17th Construction Safety and Health Promotional Campaign organised by the Occupational Safety and Health Council.

Chairman's Statement (continued)

In December 2016, the Central — Wan Chai Bypass — Causeway Bay Typhoon Shelter section exclusively undertaken by the Group, which is characterised by its high technical difficulty and effective management, won the New Civil Engineer ("NCE") Tunnelling Award 2016 held by the Institution of Civil Engineers (UK) ("ICE"). In the same month, leveraging its outstanding construction safety environment and procedures at construction sites, the Group received a number of awards at the Good Housekeeping Forum and Award Presentation 2016-17 jointly held by the Occupational Safety and Health Council and the Construction Industry Council. One of the award-winning projects was the Proposed Logistics Centre Development at Tsing Yi Town Lot No. 181 which received the Good Housekeeping Gold Award in the construction category. Another award-winning project was the Upgrading Works at Stonecutters Island Sewage Treatment Works which received the Good Housekeeping Silver Award and the bronze award of the Good Housekeeping Best Performance Award.

Business Prospects

In 2017, the complicated and ever-changing market environment will become the new trend of global political and economic development while the long-term positive economic fundamentals of China will remain unchanged. China continues to boast huge potential for industrialisation and urbanisation. The Group will precisely capture the trend of macro economy and industrial market and adjust the operation strategy in a timely manner to confront the external changes in operation environment.

Market Outlook

The construction market in Hong Kong will continue to be under pressure due to the macro political and economic environment while the gaming industry in Macau will remain stable which will favour the development of the construction and real estate sectors. Following the completion of the large-scale infrastructure projects in Hong Kong and the large-scale hotel projects in Macau, the shortage of industry resources will be gradually mitigated. Contractors will become aggressive in tender which will intensify the competition in the construction markets in both Hong Kong and Macau.

Economy in Mainland China will continue to strive for a positive momentum in a stable manner. With the support of national policies, the infrastructure investment market will develop rapidly, particularly in emerging sectors including utility tunnels, sponge cities and featured small towns. The PPP market will experience benign development as it continues to expand and becomes standardised, resulting in more opportunities for market investment.

Operation Strategies

The Group is committed to the operation strategy of "**Cost-effective Competition and High-quality Management**". Through the implementation of the operation policy of "improving its service quality and efficiency while facing different difficulties and challenges and casting its brand with synergy and innovation", the Group will retain its strategic advantages and cope with market risks. Both its development scale and development efficiency will be enhanced. The Group will rely on innovation of its business models, management and technology to consolidate its brand competitiveness and take the leading position in the market.

In respect of construction projects in Hong Kong and Macau, the Group will sustain and maximise its traditional strengths, and consolidate and enlarge its market share. Through the external synergy and the internal collaboration, it will grasp the tender opportunities of large-scale projects with the focuses on government-owned turnkey projects, the subsequent construction of the "Ten Mega Infrastructure" and the premium projects of private developers. Efforts will be made to strengthen brand awareness. The Group will also pursue significant breakthroughs in core technology of construction and attach great importance to fundamental works at all time. It will ensure construction quality by preventing progress, quality, safety and environmental risks. While strengthening its principal construction business, the Group will continue to grasp contracting opportunities arising from new investments.

In respect of the Mainland infrastructure investment business, the Group will keep on strengthening, improving and expanding its core business while extending its investment coverage. Closely following the guidance of national policies, the Group will actively innovate its investment and financing modes in response to the increasingly intensive market competition. By vigorously cultivating cooperation resources, the Group will actively promote the "3+ Models" in external markets while adhering to the "Four-in-One-Unit" model in its internal operation in order to reinforce cooperation with the high-end platforms of the local government and the internal divisions of China State Construction Engineering Corporation. Consolidating and expanding multiple businesses alongside the investment chain, the Group will formulate and develop measures for entry to the industry. It will also enhance its differentiated competitive advantages under the homogenised market to acquire more premium projects. Its projects control will be further strengthened to ensure the successful implementation of projects and to create model projects with brand effect.

Chairman's Statement (continued)

FEG will steadily promote its internationalisation. While consolidating the traditional markets including Hong Kong, Macau and North America, it will proactively develop markets in Australia and the United Kingdom. In response to the changes of market environment, it will adjust the tendering strategy to secure the competitive projects while striving for breakthrough in its major projects and exploring pricing potential.

Management Model

In response to the demand for the horizontal management of business development in order to raise resources allocation efficiency, the Group will fully adjust the layout of the regional investment business and change its investment subsidiaries from urban companies to provincial companies as a platform to commence operation in provinces. The provincial companies will facilitate the secondary institutions management which helps lay a better foundation for the development of infrastructure investment business. In addition, the Group will optimise its management system with an emphasis on streamlining procedures and integrating management with the information technology in order to speed up the approval efficiency.

Company Mission

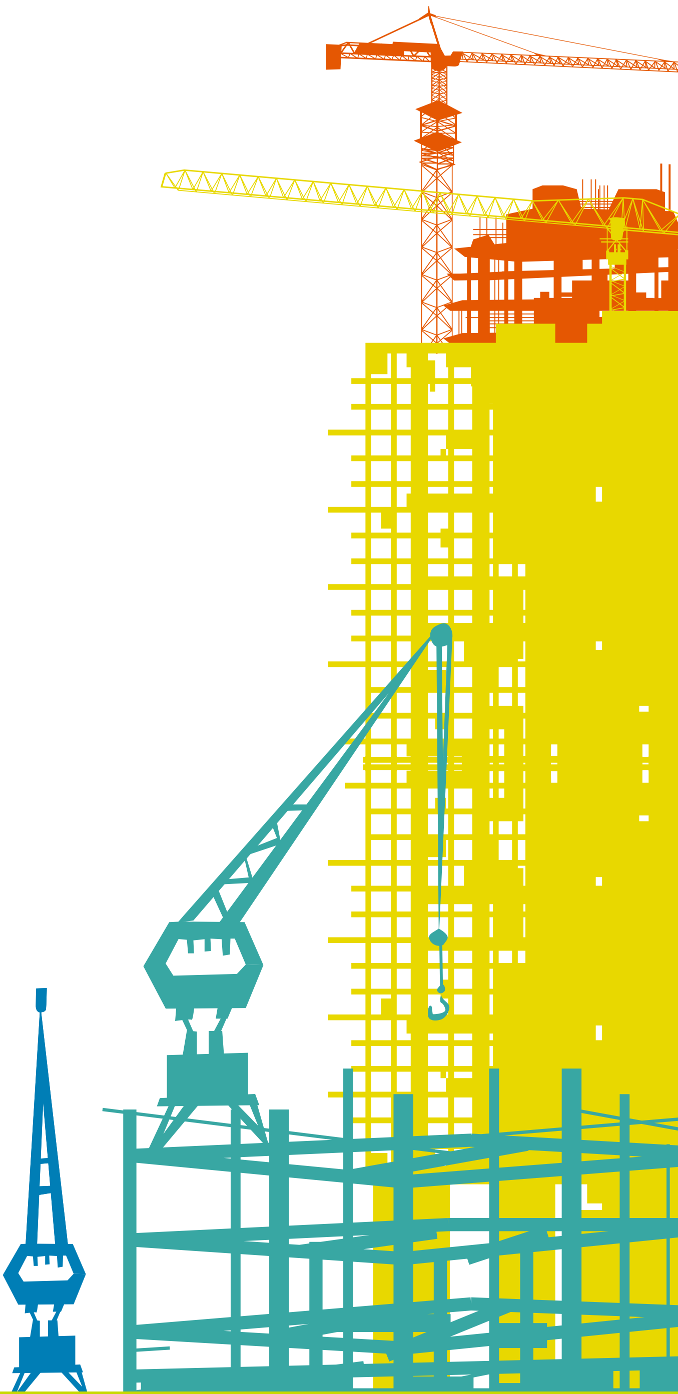
The Group is dedicated to its longstanding operation philosophy of "**Sustainable Growth for Mutual Success with Harmony**". The Group will proactively adhere to its core value of "**Good Quality and Value Creation**". Incorporating personal aspirations into its long-term corporate development, the Group will improve its service quality and efficiency while facing different difficulties and challenges. It will strive to achieve a "**win-win situation**" with the shareholders, cooperative partners, employees and society and become a new role model in the 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, 21 March 2017



Management Discussion & Analysis

Profit attributable to owners of the Company was 5,130 HK$ million, representing a year-on-year increase of 13.4%. Recorded net operating cash inflow for two continuous years.

Overall Performance

Despite the slowdown of global economy recovery and fierce competition in construction market, the Group's performance continued on a stable growth trend, recorded revenue of HK$46,208 million and a profit attributable to owners of the Company of HK$5,130 million, representing a year-on-year increase of 21.6% and 13.4% respectively. Particularly, the Group had enjoyed a recovery of revenue and core net profit growth in the second half of 2016, marking a significant improvement comparing with the first half of 2016. The Group recorded net operating cash inflow again following last year first time net operating cash inflow 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 HK15.00 cents per share paid in the year, the total dividends for the year amount to HK33.00 cents per share, representing an increase of 6.5% as compared to last year.

During 2016, Hong Kong, Macau and Mainland China remained the core markets and the major contributors of the Group. In Hong Kong and Macau, the Group focused on the construction business in both private and public sectors, and has maintained its leading position in the field. In Mainland China, the Group focused on infrastructure investment projects and construction related businesses. 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.

Management Discussion and Analysis (continued)

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

Hong Kong and Macau

— Construction and Related Businesses

(1) Construction and related business — Hong Kong

Hong Kong segment is performing satisfactory in both overall result and winning new contracts, and continue to provide stable cash flow to the Group. Revenue amounted to HK$17,585 million, an increase of 8.1%. Gross profit and Segment result amounted to HK$894 million and HK$814 million respectively, compared with HK$1,041 million and HK$904 million for last year. The profitability of this segment has been affected by the volatility of input costs and competition landscape of the market.

(2) Construction and related business — Macau

With the contribution from several mega projects which were in full swing in current year, Macau segment reported a notable growth of revenue and gross profit to HK$8,716 million and HK$921 million, representing a growth of 64.0% and 243.0% year-on-year. The segment result increased by 27.1% to HK$930 million. With the effective management, Macau segment have provided strong contribution to the Group's operating cash flow.

Mainland China

— Infrastructure Investment Projects and Construction Related Businesses

This year is a good harvest period in Mainland China, the receipts of buy-back payment is much more than expected, received HK$12,736 million for the year (including the attributable share of such payment received by our joint venture investments).

Following the first Public-Private-Partnership ("PPP") projects in Mainland China granted in last year, the group was successfully awarded several significant PPP projects during the year, and the revenue is increased as expected to HK$18,265 million (2015: HK$14,631 million). In the second half, the Group recorded a revenue growth of 48.7% on a year-on-year basis, indicating a significant improvement from the first half (first half of 2016: drop 2.8%). The segment gross profit and result were HK$4,028 million and HK$3,722 million respectively, compared with HK$3,636 million and HK$3,528 million for the year of 2015.

(1) Infrastructure Investment Projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing, such as affordable housing, hospital and college. We participated in these infrastructure projects by way of PPP models.

The Group is actively involved in infrastructure investment under the government's strong investment in infrastructure, and have awarded a number of sizeable projects during the year, resulting in a substantially growth in revenue to HK$16,939 million, compared with HK$13,008 million of 2015, thanks to the accelerating execution of construction progress in the second half. Benefited from the Group's strong reputation and employer's satisfaction in Mainland China, which enable us to select project with higher return, the profitability of infrastructure investment projects remain good. Gross profit and result were up 21.8% and 19.1% over last year to HK$3,755 million and HK$3,571 million respectively.

Management Discussion and Analysis (continued)

(2) *Operating Infrastructure Projects*

The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, except one toll road in Shanxi have been block caused by the bad weather, resulting in a drop in overall performance. Excluding contribution from joint venture, this sector recorded revenue of HK$837 million, gross profit of HK$78 million and result of HK$33 million.

(3) *Construction related business*

Since the promotion of PPP projects by the government, the Group mainly focus on infrastructure investment projects, less resources was allocated to other construction related business, the revenue of this segment have decreased 27.8% to HK$489 million. But the decrease was mitigated by the growth from Anhui pre-cast structures production plant. Meanwhile, in order to meet the market demand for construction industrialization products, two new plants in Shandong and Guangdong Province have been under construction.

FEG Group

FEG Group focused on the facade contracting business, general contracting business and new business expansion. While the curtain wall market in Hong Kong and Macau remained stable and the market in North America was in recovery, the market in Mainland China was stagnant. With larger customer base and better operation results, new contracts of HK$3,140 million were secured during the year, including several quality projects with branding effects in the US and Australia.

Investment Income, Other Income and Other Gains, net

Investment Income, other income and other gains, net increased to HK$1,260 million mainly attributable to the appreciation of the fair value of the investment properties.

Share of Profits of Joint Ventures

The Group mainly operates toll bridge and infrastructure investment projects in form of joint ventures. The share of profits of joint ventures was HK$420 million, which was close to the HK$424 million margin in the previous year.

Finance Costs

During the year, the finance costs charged to profit for the year increased by 9.4% to HK$688 million. The increase was mainly due to the increase of borrowings for investment purpose during the year.

Earnings Per Share

For the year ended 31 December 2016, basic earnings per share increased by 6.6% to HK119.80 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$5,130 million and on the weighted average number of 4,282,283,000 ordinary shares in issue during the year.

Management Discussion and Analysis (continued)

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$25,670 million as at 31 December 2016 (2015: HK$23,285 million). The increase was mainly attributable to the profit for the year of HK$5,130 million and the 431,824,639 shares issued to the Group's immediate holding company, China Overseas Holdings Limited ("COHL") during the year, but the increase was partly offset by the decrease in translation reserve due to the depreciation of Renminbi.

Bank Balances and Cash

At 31 December 2016, the Group had bank balances and cash of HK$11,485 million (2015: HK$8,026 million), representing 13.3% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	31 December 2016 %	31 December 2015 %
Hong Kong Dollars	26	36
Renminbi	51	48
Macao Patacas	21	16
Others	2	–

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.

Cash Flows Analysis

The Group recorded positive net operating cash flow for two consecutive years. Although the expenditure used for the construction of infrastructure project increase continuously, significant buy-back payment received, the net expenditure for infrastructure project have been decreased from HK$1,396 million in 2015 to HK$31 million in 2016. Included the net expenditure for infrastructure project, the net cash generated from operating activities for the year was HK$2,867 million (2015: HK$298 million). The net cash outflow in investing activities was HK$5,691 million (2015: HK$935 million), and the net cash inflow from financing activities was HK$6,498 million (2015: HK$1,309 million).

Management Discussion and Analysis (continued)

Borrowings

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

During the year, the Group has net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of HK$3,741 million.

At 31 December 2016, the total borrowings of the Group (including the guaranteed notes denominated in US dollars issued by the Group in April 2013) were HK$21,194 million of which, approximately 69% and 29% 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 2016 and 2015:

	31 December 2016 HK$' million	31 December 2015 HK$' million
Bank and other borrowings		
On demand or within one year	**1,456**	808
More than one year but not exceeding two years	**3,944**	816
More than two years but not more than five years	**9,968**	10,663
More than five years	**1,937**	1,607
Total bank and other borrowings	**17,305**	13,894
Guaranteed notes payable	**3,889**	3,879
Total borrowings	**21,194**	17,773

At 31 December 2016, the Group had net borrowings of HK$9,709 million (2015: HK$9,747 million) and the Group's net gearing ratio was 37.8% (2015: 41.9%). 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 2016, committed but unutilised credit facilities and other banking facilities like construction performance bond facilities amounted to HK$26,532 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, the Group has achieved the following significant milestones in business expansion:

(1) The Group was awarded numerous infrastructure investment projects by way of Public-Private-Partnership ("PPP") model in different regions in Mainland China, including Hebei, Guizhou, Guangdong, Sichuan, Hunan, Zhejiang, Jiangxi and Shandong Province. The aggregate attributable contract value of the Group amounts to HK$35,360 million.

(2) The Group was awarded several housing and related investment projects in Henan, Shandong, Hunan, Sichuan, Jiangsu, Anhui and Zhejiang Province. The aggregate attributable contract value amounts to HK$14,050 million.

(3) The Group was awarded several Construction Industrialisation Projects in Anhui Province with attributable contract value amounts to HK$2,450 million.

(4) In May 2016, The Group was awarded an Underground Integrated Corridor and Infrastructure Investment Project in Shandong Province. The aggregate attributable contract value amounts to HK$2,250 million.

(5) In March 2016, the Group and China Overseas Land & Investment Limited ("COLI"), the Company's fellow subsidiary entered into a joint venture agreement for the development of a private residential project suited in Tai Po with investment amounts to HK$10,000 million. The Group and COLI will invest 20% and 80% in this project respectively.

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 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, 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.

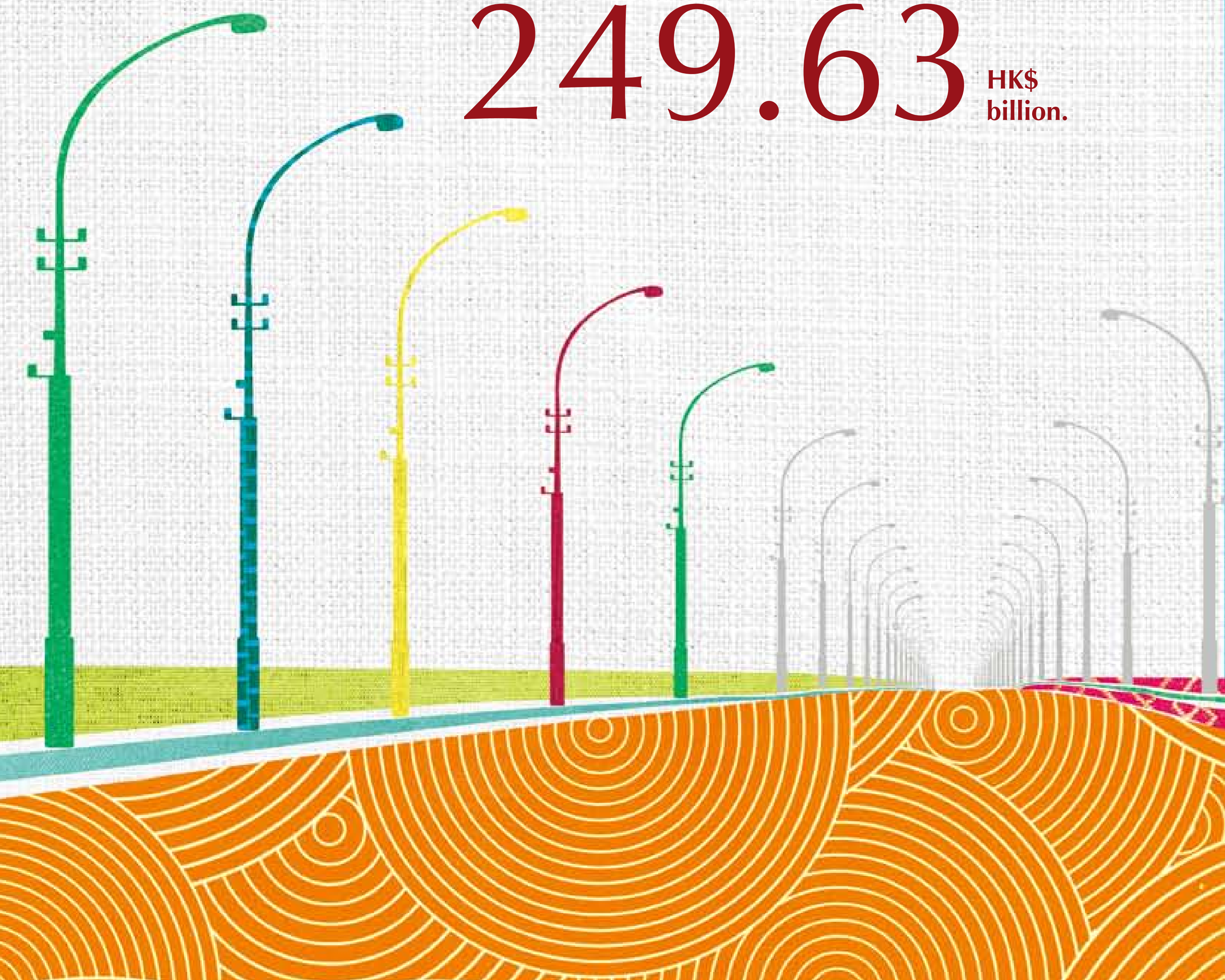
Foreign Exchange Risk

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 2016, the Group has **108 projects in progress** with an aggregated attributable contract value of

249.63 HK$ billion.



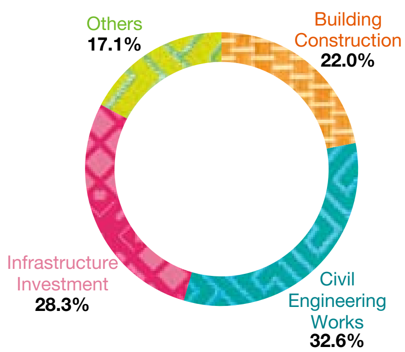
Business Review (continued)

Business Review (continued)

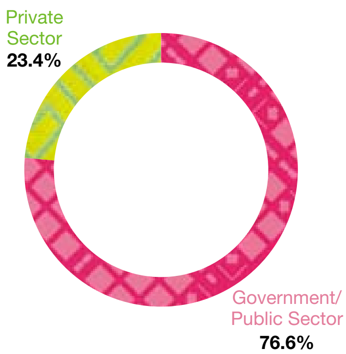
Major Completed Projects in 2016

No.	Project Name	Government/ Public Sector	Private Sector
	Hong Kong		
	Building construction		
1	Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment		●
2	Construction of Public Rental Housing at Sha Tin Area 52 Phase 3 and 4	●	
3	Main Contract Works for Redevelopment of Chinachem Central I		●
	Civil engineering works		
1	Central — Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	●	
	Foundation Works		
1	Foundation for the Public Rental Housing Development at Shek Kip Mei Estate Phase 3 & 7	●	
	Mainland China		
	Infrastructure investment		
1	Taiyuan South Station Western Square	●	
2	Wuhan East Lake Passageway	●	
3	Additional contract of 2nd Circle Line BT project in Wuhan, Hubei Province	●	
4	Affordable Housing PPP Project in Jingkou District, Zhenjiang, Jiangsu Province	●	

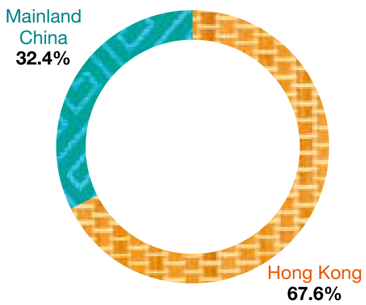
By Categories



By Customers



By Market

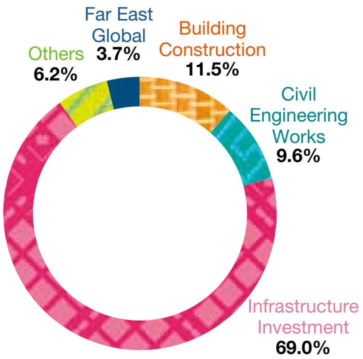


New Projects Awarded in 2016

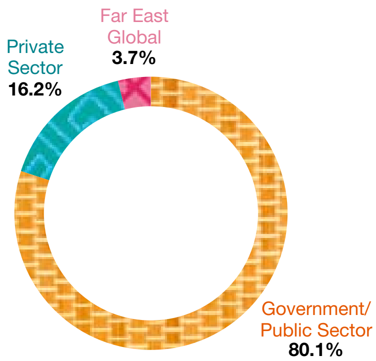
Summary for the year

- 55 new projects awarded
- Attributable contract value for new projects awarded was HK$83.8 billion

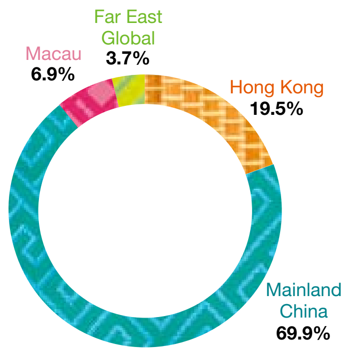
By Project Categories



By Customers



By Market



The first two months of 2017

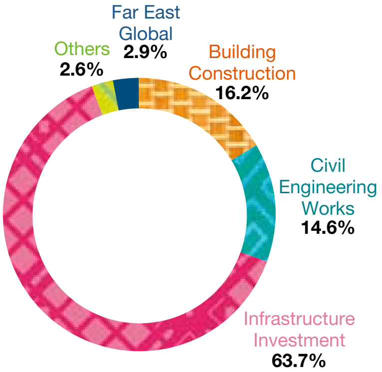
- 10 new projects awarded a total attributable contract value of HK$18,980 million

Business Review (continued)

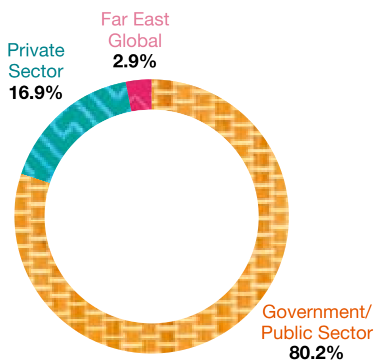
Projects in Progress in 2016

	No.	As at 31 December 2016 Attributable contract value HK$'million	Value of incompleted contract HK$'million
Hong Kong	**33**	**56,899**	**25,896**
Building Construction	8	16,300	6,875
Civil Engineering Works	12	36,334	16,347
Others	13	4,265	2,674
Mainland China	**65**	**161,472**	**117,254**
Building Construction	2	2,262	2,039
Infrastructure Investment	63	159,210	115,215
Macau	**10**	**24,028**	**6,571**
Far East Global	**–**	**7,229**	**4,164**
Total	**108**	**249,628**	**153,885**
Infrastructure Investment	**63**	**159,210**	**115,215**
Cash Construction & related	**45**	**83,189**	**34,506**
Hong Kong	33	56,899	25,896
Macau	10	24,028	6,571
Others	2	2,262	2,039
Far East Global	**–**	**7,229**	**4,164**
Total	**108**	**249,628**	**153,885**

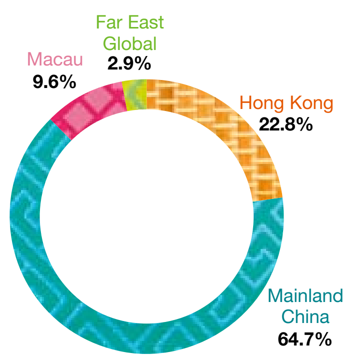
By Project Categories



By Customers



By Market



Major Projects in Progress — Hong Kong & Macau

Business Review (continued)

Major Building Projects in Progress — Hong Kong

No.	Project Name	Attributable Contract Value HK$'million
1	Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon	5,454
2	Residential Development Project at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, Hong Kong	4,151
3	Residential Project, TMTL 427, So Kwun Wat Road, Tuen Mun, Hong Kong	1,687
4	Home Ownership Scheme Project, Sha Tsui Road, Tsuen Wan, and Ching Hong Road, Tsing Yi, Hong Kong	1,233
5	Construction of Public Rental Housing at Anderson Road Site C1 & Ancillary Facilities Block at Site C2 Phase 2	1,044

Project Name
Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon

Project Name
Residential Development Project at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, Hong Kong

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

Project Name
Home Ownership Scheme Project, Sha Tsui Road, Tsuen Wan, and Ching Hong Road, Tsing Yi, Hong Kong

Project Name
Residential Project, TMTL 427, So Kwun Wat Road, Tuen Mun, Hong Kong

Project Name
Construction of Public Rental Housing at Anderson Road Site C1 & Ancillary Facilities Block at Site C2 Phase 2

Business Review (continued)

Major Civil Engineering Projects in Progress — Hong Kong

No.	Project Name	Attributable Contract Value HK$'million
6	Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road — Section between Scenic Hill and Hong Kong Boundary Crossing Facilities	8,875
7	Central — Wan Chai Bypass Tunnel (Slip Road 8 Section)	4,792
8	Tseung Kwan O — Lam Tin Tunnel and Related Projects	4,278
9	Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link	2,876
10	Widening of Fanling Highway — Tai Hang to Wo Hop Shek Interchange	2,510
11	Phase Two of Infrastructure Project in the South of Hong Kong's Port of Hong Kong — Zhuhai — Macao Bridge	2,260
12	Construction project of Cross Harbor Tunnel Railway (North South Corridor) of Shatin to Central Link	2,132

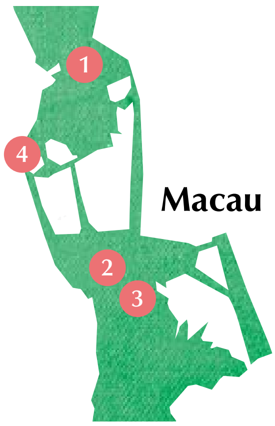
Project Name
Exhibition Station and Western Approach Tunnel Project of Shatin to Central Link

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

Business Review (continued)

Major Projects in Progress — Macau

No.	Project Name	Attributable Contract Value HK$'million
1	MGM Cotai Project, Macau	12,230
2	The Construction of the Residential and Commercial Development Project of Nova City Phase 5	5,405
3	Section 1 & 2 of Public Housing in Ilha Verde, Macau	1,892
4	Construction of Transportation Junction Project, Barra, Macau	601



Project Name
The Construction of the Residential and Commercial Development Project of Nova City Phase 5

Project Name
Section 1 & 2 of Public Housing in Ilha Verde, Macau

Project Name
Construction of Transportation Junction Project, Barra, Macau

Business Review (continued)

Major Businesses — Mainland China

Major Businesses — Mainland China

No.	Project Name
	Infrastructure Investment
	Affordable Housing
1	PPP Project of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province
2	Relocation Housing PPP Project in Pingyang County, Wenzhou City, Zhejiang Province
3	Relocation Housing Project in Modern Industry Project of Hyundai Motor, Ziyang, Sichuan Province
4	四川省天府新區安置房融資建設項目
5	Hangzhou Xiaoshan Beigan Relocation Housing Phase 2, Hangzhou, Zhejiang Province
6	Relocation Housing PPP Project in Pinghu of Jiaxing City, Zhejiang Province
7	Affordable Housing and Infrastructure Projects, Hangzhou, Zhejiang Province
8	Affordable Housing and Infrastructure Projects, Jiaxing, Zhejiang Province
9	Relocation Housing Projects with PPP model, Zhengzhou, Henan Province
10	Relocation Housing PPP Project in New District of Zhenjiang, Jiangsu Province
11	Relocation Housing and Hospital Projects with PPP model, Zhenjiang, Jiangsu Province
12	Dayang Affordable Housing Project in Luyang District, Hefei, Anhui Province
13	Relocation Housing Project with Building Industrialization, Economic Development Area, Hefei, Anhui Province

Business Review (continued)

Major Infrastructure Investment Business — Mainland China

Project Name
Relocation Housing PPP Project in New District of Zhenjiang, Jiangsu Province

Project Name
四川省天府新區安置房融資建設項目

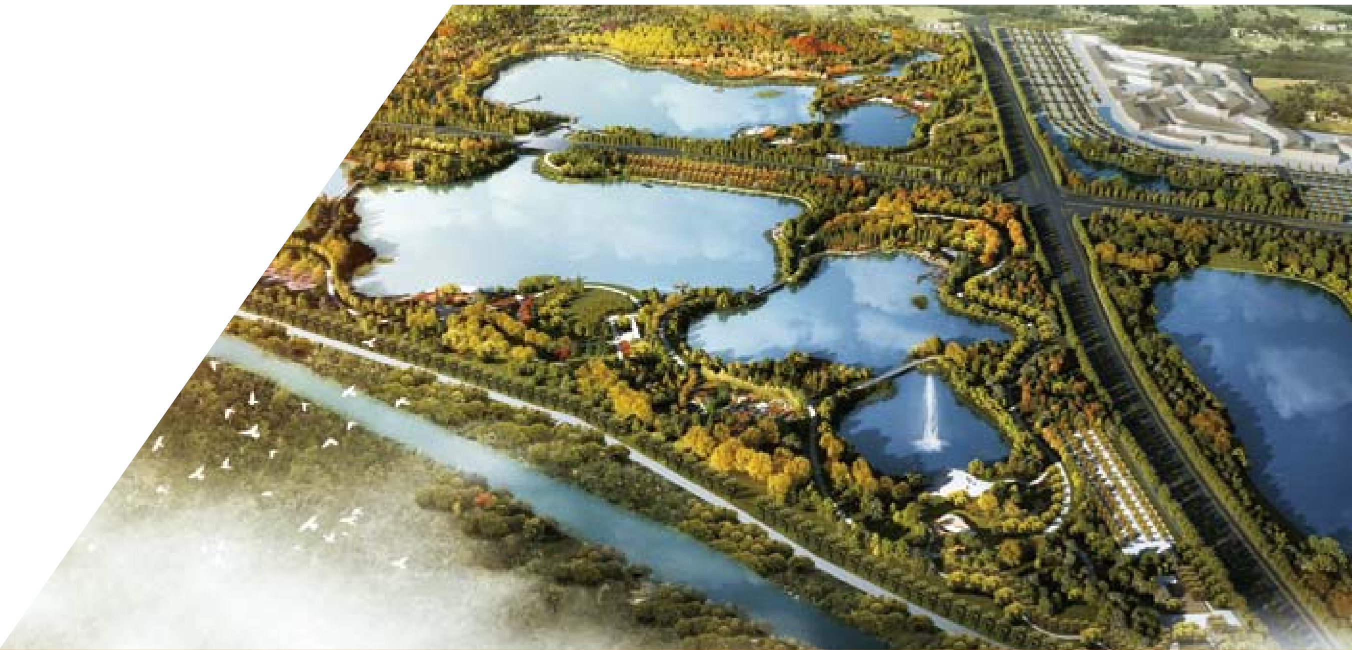
Business Review (continued)

Major Businesses — Mainland China

No.	Project Name
	Infrastructure
14	浙江省湖州市吳興區人民醫院及基礎設施PPP項目
15	Infrastructure Project with PPP model, Tangshan, Hebei Province
16	Infrastructure Build-Transfer Project in Longhai of Zhangzhou, Fujian Province
17	PPP Project for Rerouting Lianjiang-Jin'an section of National Highway G104 in Fuzhou, Fujian Province
18	Infrastructure Project, Hechuan District, Chongqing
19	Phase Two of Ring Road Project with PPP model, Dazhou, Sichuan Province
20	Five Infrastructure Projects including Binjiang Avenue in Wuhan, Hubei Province
21	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City
22	The Construction of Underground Integrated Space, Central City of Optical Valley, Wuhan, Hubei Province
23	Two roads PPP Projects in Zhengzhou, Henan Province
24	Infrastructure Investment Projects, Zhengzhou, Henan Province
25	Public Facilities and Relocation Housing Projects with PPP model, Huaian, Jiangsu Province
26	Highway Project, Bengbu, Anhui Province
27	Infrastructure and Related Facilities Projects, Binzhou, Shandong Province
28	Underground Integrated Corridor and Other Infrastructure Investment Projects, Zibo, Shandong Province
29	Urban Comprehensive Development Projects with PPP model, Foshan, Guangdong Province
30	Infrastructure PPP Project, Wangcheng New District, Nanchang, Jiangxi Province
31	Infrastructure PPP Projects, Bonded Area, Changsha, Hunan Province
32	Zheng'an-Xishui Expressway Project with PPP model, Zunyi, Guizhou Province
33	Nanjing No.2 Yangtze River Bridge
34	Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge
35	Shenyang Huanggu Thermal Power Plant
36	Laizhou Port
	Construction Industrialised Factory
37	Shenzhen Hailong Construction Products Plant
38	Anhui Hailong Construction Products Plant

Business Review (continued)

Major Infrastructure Business — Mainland China



Project Name
Infrastructure Investment Projects, Zhengzhou, Henan Province

Project Name
Infrastructure PPP Projects, Bonded Area, Changsha, Hunan Province

Business Review (continued)

Major Infrastructure Business — Mainland China *(continued)*

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

Project Name
Highway Project, Bengbu, Anhui Province

Project Name
Urban Comprehensive Development Projects with PPP model, Foshan, Guangdong Province

Awards and Accolades 2016

Comprehensive strength, corporate governance, branding category

Award	Unit	Organisation
No. 1 of Most Honored Companies (The All-Asia Executive Team)	CSCI	The Institutional Investor
Top One Best CEO (Industrials)	CSCI	The Institutional Investor
Top One Best CFO (Industrials)	CSCI	The Institutional Investor
Top One Best Investor Relations Company (Industrials)	CSCI	The Institutional Investor
2015 "Top 100 HK"	CSCI	QQ.com and Finet
2015 Annual Report "Vision Awards" — Gold Winner	CSCI	League of American Communications Professionals
30th International ARC Awards (Building & Construction) — Silver Winner	CSCI	International ARC Awards

CSR category

Award	Unit	Organisation
Caring Company 2016/17 Logo	CSCI	The Hong Kong Council of Social Service (HKCSS)
Caring Company 2016/17 Logo	Far East Global Group Limited	The Hong Kong Council of Social Service (HKCSS)

Awards and Accolades 2016 (continued)

Environmental protection category

Charter/project/award	Unit	Organisation
Outstanding Enterprise in Tackling Climate Change	CSCI	CDP Worldwide, China Quality Certification Centre
Carbon Care ESG Label	CSCI	Carbon Care Asia Ltd (CCA)
Green Office Awards Labelling Scheme	Far East Global Group Limited	World Green Organisation
"WeUnite Better World Company" label	Far East Global Group Limited	SDGs of United Nations
Hong Kong Green Building Award, Green Building Award (Excellent New Construction Project)	Centre of Excellence in Paediatrics	The Hong Kong Green Building Council Limited and The Professional Green Building Council

Quality and technology category

Award	Unit	Organisation
Tunnelling Project of 2016 New Civil Engineer's Tunnelling Awards — Central — Wan Chai Bypass and Island Eastern Corridor Link — Causeway Bay Typhoon Shelter Section	AECOM Asia and China State Construction Engineering (Hong Kong) Limited	Institution of Civil Engineers (UK) (ICE)
2016 Lu Ban Award of China Construction (Overseas Projects)	China Construction Engineering (Macau) Company Limited	China Construction Industry Association
2016 Outstanding Construction Project Management Award in China — Pillar Point Sewage Treatment Plant	China State Construction Engineering (Hong Kong) Limited	China State Construction Engineering Corporation

Awards and Accolades 2016 (continued)

Quality and technology category *(continued)*

Award	Unit	Organisation
First Prize for the 2016 China Outstanding Seminar Paper Award for Construction Technology — Design and Construction of Immersed Tubes for Shatin to Central Link (North South Corridor) in Hong Kong	China State Construction Engineering (Hong Kong) Limited	China State Construction Engineering Corporation
First Prize for the 2016 First Outstanding Seminar Paper Award for National Construction Industry— Single Objective and Multi-objective Optimization for Large-scale Deep Foundation Supporting Structure	China State Construction Engineering (Hong Kong) Limited	China Construction Industry Association
First Prize for the 2016 First Outstanding Seminar Paper Award for National Construction Industry — Large Hospital Architecture Vibration Assessment and Damper Design Research	China State Construction Engineering (Hong Kong) Limited	China Construction Industry Association
First Award of the CSCEC Technology Awards — Research and Application of Shield Tunnel Construction Technology in Ultra-small-radius Curves for Complicated Geological Conditions	China State Construction Engineering (Hong Kong) Limited, 深圳海龍建築科技有限公司 and 深圳中海建築有限公司	China State Construction Engineering Corporation
Construction Method of Overall Production of Glass Fiber Reinforced Cement and Pre-cast Concrete Structures (National Construction Methods)	深圳海龍建築製品有限公司	Ministry of Housing and Urban-Rural Development of the People's Republic of China

Construction site safety and management category

Award	Unit/Project	Organisation
Construction Industry Safety Award Scheme 2015/2016 — Gold Prize for Safety Teams Awards	Kai Tak NKIL6516&6517 Residential Development Project	Labour Department of Hong Kong and other
The 22nd Considerate Contractors Site Award Scheme — Considerate Contractors Site Award(Merit)	Construction site of the residential project at Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun	Development Bureau, Construction Industry Council and other
The 17th Construction Safety Promotional Campaign — Gold Prize for Constructions Site of Best Safety Culture	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign — Gold Prize for Contractors of Best Safety Culture	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
Good Housekeeping Competition 2015 — 16 — Gold Prize for Construction Category	HOS Flats Project at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi	Hong Kong Occupational Safety & Health Council and Construction Industry Council
Good Housekeeping Competition 2016 — 17 — Gold Prize for Construction Category	Construction Site of Tsing Yi TYTL181 Logistics Centre	Hong Kong Occupational Safety & Health Council and Construction Industry Council
Good Housekeeping Competition 2016 — 17 — Silver Prize for Construction Category	Upgrading Works for Stonecutters Island Sewage Treatment Works	Hong Kong Occupational Safety & Health Council and Construction Industry Council
5th Construction Industry Safety Award Scheme — Silver Prize for Best OSH Site (Building Site Category)	Residential Development of Nova City Phase 5, Taipa	Labour Affairs Bureau of Macau

Awards and Accolades 2016 (continued)

Award	Unit/Project	Organisation
5th Construction Industry Safety Award Scheme — Silver Prize for Best Safety Management System	Residential Development of Nova City Phase 5, Taipa	Labour Affairs Bureau of Macau
5th Construction Industry Safety Award Scheme — Silver Prize for Safety Improvement Project	Residential Development of Nova City Phase 5, Taipa	Labour Affairs Bureau of Macau
5th Construction Industry Safety Award Scheme — Silver Prize for Best OSH Site (General Building Construction)	Taipa Northeast Road Public Housing construction works	Labour Affairs Bureau of Macau
Best Occupational Health and Safety — Special Construction Projects	Island Healthcare Complex — Foundation Construction Project	Labour Affairs Bureau of Macau
The 17th Construction Safety Promotional Campaign — Silver Prize for Best Safety Culture Team	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
15th Hong Kong Occupational Safety and Health Award —Silver Prize for Safety Management System Award (Construction)	Leighton — China State Joint Venture	Hong Kong Occupational Safety & Health Council and other
Second Batch of 2016 Exemplary Sites (Region) of Safety Construction in Anhui	Project Department of Luyang Riverside City (深圳中海建築有限公司廬陽湖畔新城項目部)	Anhui Construction Industry Safety Association (安徽省建設行業安全協會)
Civilized Construction Sites in Jiangsu	Yaoqiao Phase I	Jiangsu Housing and Development Office (江蘇省住建廳)
On-site Inspections of Safe, Civilised and Standard Construction Sites in Sichuan Safe, Civilised and Standard Construction Sites in Sichuan (Completion inspection and certificate received)	—	Website of Supervision and Management of Quality and Safety in Sichuan (四川省質量安全監督管理總站)

Awards and Accolades 2016 (continued)

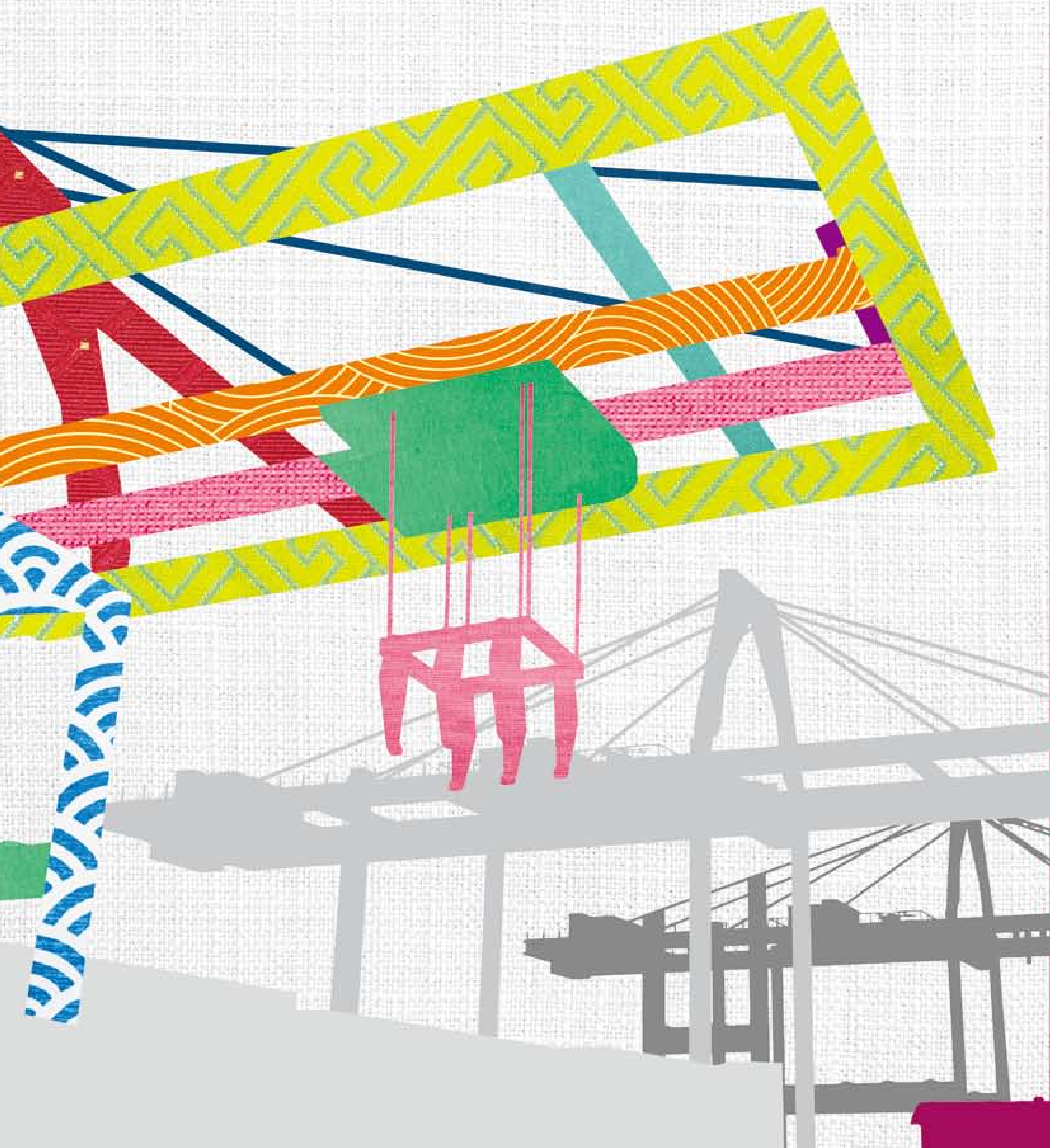
Safety and environmental protection category

Activity	Award	Unit/Project	Organisation
Good Housekeeping Competition 2015 – 16	Gold Prize for Construction Category	HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi	Hong Kong Occupational Safety & Health Council and Construction Industry Council
Construction Industry Safety Award Scheme 2015/2016	Bronze Prize for Building Sites (Public Sector)	HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi	Labour Department of Hong Kong and other
Construction Industry Safety Award Scheme 2015/2016	Meritorious Prize for Civil Engineering Sites	Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities	Labour Department of Hong Kong and other
Construction Industry Safety Award Scheme 2015/2016	Gold Prize for Safety Teams	Kai Tak NKIL6516&6517 Residential Development Project	Labour Department of Hong Kong and other
Construction Industry Safety Award Scheme 2015/2016	Meritorious Prize for Safety Teams	HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi	Labour Department of Hong Kong and other
Construction Industry Safety Award Scheme 2015/2016	Meritorious Prize for Safety Teams	Construction Site of C1 Public Housing and C2 Ancillary Facilities at Anderson Road	Labour Department of Hong Kong and other
The 22nd Considerate Contractors Site Award Scheme	Considerate Contractors Site Award (Gold)	Construction site of the residential project at Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun	Development Bureau, Construction Industry Council and other
The 22nd Considerate Contractors Site Award Scheme	Considerate Contractors Site Award (Merit)	Construction site of Centre of Excellence in Paediatrics	Development Bureau, Construction Industry Council and other
The 22nd Considerate Contractors Site Award Scheme	Considerate Contractors Site Award (Merit)	Construction of Shatin to Central Link Cross-Harbour Railway Tunnel	Development Bureau, Construction Industry Council and other
The 22nd Considerate Contractors Site Award Scheme	Considerate Contractors Site Award (Merit)	Construction site of Shatin Area 52 Phase 3 & 4	Development Bureau, Construction Industry Council and other
The 22nd 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 22nd Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Bronze)	Construction site of the residential project at Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun	Development Bureau, Construction Industry Council and other
The 22nd Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Bronze)	Construction site of Centre of Excellence in Paediatrics	Development Bureau, Construction Industry Council and other

Awards and Accolades 2016 (continued)

Activity	Award	Unit/Project	Organisation
The 22nd Considerate Contractors Site Award Scheme	Outstanding Environmental Management & Performance Award (Merit)	Construction of Shatin to Central Link Cross-Harbour Railway Tunnel	Development Bureau, Construction Industry Council and other
Construction Safety Week 2016	Innovative Safety Initiative Award 2016 (Bronze)	Central — Wan Chai Bypass — Tunnel (Causeway Bay Typhoon Shelter Section)	Development Bureau, Construction Industry Council and other
Construction Safety Week 2016	Innovative Safety Initiative Award 2016 (Bronze)	Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities	Development Bureau, Construction Industry Council and other
Construction Safety Week 2016	Innovative Safety Initiative Award 2016 (Merit)	Upgrading Works at Stonecutters Island Sewage Treatment Works — Sludge Dewatering Facilities	Development Bureau, Construction Industry Council and other
The 17th Construction Safety Promotional Campaign	Best Method Statement (Bronze)	Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign	Best Method Statement (Bronze)	Shatin to Central Link Exhibition Station and Western Approach Tunnel	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign	Best Safety Culture Site (Gold)	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign	Best Safety Culture Project Manager/Site Agent (Silver)	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign	Best Safety Culture Activity Team (Silver)	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
The 17th Construction Safety Promotional Campaign	Best Safety Culture Sub-contractor (Gold)	Shatin to Central Link Cross-Harbour Railway Tunnel (Shek O Pre-fabricated Units Plant)	Hong Kong Occupational Safety & Health Council and other
The 15th Hong Kong Occupational Safety and Health Award	Safety Management System Award — Construction (Silver)	Leighton-China State Joint Venture	Hong Kong Occupational Safety & Health Council and other
The 15th Hong Kong Occupational Safety and Health Award	Pointing and Calling Award (Bronze)	Foundation for Public Rental Housing Development at Fanling Area 49	Hong Kong Occupational Safety & Health Council and other
Kerry Properties 2016 Green Construction Site	Green Construction Site Award (Gold)	Construction site of the residential project at Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun	Kerry Properties
Kerry Properties 2016 Green Construction Site	Excellent Green Leader Award (Gold)	Construction site of the residential project at Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun	Kerry Properties
Hong Kong Green Building Award	Green Building Award (Excellent New Construction Project)	Centre of Excellence in Paediatrics	The Hong Kong Green Building Council Limited and The Professional Green Building Council
Good Housekeeping Competition 2016-17	Construction Category (Gold)	Construction Site of Tsing Yi TYTL181 Logistics Centre	Hong Kong Occupational Safety & Health Council and Construction Industry Council
Good Housekeeping Competition 2016-17	Construction Category (Silver)	Upgrading Works for Stonecutters Island Sewage Treatment Works	Hong Kong Occupational Safety & Health Council and Construction Industry Council
Good Housekeeping Competition 2016-17	Best Performance Award (Bronze)	Upgrading Works for Stonecutters Island Sewage Treatment Works	Hong Kong Occupational Safety & Health Council and Construction Industry Council

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 (continued)

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 "selecting, cultivating and using people" so as to provide its staff with simple and harmonious human relationship, challenging jobs, vast development opportunities and benefits satisfactory to staff.

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. We provide our people with job transfer opportunities among our global locations. A total of 143 employees had been rotated worldwide over the last 3 years. As of end of 2016, the Group had a total of 11,084 employees (excluding staff of our joint venture projects), of which, 5,226 persons were in Hong Kong and Macau, 5,351 of them were in Mainland China, and 507 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.

Corporate Citizenship (continued)

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self-enhancement. The Group has put aside capital to set up the "Staff Education Fund" and the "Education Subsidy and Examination Leave" to facilitate staff training. In line with the 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 5,390 participants took part in the courses during the period.

By means of its all-rounded "Talent Development Scheme", "Graduate Engineer Training Programme" and its "Apprenticeship Scheme", the Group forms a comprehensive development path and provides opportunities for its staff for widening their exposure, which help to enhance the overall integrated capabilities of its staff and to provide a reserve of capable people for its teams. Meanwhile, the Group makes contribution to build up the technical taskforce in the industry by actively involving in the "Construction Cooperative Skilled Workers Training Scheme". The Group has also made use of its advantage in overseas business to hammer out the efficient system of exchange of people and rotation, selection and dispatching of talented staff to learn in overseas regions so as to broaden their international perspective, thereby achieving the international mobility of employees.

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, 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 through conducting compliance obligation and risk assessment at project commencement then follow strictly the operating procedures stipulated in the Group's Standard Operating Procedures Manual to operate the project. The Group's Safety and Environmental Protection Department (S&EP Department) responsible for providing technical supports as well as monitoring the sites ensuring all sites are complying with statutory requirements. For 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 with be jointly provided by S&EP Department and Plants Department. The sites concerned will be required to provide photos on proper operation of wastewater treatment plant as well as the conditions of the discharge point on a daily basis to S&EP Department until situation improved to ensure that no substandard discharge from sites. In addition to the control measures mentioned, S&EP Department issues "Environmental Alert" regularly to remind all construction sites be vigilant on potential environmental issues and take proactive action to avoid deviating from statutory requirements. In order to further enhance the compliance obligation and risk management, the companies' Environmental Management System has been updated and certified to comply with ISO14001:2015 requirements in 2016.

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.

Corporate Citizenship (continued)

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 since 2015 to actively promote green construction in Hong Kong. The Group encouraged and sponsored its staff to participate in BEAM Pro Training and gain the BEAM Pro status to provide endless professional inputs to project management. Currently, more than ten of our staff members have obtained the qualification of BEAM Pro.

With the concerted efforts of the Group, the results were remarkable. Our Residential Development project at TMTL423 and Centre of Excellence in Paediatrics project won the Outstanding Environmental Management and Performance Award (Bronze Award) in the 22nd Considerate Contractors Site Award Scheme, one other project also won the Merit Award in the award scheme. The Centre of Excellence in Paediatrics project also won the New Building Category (Merit Award) in the Green Building Award 2016 organized by HKGBC. Besides, our private residential project The Bloomsway won the Best Green Leadership (Gold Award) and the Green Construction Site Award (Gold Award) in 2016 Green Construction Site Award organized by client The Kerry Properties. Those awards fully recognize our efforts in promoting green buildings in Hong Kong.

Corporate Citizenship (continued)

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 "Exploring Mai Po Guided Tour" organized by World Wide Fund Hong Kong. Through the guided tour, staff acquired the knowledge and appreciated the works on wild life and natural habitat 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.

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, the "March 8 Visit" (「三八愛心探訪」), 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 10 January 2016, the staff of the Group and their families took part in "Hong Kong and Kowloon Walk for Millions", the

Corporate Citizenship (continued)

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.

With a cool breeze on that day, the dashing staff in tidy and eye-catching tracksuit, led by leaders of the Group, 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 the Group 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.

Delivering care to the elderly through the "March 8 Visit"

In celebration of the International Women's Day, the female staff of the Group, together with the staff from COPL, participated in the "March 8 Visit" on 8 March 2016. More than 20 staff visited the homes of the elderly living in Yung Shing Court, Fanling and spent a pleasant afternoon with over 50 elderly people.

The visit commenced with a fascinating and interactive magic followed by several small games. Moreover, the volunteers took instant photos with the elderly and attached them to the greeting cards as the gifts to the elderly people. They also had a close talk and shared each other's life stories. Lastly, the volunteers delivered a lucky bag packed with food and daily necessities to each of the "old pals". Our volunteers felt a sense of satisfaction seeing the big smile of the elderly.

Corporate Citizenship (continued)

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 also ensures the dissemination of important information to the market rapidly and accurately 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 organized by investment institutions. To enhance communication with the capital market, the Company regularly and irregularly updates the information through website www.csci.com.hk, to ensure that important events during the course of business development of the Company can be transmitted rapidly to the capital market through the website of the Company.

The management of the Company values the feedback of investors and meets analysts and investors regularly and irregularly to present the latest development strategy and operating conditions. We response to investors promptly and meet investors more than 1,000 person-times during the year. In 2016, the Company was very active in communicating with the capital market. With the support of investment bankers, a number of road shows were conducted in different countries after the publish of operating results to strengthen our communication with investors and potential shareholders.

In addition, in order to allow the capital market to better understand our operation and business development, the Company arranged a number of site visits in 2016. More than 30 person-times of investors and analysts had paid site visits to our places of operation in Mainland China.

The management also participated in investment conferences and forums (more than 400 meetings in total) organized by major investment banks in order to maintain an on-going and effective communication with the capital market.

The Company provides operating information update on a monthly basis and timely 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 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 2017, the Company will further strengthen its efforts in this respect. To increase investor relations service standard and company transparency will be the priorities of the company's investor relations function.

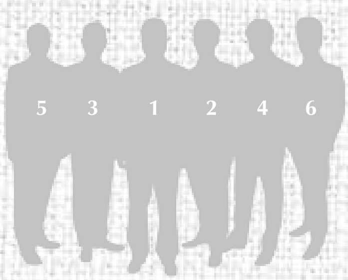
The Company's investor relations works have gradually been appreciated by the investment community. In the annual poll of best executive team of listed companies by "Institutional Investor", the Company was awarded the first place for all categories in the infrastructure industry, including Best Investor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

Corporate Citizenship (continued)

Major Investor Relations Activities in 2016

Month	Activities
January	The 16th UBS Greater China Seminar Nomura Property Corporate Day Nomura Corporate Day (Properties) Citi China Top Pick Corporate Day Deutsche Bank China Conference Barclays Property Corporate Day
March	2015 Annual Results Announcement Press Conference Investors and Analysts Briefing Road Shows in Hong Kong and Singapore
April	Post-annual Results Road Shows in US and Canada The 19th Credit Suisse Annual Asia Investment Conference
May	CLSA China Forum Nomura Corporate Day (China Industrial Investor)
June	HSBC China Conference BAML Industrial Corporate Day The 2nd Morgan Stanley China Summit The 12th JP Morgan Global China Summit Daiwa Industrial Industry Conference CICC Investment Conference CMS Investment Conference
July	Citibank China Mid Cap Conference
August	2016 Interim Results Announcement Press Conference Investors and Analysts Briefing Road Shows in Hong Kong, Singapore, Taiwan and Mainland China
September	Post-interim Results Road Shows in Europe and the U.K. Nomura China Investor Forum CLSA Investor Forum
October	The Deutsche Bank Corporate Day (China Industrial Industry) Citibank China The 6th Jefferies Group Great China Conference
November	The 7th Credit Suisse Annual China Investment Conference The 11th Citibank China Investor Conference CICC Investment Forum Bank of America Merrill Lynch China Conference Daiwa Securities Investment Conference The 15th Morgan Stanley Asia-Pacific Summit JPMorgan Asia Forum
December	Citigroup Industrial Conference

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

Directors and Organisation (continued)

Board of Directors

Mr. ZHOU Yong

Executive Director, Chairman and Chief Executive Officer

Aged 46, 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 24 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 51, 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 29 years' experience in construction engineering and project management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 47, 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 and holds a degree of Master of Business Administration from The University of Sheffield (UK). 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 25 years' experience in corporate finance, financial accounting and investment management.

Mr. PAN Shujie

Executive Director, Vice President

Aged 52, 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 30 years' experience in civil and construction project management.

Mr. HUNG Cheung Shew

Executive Director, Vice President

Aged 58, 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. Currently, Mr. Hung is a standing director of Hong Kong Island Federation, a director of The Hong Kong Island Social Services Charitable Foundation, and a vice president of The Hong Kong Construction Association. Mr. Hung has over 35 years' experience in construction management and planning.

Directors and Organisation (continued)

Mr. WU Mingqing

Executive Director, Vice President

Aged 52, 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 31 years' experience in finance management, construction engineering, infrastructure investment and project management.

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 78, 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 54 years' experience in the fields of civil, structural, energy, environmental and geotechnical engineering and direct project management of many mega size engineering projects including 44 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 and a professional advisor to The Ombudsman of Hong Kong (Engineering and Surveying). 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, Chinlink International Holdings Limited and AP Rentals 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 43, 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 and a Counsellor of the Hong Kong United Youth Association. He is also a member of the MPF Industry Schemes Committee of the MPFA, 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 was previously a member of the All-China Youth Federation and Deputy Chairman of the Beijing Youth Federation. Mr. Li is an Independent Non-executive Director of three listed companies under the Sino Group (Sino Land Company Limited, Tsim Sha Tsui Properties Limited, and Sino Hotels (Holdings) Limited) and COSCO SHIPPING Ports Limited, and is a Non-executive Director of The Berkeley Group Holdings plc (listed in London). He is also a member of the 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 62, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from the Chinese University of Hong Kong, a Bachelor Applied Science degree in Civil Engineering and a Master degree in Applied Science in Construction Management. 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 40 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.

Mr. LEE Shing See GBS, OBE, JP

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

Aged 74, 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 co-opted member of Youth Education, Employment and Training Task Force of Commission on Poverty; and a Vice Chairman of the CreateSmart Initiative Vetting Committee. Mr. Lee has over 51 years' experience in engineering and construction.

Directors and Organisation (continued)

Senior Management

Mr. ZHOU Wenbin
Vice President

Aged 50, 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 28 years' experience in corporate finance, accounting and investment management.

Mr. JIANG Shaojie
Vice President

Aged 53, 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 34 years' experience in construction engineering and project management.

Mr. ZHANG Haipeng
Vice President

Aged 41, 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 17 years' experience in construction engineering management.

Mr. ZHAO Xiaoqi
Assistant President

Aged 43, 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 20 years' experience in human resources management and personnel administration.

Mr. ZHOU Yuguang
Assistant President

Aged 52, 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 29 years' experience in information technology management and project management.

Mr. GONG Fanxiang
Assistant President

Aged 60, 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 35 years' experience in construction and infrastructure management.

Directors and Organisation (continued)

Mr. WONG Wing Yuk
Assistant President

Aged 59, 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 30 years' experience in construction engineering and contract management.

Mr. LAU Wing Shing
Assistant President

Aged 57, 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 35 years' experience in contract and project management. He assists in managing the Group's building construction and joint venture projects in Hong Kong, and pre-contract works for mega size infrastructure projects. Mr. Lau is also appointed as the Chief Engineer and Quality Director of China State Construction Engineering (Hong Kong) Limited, and the General Manager of Quality and Technology Department, he manages the quality assurance system and technology for the Group.

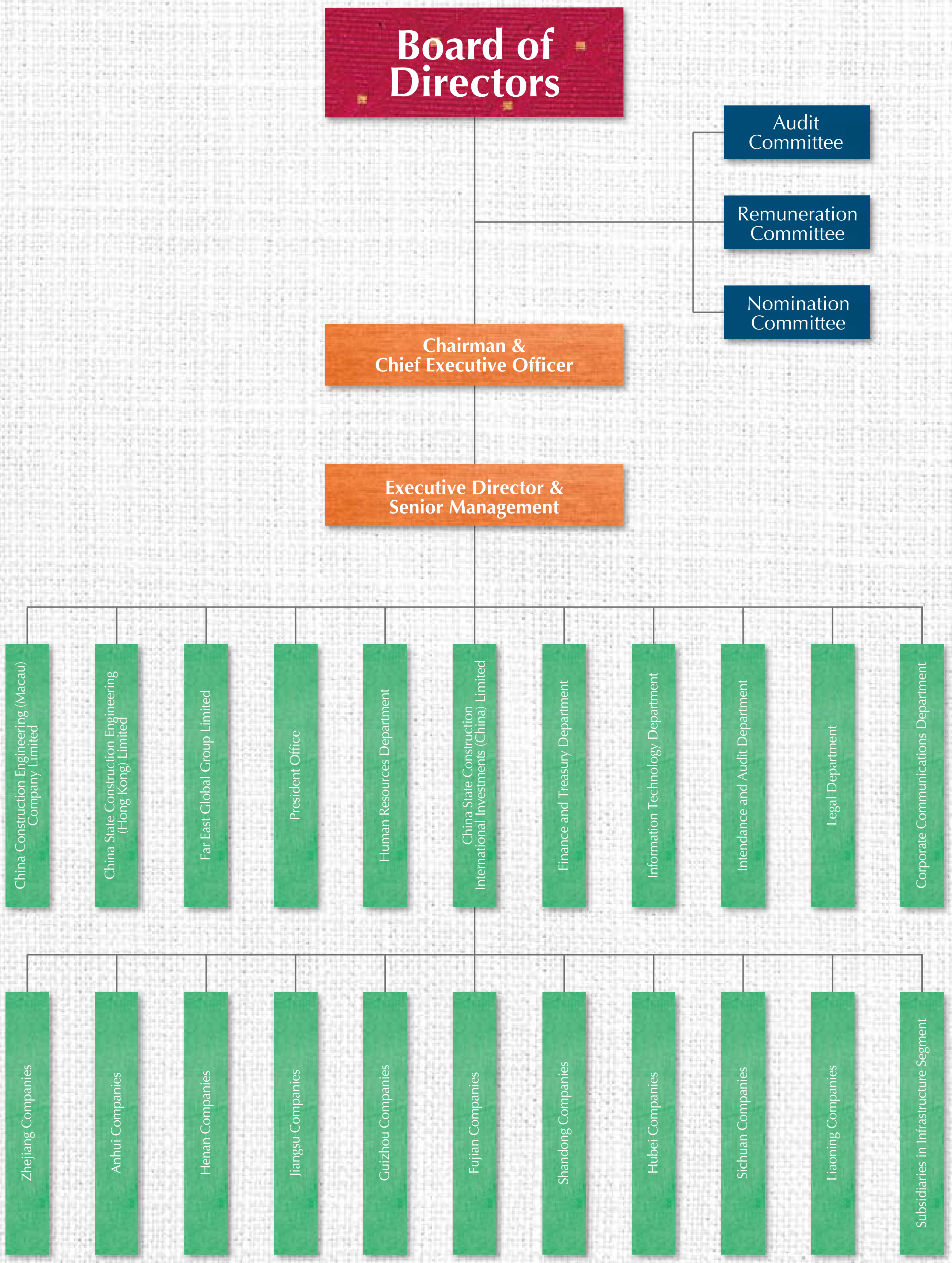
Mr. HUANG Jiang
Assistant President

Aged 42, he graduated from Chongqing Jianzhu University and obtained a degree of Master in Project Management from Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Currently, Mr. Huang is a non-executive director of FEG. He has over 20 years' experience in contract and project management.

Mr. YANG Weidong
Assistant President

Aged 47, he graduated from Anhui Jianzhu University, and obtained a degree of Master of Business Administration from University of South Australia and was awarded the title of Senior Engineer. Mr. Yang joined the Group in 1999. He has been a director of certain subsidiaries of the Group since 2007. Mr. Yang has over 27 years' experience in construction engineering and management.

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 2016, 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, 2016 AGM and EGM) of each director are set out below:

		Attended/Eligible to Attend		
Name		Board Meetings	2016 AGM	EGM
Executive Directors				
Zhou Yong	*(Chairman & Chief Executive Officer)*	4/4	1/1	1/1
Tian Shuchen		4/4	1/1	1/1
Zhou Hancheng		4/4	1/1	1/1
Pan Shujie		4/4	1/1	1/1
Hung Cheung Shew		3/4	1/1	1/1
Wu Mingqing		4/4	1/1	1/1
Independent Non-executive Directors				
Raymond Ho Chung Tai		4/4	1/1	1/1
Adrian David Li Man Kiu		4/4	1/1	1/1
Raymond Leung Hai Ming		4/4	1/1	1/1
Lee Shing See		4/4	1/1	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 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 2016 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 and reviewed the independence of the independent non-executive directors.

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 2016, the Board comprises 10 directors. All of the directors are male. Three directors are under the age group of 40 to 50; four are under the age group of 51 to 60; and three are over 60. Two directors have served the Board below 5 years; two have served the Board between 5 to 10 years; and six 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		4/4
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 2015; the Audit Committee Report for the year ended 31 December 2015; the connected transactions report; the internal control report; the Group's 2016 unaudited first quarter results; the Group's unaudited accounts for the six months ended 30 June 2016; and the Group's 2016 unaudited third quarter results. The external auditor was invited to attend 2015 final results meeting and 2016 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 2016 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 2016, 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$7,878,000, including audit services fee of the Group of approximately HK$7,336,000 and non-audit services fee of approximately HK$542,000. 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 2016, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows.

As at 31 December 2016, 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; 4,000,000; 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 are in long positions and in the capacity of beneficial owners.

As at 31 December 2016, 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 are in long positions and in the capacity of beneficial owner.

As at 31 December 2016, Mr. Pan Shujie held 400,000 shares in FEG. All the shares held by the director are in long positions and in the capacity of beneficial owner.

As at 31 December 2016, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie and Mr. Wu Mingqing held 255,000; 210,000; 210,000; 210,000; and 210,000 shares in China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company). All the shares held by the directors are in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II) (details were set out in the notes to the consolidated financial statement of 2016 annual report).

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Save as disclosed above, at no time during the year ended 31 December 2016 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, at no time during the year ended 31 December 2016, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporation (within the meaning of Part XV of the SFO), or had exercised any such rights.

Corporate Governance Report (continued)

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 2016, 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 2016 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. The Board confirmed that the Company has an effective process for financial reporting and Listing Rule compliance.

Company Secretary

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

Internal Control and Risk Management

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

Corporate Governance Report (continued)

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

The Company's Risk Management Control Committee (with written terms of reference) focuses on strategic risk, financial risk, market risk and operational risk of the Company. The Committee is chaired by the chairman and chief executive officer and includes executive director and senior management from finance departments. The Committee aim 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 report and periodical report were submitted to the Risk Management Control Committee for review.

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

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

The Intendance and Audit Department present at least one consolidated summary report to the Board annually. The consolidated summary report covers the business risk of the Company, any significant control failing or weakness identified during the period (including impact). The Intendance and Audit Department member attends audit committee meeting at least once a year; and reports its work during the period to audit committee.

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

Corporate Governance Report (continued)

During the year, the Intendance and Audit Department deeply inspected, investigated and assessed three subsidiaries and one construction site of the Group. It reviewed and assessed their system on procurement, operation flow, internal control, financial, contracting, investment, and especially the public-private-partnership project management. It issues independent and objective internal control report with recommendation to chief executive officer and relevant business segments to improve the deficiencies. Corrective actions were taken on findings and no significant control failure which might affect shareholders' interests was identified. The Intendance and Audit Department reviewed the Group's continuing connected transactions for the year ended 31 December 2016 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 Company has an inside information disclosure policy to ensure potential inside information being captured and maintained confidentiality until disclosure, dissemination properly and disclosure consistently.

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

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.

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.

Corporate Governance Report (continued)

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 and an extraordinary general meeting during 2016. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2016 Annual General Meeting was held on 1 June 2016. 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.

The extraordinary general meeting was held on 17 June 2016. The notice of meeting and the circular containing information on the proposed resolutions were sent to shareholders more than 10 clear business days prior to the meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at the meeting. At the meeting, separate resolution were proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

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.

There are no change to the Company's Memorandum and Articles of Associations during the financial year 2016. 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 2016.

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 the notes to the consolidated financial statements.

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

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income.

An interim dividend of HK15 cents per share amounting to HK$673,221,000 was paid to the shareholders during the year. The Board recommended the payment of a final dividend of HK18 cents per share to the shareholders whose names appear on the register of members on 9 June 2017, amounting to approximately HK$807,865,000.

Business Review and Performance

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis".

The environmental and social matters of the Group for the year ended 31 December 2016 is set out in the Company's Substainability Report 2016, which will be published in July 2017. The Company complied all the provisions set out in the Environmental and Social Reporting Guide.

Major Risk Management

Under the Group's internal control and risk management framework, the Risk Management Control Committee identifies major risks in each operation segment, assesses its likely impact and evaluates the risk in order to develop effective control activities to mitigate the risks. Other than the financial risk management policies of the Group set out in the section headed "Management Discussion and Analysis" 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.

Directors' Report (continued)

(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$625,132 (2015: HK$62,323).

Investment Properties

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

Share Issued in the Year

The Company's total issued share capital as at 31 December 2016 was 4,488,139,261 ordinary shares of HK$0.025 each ("Shares").

During the year, the Company issued and allotted 431,824,639 new Shares at the subscription price of HK$11.14 per Share ("Subscription Shares") pursuant to a Subscription Agreement entered into between China Overseas Holdings Limited and the Company dated 11 May 2016. The issuance of Subscription Shares was approved by shareholders of the Company at the extraordinary general meeting held on 17 June 2016. The Subscription Shares were issued on 24 June 2016.

Details of shares issued in the year ended 31 December 2016 are set out in the notes 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 in the notes to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2016 amounted to HK$14,685,809,000 (2015: HK$10,271,648,000).

Equity-linked Agreement

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

Pre-emptive Rights

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

Tax Relief and Exemption

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

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 in the section headed "Five Year Financial Summary".

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

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:

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Tian Shuchen, Mr. Pan Shujie, Dr. Raymond Ho Chung Tai and Mr. Adrian David Li Man Kiu, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

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

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

With effect from 1 February 2017, the monthly salary of Mr. Hung Cheung Shew was changed from HK$187,500 to HK$195,000. 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 or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material 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 2016, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange, were as follows:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	% of shares in issue[1]
China Overseas Holdings Limited[2] ("COHL")	Beneficial owner	2,807,582,661	62.56
China State Construction Engineering Corporation Limited[3] ("CSCECL")	Interest of a controlled corporation/ beneficial owner	2,807,582,661	62.56
China State Construction Engineering Corporation[4] ("CSCEC")	Interest of a controlled corporation/ beneficial owner	2,807,582,661	62.56

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2016 (i.e. 4,488,139,261 ordinary shares).

2. Amongst the total number of 2,807,582,661 Shares held by COHL, 2,704,820,310 Shares was held as beneficial owner while the balance of 102,762,351 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 2,807,582,661 Shares owned by COHL.

4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,807,582,661 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2016, there was no other person (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 2016, the Group's largest customer accounted for approximately 13.1% (2015: 20.5%) of the Group's revenue. The five largest customers of the Group accounted for approximately 34.9% (2015: 46.0%) 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 5.0% (2015: 2.8%) of the Group's purchases. The five largest suppliers of the Group accounted for 14.2% (2015: 10.6%) 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 89 to 98. The related party transactions disclosed in the notes to the consolidated financial statements.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2016, 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 2016 is set out below:

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 statues, 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.

	HK$'000
Non-current assets	**4,460,877**
Current assets	**14,069,004**
Non-current liabilities	**(2,933,641)**
Current liabilities	**(8,964,306)**
Net Assets	**6,631,934**
Reserves	**(5,833,164)**
Total Equity	**(6,631,934)**

As at 31 December 2016, the Group shared the accumulated losses of these affiliated companies amounted to HK$9,614,000.

Directors' Report (continued)

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 emoluments 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$127 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, 21 March 2017

Connected Transactions

A. Connected Transactions under the Listing Rules

A.1 Formation of Jointly Controlled Entity with 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) and 中國建築第四工程局有限公司 (China Construction Fourth Engineering Division Corp. Ltd.) in relation to Guizhou Expressway Project

On 9 March 2016, a joint venture agreement ("JV Agreement") was entered into between 中建國際投資（中國）有限公司 (China State Construction International Investments (China) Limited) ("CSCIICL", a wholly owned subsidiary of the Company), 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL", an intermediate holding company of the Company) and 中國建築第四工程局有限公司 (China Construction Fourth Engineering Division Corp. Ltd.) ("CCFED", a subsidiary of CSCECL). Pursuant to which CSCIICL, CSCECL and CCFED agreed to form an Investment Consortium (contractual organisation and not an independent legal entity) for the purpose of investing into the Guizhou Expressway Project (public-private-partnership project in relation to expressway connecting Zhengan City and Xishui City in Guizhou Province). CSCIICL, CSCECL and CCFED shall be interested in the Investment Consortium as to 50%, 10% and 40%. The Investment Consortium and 貴州高速公路集團有限公司 (Guizhou Expressway Group Co., Ltd.) (the "Project Partner") will form the Project Company. The Investment Consortium and Project Partner shall hold 60% and 40% equity interest in the Project Company. Therefore, CSCIICL, CSCECL, CCFED and the Project Partner shall hold 30%, 6%, 24% and 40% equity interest in the Project Company.

The registered capital of the Project Company shall be RMB3,820,000,000. CSCIICL shall contribute RMB1,146,000,000 (being 30% of the registered capital amount) in the Project Company. The amount of the registered capital of the Project Company is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Guizhou Expressway Project and the parties interest in the Project Company. Pursuant to the tender documents, (a) the Investment Consortium is required to provide a performance bond of RMB115,000,000 to Guizhou Provincial Transportation Department. CSCIICL shall be contributed RMB57,500,000 (being 50% of the bond sum, calculated in proportion to CSCIICL's interests in the Investment Consortium); and (b) the Project Company is required to provide a performance bond of RMB115,000,000 to Guizhou Provincial Transportation Department. CSCIICL shall be contributed RMB34,500,000 (being 30% of the bond sum, calculated in proportion to CSCIICL's interests in the Project Company). Any additional funding requirements (other than the registered capital and performance bond) of the Project Company shall be arranged by the Project 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 9 March 2016.

A.2 Formation of Joint Venture with China Overseas Land & Investment Limited in relation to Land in Tai Po

On 24 March 2016, a joint venture agreement ("JV Agreement") was entered into between China Overseas Land & Investment Limited ("COLI", an associate of the Company), the Company, Trillion Vantage Investments Limited ("JV Company", a wholly owned subsidiary of COLI) and Asia Metro Investment Limited ("Project Company", a wholly owned subsidiary of COLI). Pursuant to which the JV Company agreed to allot and issue two (2) JV shares to the Company (or the Company's Nominee). Following the completion, the JV Company shall be owned as to 80% and 20% by COLI (through COLI Nominee) and the Company (through the Company's Nominee) respectively.

The sole business of the JV Company is investment holding of 100% shareholding interests in the Project Company. The Project Company owns a parcel of land situated at Tai Po Town Lot No. 221, Shan Tong Road, Lai Chi Shan, Tai Po, New Territories, Hong Kong (the "Land"). The Land is planned for private residential purposes. The estimated total investment amount of the Land is approximately HK$10,000,000,000.

Connected Transactions (continued)

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 24 March 2016.

A.3 Formation of Investment Consortium with 中國建築第八工程局有限公司 (China Construction Eighth Engineering Division Corp. Ltd.) in relation to Foshan Development Project

On 7 April 2016, a joint venture agreement ("JV Agreement") was entered into between CSCIICL and 中國建築第八工程局有限公司 (China Construction Eighth Engineering Division Corp. Ltd.) ("CCEED", a subsidiary of CSCECL). Pursuant to which CSCIICL and CCEED agreed to form an Investment Consortium (contractual organisation and not an independent legal entity) for the purpose of investing into Foshan Development Project (public-private-partnership project in respect of the construction of comprehensive municipal infrastructure facilities of the Yonfeng, Yunlu and Junan districts in Shunde, Foshan, the PRC). CSCIICL and CCEED shall be interested in the Investment Consortium as to 80% and 20%. The Investment Consortium and 廣東順德東部新城投資開發有限公司 (Guangdong Shunde East Xincheng Investment Development Limited) (the "Project Partner") will form the Project Company. The Investment Consortium and Project Partner shall hold 80% and 20% equity interest in the Project Company. Therefore, CSCIICL, CCEED and the Project Partner shall hold 64%, 16% and 20% equity interest in the Project Company.

The registered capital of the Project Company shall be RMB200,000,000. CSCIICL shall contribute RMB128,000,000 (being 64% of the registered capital amount) in the Project Company. The amount of the registered capital of the Project Company is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Foshan Development Project and the parties' interest in the Project Company. Any additional funding requirements (other than the registered capital) of the Project Company shall be arranged by the Project 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 7 April 2016.

A.4 Acquisition of Precious Deluxe Global Limited and issue of new shares to China Overseas Holdings Limited

On 11 May 2016, an Acquisition Agreement was entered into between Total Joy Global Limited (the "Purchaser", a wholly owned subsidiary of the Company), Great Rises Holdings Limited (the "Vendor", a wholly owned subsidiary of COLI), the Company (as Purchaser's guarantor), and COLI (as Vendor's guarantor). Pursuant to which the Purchaser had conditionally agreed to acquire, and the Vendor had conditionally agreed to sell the entire issued share capital of Precious Deluxe Global Limited (the "PDGL", a wholly owned subsidiary of COLI), and the shareholder loan owing by PDGL to the Vendor at an initial consideration of HK$4,810,526,473 (the "Acquisition"). PDGL through its subsidiaries owns China Overseas Building (no. 139 Hennessy Road and no. 138 Lockhart Road, Hong Kong).

On 11 May 2016, the Company and China Overseas Holdings Limited ("COHL", the holding company of the Company) entered into a Subscription Agreement. Pursuant to which COHL had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue 431,824,639 new ordinary shares of HK$0.025 each in the capital of the Company at a subscription price of HK$11.14 per Subscription Share (the "Subscription").

Completion of the Acquisition and the Subscription shall take place simultaneously.

As regards the Acquisition, as the highest applicable ratio under the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable and non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As regards the Subscription, as the highest applicable ratio under the Listing Rules is more than 5% but less than 25%, the Subscription constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

A circular dated 30 May 2016 containing details of Acquisition and Subscription was despatched to the shareholders of the Company. The Acquisition and the Subscription were duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 17 June 2016. The Acquisition and Subscription were completed and the Subscription Shares were issued on 24 June 2016 pursuant to a specific mandate.

A.5 Formation of Joint Venture with 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) and 唐山曹妃甸發展投資集團有限公司 (Tangshan Caofeidian Development Investment Group Limited) in relation to the Tangshan Infrastructure Project

On 8 July 2016, a joint venture agreement ("JV Agreement") was entered into between CSCIICL, CSCECL, and 唐山曹妃甸發展投資集團有限公司 (Tangshan Caofeidian Development Investment Group Limited ("Tangshan Caofeidian")). Pursuant to which CSCIICL, CSCECL and Tangshan Caofeidian shall form a joint venture (the "Tangshan JV") for the purpose of financing and investing in the Infrastructure Projects (i.e. municipal engineering, construction of housing, construction of landscaping projects and operation and management of municipal facilities in Caofeidian District, Tangshan City, Hebei Province, the PRC). CSCIICL, CSCECL and Tangshan Caofeidian shall hold 72%, 18% and 10% equity interest in Tangshan JV.

The registered capital of Tangshan JV shall be RMB527,330,000. CSCIICL shall contribute RMB379,680,000 (being 72% of the registered capital amount) in the Tangshan JV. The amount of the registered capital of Tangshan JV is determined after arm's length negotiations between the parties with reference to current plans and estimated capital requirements of the Infrastructure Projects. Any additional funding requirements (other than the registered capital) of Tangshan JV shall be arranged by the Tangshan JV.

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 8 July 2016.

A.6 Formation of Joint Venture with 中建三局集團有限公司 (China Construction Third Engineering Bureau Group Co. Ltd.) in relation to Chengdu Infrastructure Works

On 29 July 2016, a joint venture formation cooperation agreement ("JV Agreement") was entered into between CSCIICL and 中建三局集團有限公司(China Construction Third Engineering Bureau Group Co. Ltd.) ("CCTEB", a subsidiary of CSCECL). Pursuant to which CSCIICL and CCTEB shall form a joint venture (the "Chengdu JV") for the purpose of undertaking the Infrastructure Works (engineering works relating to the construction of roads, tunnels, bridges, urban infrastructure, water conservation, environmental protection and urban landscaping, urbanisation and construction of facilities; consultancy and management services in Chengdu, Sichuan Province, the PRC). CSCIICL and CCTEB shall each hold 50% equity interests in Chengdu JV.

The aggregate investment in Chengdu JV shall be RMB600,000,000. The registered capital of Chengdu JV shall be RMB200,000,000. CSCIICL shall contribute RMB100,000,000 (being 50% of the registered capital amount) in Chengdu JV. The amounts of the aggregate investment and the registered capital of Chengdu JV are determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Infrastructure Works.

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 29 July 2016.

Connected Transactions (continued)

A.7 Formation of Joint Venture with 中國建築第四工程局有限公司 (China Construction Fourth Engineering Division Corp. Ltd.) and 中建三局集團有限公司 (China Construction Third Engineering Bureau Group Co. Ltd.) in relation to Yinxiu Expressway Project

On 23 September 2016, a cooperation agreement (the "JV Agreement") was entered into between CSCIICL, CCFED and CCTEB. Pursuant to which the parties agreed to establish a joint venture (the "Yinxiu JV") for the purposes of investing into the Yinxiu Expressway Project (public-private-partnership project in relation to construction, operation and management of expressway connecting Xiushan (Qianyujie) and Yinjiang in Guizhou Province, the PRC). CSCIICL, CCFED (and its nominee (if any)) and CCTEB shall hold 50%, 30% and 20% equity interest in Yinxiu JV.

The registered capital of Yinxiu JV shall be RMB1,776,500,000. CSCIICL shall contribute RMB888,250,000 (being 50% of the registered capital amount) in Yinxiu JV. The amount of the registered capital of Yinxiu JV is determined after arm's length negotiations between the parties with reference to their proposed capital requirements of the Yinxiu Expressway Project. Pursuant to the tender documents, (a) a performance bond of RMB88,840,000 shall be provided to Tongren District Transportation Department. CSCIICL shall contribute RMB44,420,000 (being 50% of the bond sum, calculated in proportion to CSCIICL's interests in Yinxiu JV); and (b) Yinxiu JV is required to provide a performance bond of RMB88,840,000 to Tongren District Transportation Department. Any additional funding requirements of Yinxiu JV shall be arranged by Yinxiu JV with banks or financial institutions.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement 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 23 September 2016.

A.8 Formation of Joint Venture with 中國建築第二工程局有限公司 (China Construction Second Engineering Bureau Ltd.) in relation to Liupanshui Highway Project

On 9 December 2016, a cooperation agreement ("JV Agreement") was entered into between CSCIICL and 中國建築第二工程局有限公司 (China Construction Second Engineering Bureau Ltd.) ("CCSEB", a subsidiary of CSCECL). Pursuant to which CSCIICL and CCSEB agreed to form a joint venture ("Liupanshui JV") with 六盤水市交通投資開發有限責任公司 (Liupanshui Transportation Investment Development Co., Ltd.) ("Liupanshui Transportation") and the financial institution ("FI", a government recognized financial institution in the PRC) for the purposes of investing into the Liupanshui Highway Project (public-private-partnership project in relation to construction, operation and management of the highway connecting Daipingzi and Dongdi in Liupanshui District, Guizhou Province). CSCIICL, CCSEB, Liupanshui Transportation and FI shall be hold 15%, 15%, 20% and 50% equity interest in Liupanshui JV.

The registered capital of Liupanshui JV shall be RMB100,000,000. CSCIICL shall contribute RMB15,000,000 (being 15% of the registered capital amount) in Liupanshui JV. The total investment amount (including the registered capital) of Liupanshui JV shall be RMB1,343,090,000. CSCIICL shall contribute RMB201,463,500 (being 15% of the total investment amount) in Liupanshui JV. The registered capital and the total investment amount of Liupanshui JV is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Liupanshui Highway Project and parties' interest in Liupanshui JV. As CSCIICL and CCSEB will undertake the construction work of the Liupanshui Highway Project, a performance bond of RMB500,000,000 shall be provided to Liupanshui District Transportation Department. CSCIICL shall contribute RMB250,000,000 (being 50% of the bond sum) to Liupanshui District Transportation Department.

Connected Transactions (continued)

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 9 December 2016.

A.9 Formation of Joint Venture with 中國建築第四工程局有限公司 (China Construction Fourth Engineering Division Corp. Ltd.) in relation to Tongren Expressway Project

On 30 December 2016, a cooperation agreement ("JV Agreement") was entered into between CSCIICL and CCFED. Pursuant to which CSCIICL and CCFED shall form a joint venture (the "Tongren JV") for the purpose of investing into the Tongren Expressway Project (project involving project financing investment, design, construction management and transfer of the expressway connecting Songtao and Yuping in Tongren City, Guizhou Province, the PRC). CSCIICL and CCFED shall hold 60% and 40% equity interest in Tongren JV.

The registered capital of Tongren JV shall be RMB3,500,000,000. CSCIICL shall contribute RMB2,100,000,000 (being 50% of the registered capital amount) in Tongren JV. The amount of the registered capital of Tongren JV is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Tongren Expressway Project and the parties' interest in Tongren JV. Any additional funding requirements of Tongren JV shall be arranged by Tongren JV with banks or financial institutions.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the transaction under the JV Agreement 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 30 December 2016.

B. Continuing Connected Transactions under the Listing Rules

B.1 Master Design Consultancy Services Agreement (dated 19 August 2013)

(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 period from 1 January 2016 to 31 August 2016, there was no contract awarded by the Group to Huayi under the Master Design Consultancy Services Agreement (i.e. Annual Cap).

Connected Transactions (continued)

B.2 CSCECL Sub-construction Engagement Agreement (dated 28 October 2014)

(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).

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 was despatched to the shareholders of the Company. The CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 16 December 2014.

For the year ended 31 December 2016, 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 RMB12,231,901,274.20. 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 RMB722,000,000.

B.3 COHL Build-Transfer Construction Agreement (dated 28 October 2014)

(1 January 2015 to 31 December 2017)

The Directors expect that the COHL 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.

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

Connected Transactions (continued)

For the year ended 31 December 2016, 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.4 FE-CSCECL Sub-construction Engagement Agreement (dated 28 October 2014)

(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 2016, 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$529,533,326.40.

B.5 CSC Group Engagement Agreement (dated 31 October 2014)

(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.

A circular dated 18 November 2014 containing details of the CSC Group Engagement Agreement was 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 2016, the total contract sum awarded to the Group under the CSC Group Engagement Agreement was HK$909,549,114.79.

Connected Transactions (continued)

B.6 Master Security Services Agreement (dated 26 June 2015)

(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. Upon successful tender, 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 year ended 31 December 2016, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK$8,834,670.

B.7 Master Connection Services Agreement (dated 26 June 2015)

(1 January 2016 to 31 December 2018)

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 26 June 2015, COLI and the Company entered into a new master connection services agreement ("Master Connection Services Agreement") for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. 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 2018 shall not exceed HK$100 million (i.e. the Connection Services Cap).

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 26 June 2015.

For the year ended 31 December 2016, the total contract sum awarded to the Group under the Master Connection Services Agreement was HK$36,143,260.72.

Connected Transactions (continued)

B.8 Construction Supervision Service Framework Agreement (dated 24 March 2016)

(1 April 2016 to 31 March 2019)

On 24 March 2016, China Overseas Grand Oceans Group Ltd. ("COGO", an associate of the Company) and the Company entered into the Framework Agreement, whereby the COGO Group agreed to engage the Group as construction supervisor and the Group agreed to provide the Construction Supervision Service for the property development projects of the COGO Group in the PRC for a term of three years commencing from 1 April 2016 and ending on 31 March 2019. Upon successful tender, the maximum management fee payable by the COGO Group to the Group for the period from 1 April 2016 to 31 December 2016 shall not exceed RMB110 million, for the financial year ending 31 December 2017 shall not exceed RMB136 million, for the financial year ending 31 December 2018 shall not exceed RMB191 million and for the period from 1 January 2019 to 31 March 2019 shall not exceed RMB65 million (i.e. the Annual Caps).

The management fee with respect to the Construction Supervision Service will be charged on a "cost plus" basis, which will be determined based on the total staff cost incurred by the Group with respect to the provision of the Construction Supervision Service plus a margin of 18%.

The maximum management fee that may be awarded to the Group for each year/period under the Framework Agreement (i.e. the Annual Caps) is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Framework 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 Framework Agreement was made on 24 March 2016.

For the period from 1 April 2016 to 31 December 2016, the total contract sum awarded by COGO to the Group under the Construction Supervision Services Framework Agreement was RMB82,673,414.83.

B.9 Urban Planning Management and Consultation Service Agreement (dated 30 December 2016)

(30 December 2016 to 31 December 2018)

On 30 December 2016, 3rd Construction Co., Ltd. of China Construction 5th Engineering Bureau ("CSCEC 5th Bureau", a subsidiary of CSCECL) and FEG entered into the Urban Planning Management and Consultation Service Agreement, whereby CSCEC 5th Bureau may engage FEG Subsidiary for provision of the Urban Planning Management and Consultation Service for a term commencing from 30 December 2016 and ending on 31 December 2018. Upon successful tender, the contract sum that may be awarded by CSCEC 5th Bureau to the FEG Group under the Urban Planning Management and Consultation Service Agreement for the period from 30 December 2016 to 31 December 2016 and each of two financial years ending 31 December 2017 and 31 December 2018 shall not exceed HK$80 million, HK$100 million and HK$100 million, respectively (i.e. the CSCFB Service Cap).

In determining the pricing terms, the fees for the Urban Planning Management and Consultation Service will be based on the prevailing market prices and ranging from 2% to 5% of the contract sum of CSCEC 5th Bureau's head agreements with the ultimate employer for the Urban Planning Projects, which will be determined with reference to the scope and complexity of the Urban Planning Management and Consultation Service, the location, size and development status of the Urban Planning Projects and the costs and expenses for providing the Urban Planning Management and Consultation Service.

The maximum total contract sum that may be awarded to the FEG Group for each year/period under the Urban Planning Management and Consultation Service Agreement (i.e. the CSCFB Service Cap) is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Urban Planning Management and Consultation Service 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 Urban Planning Management and Consultation Service Agreement was made on 30 December 2016.

Connected Transactions (continued)

For the period from 30 December 2016 to 31 December 2016, there was no contract awarded by the CSCECL Group to FEG Group under the Urban Planning Management and Consultation Service Agreement.

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

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

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

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

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

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

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions 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 2016; 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 the notes to the consolidated financial statements. Certain items also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the shareholders of China State Construction International Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 197, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Independent Auditor's Report (continued)

Key Audit Matters

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

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

- Revenue recognition from construction works
- Impairment of trade receivables
- Impairment of concession operating rights
- Business combination and change in the measurement of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction works	
Refer to notes 2.15, 2.28 (a), 4.1, 4.2 and 5 to the consolidated financial statements For the year ended 31 December 2016, the Group recognised revenue from construction works of HK$44,853 million. Most construction works take several years to complete and the scope of work may change during that time. Management estimate the revenue and budgeted costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue, budgeted costs as well as the percentage of completion requires significant judgement and has a significant impact on the amount and timing of revenue recognised. For this reason, we identified revenue recognition from construction works as a key audit matter.	We understood, evaluated and validated on a sample basis the internal controls relating to the contract budgeting and management process. The measurement of revenue recognition requires management's estimates in respect of revenue, budgeted costs as well as the percentage of completion for construction works. In our testing of the revenue recognition for the reporting period, we selected construction works on a sample basis and: • discussed with management and the respective project teams about the progress of the projects; • assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders and correspondence among the Group, customers, subcontractors and suppliers; • tested on a sample basis the actual costs incurred on construction works during the reporting period; • recalculated the revised percentage of completion based on the latest budgeted final costs and the total actual costs incurred; and • recalculated the revenue recognised based on the revised percentage of completion.

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	We consider management's estimates used to determine the revenue and budgeted costs and the percentage of completion for construction works for the reporting period as well as the revenue recognised to be supportable based on the evidence available.
Impairment of trade receivables	
Refer to notes 2.11(a), 2.16, 4.3 and 27 to the consolidated financial statements As at 31 December 2016, the Group recognised trade receivables of HK$39,464 million, which was the most significant asset of the Group as of the year end, representing 46% of the total assets. In assessing the recoverability of trade receivables, management exercised significant judgements to evaluate the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, the probability that they will enter bankruptcy and aging analysis, and if applicable, the fair value of collateral provided by customers. The judgements applied by management have a significant impact on the level of provision required for trade receivables.	We performed the following procedures to assess the recoverability of trade receivables: • understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables; • tested on a sample basis the aging of trade receivables at year end; • tested on a sample basis subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers to identify if there were any indicators of impairment of trade receivables; • in respect of material trade receivables balances, inspected relevant contracts and correspondence with the customers, and assessed their creditworthiness with reference to publicly available information; • in respect of material trade receivables balances which are past due, additional procedures were performed to evaluate their historical progress payment records, assess whether the customers are experiencing financial difficulties, default or delinquency in interest or principal payments, and assess the probability that the customers will enter bankruptcy with reference to publicly available information; • compared, if applicable, the fair value of collateral provided by customers to available market information; and • evaluated the level of provisions made by management for trade receivables. We consider the judgements applied by management in assessing the recoverability of and determining the level of provision for trade receivables to be supportable based on the evidence available.

Independent Auditor's Report (continued)

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of concession operating rights	
Refer to notes 2.9(c), 2.12, 4.5 and 21 to the consolidated financial statements The Group's concession operating rights represent the rights to operate, and charge for usage of, toll expressways in the Mainland China and were recognised as non-current assets with a carrying amount of approximately HK$5,234 million as at 31 December 2016 after an impairment of HK$226 million was recognised during the year based on value-in-use calculations. Management perform an impairment assessment of the carrying amount of concession operating rights when impairment indicators exist, for example, the actual traffic flow is less than that budgeted. The recoverable amount of concession operating rights is the higher of the value determined based on value-in-use calculations and fair value less costs of disposal. The impairment assessment based on recoverable amount involves significant judgements and assumptions, including management's expectations of future traffic volumes, toll fee levels, length of operating rights, maintenance costs and discount rates. Management estimate these key assumptions based on their experiences and discussion with an independent consultancy firm engaged by the Group after which management determine the relevant recoverable amount of concession operating rights with reference to the valuations performed by an independent valuer engaged by the Group. Provision for impairment is required if the recoverable amount of concession operating rights is lower than its carrying amount. A change in the assumptions used in the valuations may have a significant impact on this impairment assessment.	We performed the following procedures to assess the impairment of concession operating rights: • assessed the competence, capabilities and objectivity of management's external consultants and valuers; • involved our internal valuation experts to assess the valuation methodology and discount rates applied by management's valuers, and benchmarked the discount rates applied to other comparable companies in the same industry; • assessed the key assumptions adopted by management in the calculation of value-in-use and fair value less costs of disposal, including the expected future traffic volumes, toll fee level projections, length of operating rights, maintenance costs and discount rates by comparing them with economic and industry forecasts; and • assessed management's sensitivity analysis of the impact on the impairment assessment of concession operating rights through reasonably possible deviations around the assumptions applied by management, such as changes in expected future traffic volumes, toll fee level projections and discount rates. We consider the judgements and assumptions applied by management to determine the recoverable amount of the concession operating rights to be supportable based on the evidence available.

Independent Auditor's Report (continued)

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Business combination and change in the measurement of investment properties Refer to notes 2.1, 4.6 and 16 to the consolidated financial statements During 2016, the Group acquired a 100% interest in Precious Deluxe Global Limited ("Precious Deluxe") from China Overseas Land & Investment Limited, a fellow subsidiary of the Group (the "acquisition"). Precious Deluxe and its subsidiaries are engaged in investment holding and property investment in Hong Kong. The acquisition was accounted for as a common control combination in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA ("AG 5"). The investment property acquired through the acquisition of Precious Deluxe of HK$3,999 million as at 31 December 2016 was accounted for based on its fair value, which represented 9% of the non-current assets of the Group. A revaluation gain of HK$1,202 million was recognised during the year, which was mainly attributable to the investment property held through a wholly-owned subsidiary, Precious Deluxe. The Group commenced its rental business during the year after the completion of the acquisition. For this reason, management determined to change the Group's accounting policy with respect to the measurement of the existing investment properties from the cost model to the fair value model to provide more reliable and relevant information to the financial statement users. Management determined the fair value with reference to the valuations performed by independent external valuers engaged by the Group. The complexity of the application of merger accounting and the change of the Group's accounting policy from the cost model to the fair value model, as well as the valuation of investment properties are areas of audit focus. The valuations involve significant assumptions including capitalisation rates and reversionary income used by external valuers and management.	We performed the following procedures in relation to the assessment of the accounting treatment on merger accounting and the change of the Group's accounting policy for investment properties from the cost model to the fair value model: • obtained from management relevant agreements related to the acquisition and reviewed management's assessment concluding the business combination met the criteria for the application of AG 5; • discussed with management the reasons for the change of the accounting policy applied to investment properties from the cost model to the fair value model; and • compared the accounting policies applied on investment properties adopted by other comparable companies. We performed the following procedures in relation to the valuation of investment properties: • assessed the competence, capabilities and objectivity of management's external valuers; • involved our internal valuation experts to assess the methodologies used for the valuations and the key assumptions used by external valuers by comparison to available market information; • tested on a sample basis the accuracy and relevancy of the property specific data provided by management to the valuer by comparing it to management's records; • assessed the key assumptions adopted by management in the valuation, including the capitalisation rates and reversionary income by comparing them with economic and industry forecasts. We consider the accounting treatment of this acquisition and the change in the accounting policies applied to investment properties as well as the valuation of investment properties were supportable based on the evidence available.

Independent Auditor's Report (continued)

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (continued)

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (restated)
Revenue	5	**46,207,508**	38,001,876
Costs of sales		**(40,224,630)**	(32,888,761)
Gross profit		**5,982,878**	5,113,115
Investment income, other income and other gains, net	7	**1,260,120**	1,159,441
Administrative, selling and other operating expenses		**(1,106,084)**	(1,007,396)
Share of profits of			
Joint ventures		**420,295**	423,728
Associates		**142,670**	72,462
Finance costs	8	**(688,159)**	(629,105)
Profit before tax		**6,011,720**	5,132,245
Income tax expenses, net	11	**(1,004,504)**	(659,562)
Profit for the year	12	**5,007,216**	4,472,683
Profit/(loss) for the year attributable to:			
Owners of the Company		**5,130,066**	4,524,126
Non-controlling interests		**(122,850)**	(51,443)
		5,007,216	4,472,683
Earnings per share (HK cents)	14		
Basic		**119.80**	112.37
Diluted		**119.80**	111.39

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (restated)
Profit for the year	**5,007,216**	4,472,683
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments/reclassification to associate	**(1,123)**	(375,127)
Gain on fair value changes of available-for-sale investments, net of tax	**5,216**	362,652
Exchange differences on translation of the Company and its subsidiaries	**(1,832,912)**	(1,393,615)
Exchange differences on translation of joint ventures	**(277,346)**	(234,473)
Exchange differences on translation of associates	**(28,314)**	(16,587)
Other comprehensive loss for the year, net of tax	**(2,134,479)**	(1,657,150)
Total comprehensive income for the year, net of tax	**2,872,737**	2,815,533
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**2,999,079**	2,885,332
Non-controlling interests	**(126,342)**	(69,799)
	2,872,737	2,815,533

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000 (restated)	At 1 January 2015 HK$'000 (restated)
Non-current Assets				
Property, plant and equipment	15	**2,493,761**	2,786,916	2,844,595
Investment properties	16	**4,249,520**	3,050,468	2,726,676
Interests in infrastructure project investments	17	**1,495,041**	1,536,372	1,489,188
Prepaid lease payments	18	**315,097**	269,816	273,022
Interests in joint ventures	19	**4,949,241**	3,573,662	3,449,034
Interests in associates	20	**4,070,378**	3,800,193	2,104,943
Concession operating rights	21	**5,234,340**	6,044,202	6,530,992
Deferred tax assets	37	**225,006**	280,951	187,320
Trademark, project backlogs and licences	22	**175,190**	186,025	200,640
Goodwill	22	**577,664**	577,664	577,664
Available-for-sale investments	23	**228,370**	239,503	453,286
Amounts due from investee companies	24	**196,818**	281,858	411,838
Trade and other receivables	27	**21,820,299**	17,949,961	12,901,282
Deposit paid for an investment		**–**	108,043	–
Loan to a joint venture	29	**–**	–	804,918
		46,030,725	40,685,634	34,955,398
Current Assets				
Interests in infrastructure project investments	17	**37,041**	35,817	17,176
Inventories	25	**131,365**	108,835	160,289
Properties held for sale		**414,209**	418,915	66,544
Amounts due from customers for contract work	26	**6,485,536**	2,421,715	1,354,148
Trade and other receivables	27	**17,643,865**	18,173,525	12,544,378
Deposits and prepayments		**428,612**	523,673	458,905
Loans to joint ventures	29	**628,816**	1,104,082	–
Amounts due from joint ventures	29	**2,847,361**	1,564,404	1,342,025
Tax recoverable		**42,263**	41,271	11,559
Bank balances and cash	30	**11,484,652**	8,026,224	7,465,599
		40,143,720	32,418,461	23,420,623
Assets held for sale		**–**	–	10,921,766
		40,143,720	32,418,461	34,342,389

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

	Note	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000 (restated)	At 1 January 2015 HK$'000 (restated)
Current Liabilities				
Amounts due to customers for contract work	26	**5,304,671**	4,669,015	3,793,052
Trade payables, other payables and accruals	31	**29,000,144**	21,926,978	17,262,143
Deposits received and advances from customers		**827,167**	722,595	850,510
Amounts due to fellow subsidiaries	28	**–**	937,542	994,860
Amounts due to joint ventures	29	**735,030**	625,844	354,111
Amount due to an associate	28	**–**	–	26,480
Current tax payables		**2,392,708**	2,015,547	930,971
Borrowings	32	**1,455,620**	808,197	587,269
Obligations under finance leases		**774**	951	998
		39,716,114	31,706,669	24,800,394
Liabilities directly associated with assets classified as held for sale		**–**	–	7,438,135
		39,716,114	31,706,669	32,238,529
Net current assets		**427,606**	711,792	2,103,860
Total assets less current liabilities		**46,458,331**	41,397,426	37,059,258
Capital and Reserves				
Share capital	33	**112,203**	101,408	100,310
Share premium and reserves	34	**25,335,755**	23,083,146	21,389,427
Equity attributable to owners of the Company		**25,447,958**	23,184,554	21,489,737
Non-controlling interests		**222,360**	100,262	167,566
		25,670,318	23,284,816	21,657,303
Non-current Liabilities				
Borrowings	32	**15,849,056**	13,085,694	10,361,804
Guaranteed notes payables	35	**3,888,839**	3,879,322	3,869,804
Deferred income	36	**699,088**	738,610	735,808
Deferred tax liabilities	37	**348,891**	406,265	431,059
Obligations under finance leases		**2,139**	2,719	3,480
		20,788,013	18,112,610	15,401,955
		46,458,331	41,397,426	37,059,258

On behalf of the Board

Zhou Yong
Director

Zhou Hancheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company				
	Share capital HK$'000 (Note 33)	Share premium and reserves HK$'000 (Note 34)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015, as previously presented	100,310	19,729,786	19,830,096	167,566	19,997,662
Acquisition of Precious Deluxe Global Limited ("Precious Deluxe")	–	1,659,641	1,659,641	–	1,659,641
At 1 January 2015, as restated	100,310	21,389,427	21,489,737	167,566	21,657,303
Profit/(loss) for the year	–	4,524,126	4,524,126	(51,443)	4,472,683
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 on translation of the Company and its subsidiaries	–	(1,375,205)	(1,375,205)	(18,410)	(1,393,615)
Exchange differences on translation of joint ventures	–	(234,473)	(234,473)	–	(234,473)
Exchange differences on translation of associates	–	(16,587)	(16,587)	–	(16,587)
Total comprehensive income/(loss) for the year	–	2,885,332	2,885,332	(69,799)	2,815,533
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)
Contribution from a former shareholder	–	9,900	9,900	–	9,900
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	(1,191,613)	(1,190,515)	2,495	(1,188,020)
At 31 December 2015, as restated	101,408	23,083,146	23,184,554	100,262	23,284,816

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2016

	Attributable to owners of the Company				
	Share capital HK$'000 (Note 33)	Share premium and reserves HK$'000 (Note 34)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016, as previously presented	101,408	21,045,308	21,146,716	100,262	21,246,978
Acquisition of Precious Deluxe	–	2,037,838	2,037,838	–	2,037,838
At 1 January 2016, as restated	101,408	23,083,146	23,184,554	100,262	23,284,816
Profit/(loss) for the year	–	5,130,066	5,130,066	(122,850)	5,007,216
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	(941)	(941)	(182)	(1,123)
Gain on fair value changes of available-for-sale investments, net of tax	–	5,102	5,102	114	5,216
Exchange differences on translation of the Company and its subsidiaries	–	(1,829,488)	(1,829,488)	(3,424)	(1,832,912)
Exchange differences on translation of joint ventures	–	(277,346)	(277,346)	–	(277,346)
Exchange differences on translation of associates	–	(28,314)	(28,314)	–	(28,314)
Total comprehensive income/(loss) for the year	–	2,999,079	2,999,079	(126,342)	2,872,737
Issue of ordinary shares	10,795	4,799,164	4,809,959	–	4,809,959
Contribution from non-controlling interests of a subsidiary	–	–	–	31,733	31,733
Acquisition of subsidiaries under merger accounting	–	(3,908,554)	(3,908,554)	–	(3,908,554)
Dividend paid to non-controlling shareholders	–	–	–	(7,828)	(7,828)
Acquisition of additional interest of subsidiaries	–	(233,722)	(233,722)	224,535	(9,187)
2015 final dividend paid	–	(730,137)	(730,137)	–	(730,137)
2016 interim dividend paid	–	(673,221)	(673,221)	–	(673,221)
Total transactions with owners, recognised directly in equity	10,795	(746,470)	(735,675)	248,440	(487,235)
At 31 December 2016	112,203	25,335,755	25,447,958	222,360	25,670,318

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (restated)
Operating activities		
Profit before tax	6,011,720	5,132,245
Adjustments for:		
Finance costs	688,159	629,105
Interest income	(146,328)	(201,595)
Dividend income	(38,928)	(15,458)
Gain on reclassification from available-for-sale investment to associate	–	(375,127)
Gain on disposal of available-for-sale investments	(1,123)	–
Gain on disposal of properties held for sale	(7,816)	(75,682)
Gain on fair value changes of investment properties	(1,202,437)	(326,628)
Gain on disposal of property, plant and equipment	(19,966)	(1,341)
Gain on disposal of prepaid lease payments	–	(90,569)
Impairment loss on concession operation rights	225,917	–
Share of profits of joint ventures	(420,295)	(423,728)
Share of profits of associates	(142,670)	(72,462)
Exchange loss, net	43,623	20,126
Depreciation of property, plant and equipment	132,653	141,479
Amortisation of concession operating rights	210,625	180,863
Amortisation of trademark and projects backlogs	10,835	14,615
Amortisation of prepaid lease payments	7,240	5,420
Allowance for doubtful debts on trade and other receivables	4,060	2,800
Operating cash flows before working capital changes	5,355,269	4,544,063
Increase in concession operating rights	–	(38,263)
Decrease/(increase) in income receivables from infrastructure project investments	23,366	(117,091)
(Increase)/decrease in inventories	(22,530)	51,454
Changes in net balances with customers for contract work	(3,531,437)	(64,001)
Increase in trade and other receivables	(6,934,882)	(7,700,523)
Decrease/(increase) in deposits and prepayments	83,536	(11,453)
Increase in trade payables, other payables and accruals	8,225,524	3,924,447
Increase/(decrease) in deposits received and advances from customers	151,542	(97,689)
Changes in net balances with an associate	–	(26,480)
(Decrease)/increase in deferred income	(13,997)	54,232
Net cash generated from operations	3,336,391	518,696
Income taxes paid	(476,427)	(230,630)
Income taxes refunded	7,375	9,905
Net cash generated from operating activities (Note)	2,867,339	297,971

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (restated)
Investing activities			
Interest received		**219,012**	73,433
Purchases of property, plant and equipment		**(177,743)**	(425,478)
Payments for prepaid leases		**(69,936)**	(21,985)
Proceeds from disposal of property, plant and equipment		**37,538**	32,818
Proceeds from disposal of prepaid land lease		**–**	187,465
Proceeds from properties held for sale		**12,375**	130,720
Increase in interests in infrastructure project investments		**(90,942)**	(36,232)
Advances from joint ventures		**146,111**	369,453
Advance to joint ventures		**(181,454)**	–
Loan to a joint venture		**(94,675)**	(299,164)
Repayment of loan to a joint venture		**434,166**	–
Capital investments in joint ventures		**(1,371,424)**	(203,496)
Dividends received from joint ventures		**246,838**	267,135
Dividends received from associates		**143,172**	16,846
Dividends received from available-for-sale investments		**38,928**	15,458
Increase in interests in associates		**(265,205)**	(959,838)
Deposit paid for an investment		**–**	(108,043)
Repayment from investee company		**91,814**	26,325
Acquisition of available-for-sale investments		**(3,407)**	(998)
Proceeds from disposal of available-for-sale investments		**19,500**	–
Acquisition of subsidiaries	2.1	**(4,825,055)**	–
(Increase)/decrease in pledged bank deposits		**(139)**	391
Increase in deposits with financial institutions		**(5)**	(3)
Net cash used in investing activities		**(5,690,531)**	(935,193)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (restated)
Financing activities		
Finance costs paid	**(672,991)**	(606,160)
Dividends paid to owners of the Company	**(1,403,358)**	(1,210,310)
Dividends paid to non-controlling interests	**(7,828)**	(6,151)
Contribution from non-controlling interests	**31,733**	8,646
New bank loans raised	**5,539,363**	7,191,039
Repayment of bank loans	**(1,797,945)**	(4,075,969)
Repayment of finance leases	**(1,266)**	(1,542)
Proceeds from issue of ordinary share, net	**4,809,959**	–
Proceeds from issue of ordinary shares upon exercise of share options	**–**	9,895
Net cash from financing activities	**6,497,667**	1,309,448
Increase in cash and cash equivalents	**3,674,475**	672,226
Cash and cash equivalents at the beginning of the year	**8,025,910**	7,518,279
Effect of foreign exchange rate changes	**(216,191)**	(164,595)
Cash and cash equivalents at the end of the year	**11,484,194**	8,025,910
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**11,484,652**	8,026,224
Less: Pledged bank deposits and deposits with financial institutions	**(458)**	(314)
	11,484,194	8,025,910

Note:

The net expenditure for infrastructure project (i.e. the difference between the cash generated from and used in the construction of infrastructure projects) have been decreased from HK$1,396 million in 2015 to HK$31 million in 2016. Included the net expenditure for infrastructure project, the net cash generated from operating activities for the year was HK$2,867 million (2015: HK$298 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 21 March 2017.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(I) Acquisition of Precious Deluxe Global Limited ("Precious Deluxe")

During the year, Total Joy Global Limited ("Total Joy"), a wholly-owned subsidiary of the Company, completed the acquisition of Precious Deluxe, from China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company, including a shareholder's loan to Precious Deluxe for a total consideration of HK$4,825,055,512. Precious Deluxe and its subsidiaries are engaged in investment holding and property investment in Hong Kong.

The transfer of the entire interests in Precious Deluxe, together with its subsidiaries (together the "Precious Deluxe Group"), was considered as business combinations under common control. Accordingly, the consolidated financial statements of the Group for year ended 31 December 2016, together with the comparative figures, were prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA, as if they had been combined from the date when the Precious Deluxe Group first came under the control of the controlling party of the Group and Precious Deluxe Group.

(II) Changes of the measurement of investment properties

During the year, the Group changed its accounting policy with respect to the measurement of investment properties. The Group now applies the fair value model, under which investment properties were stated at fair value and recognises the fair value changes to the consolidated income statement in which they arise. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The Group believes the new policy is preferable as it is more suitable to reflect the value of the investment properties and will aid comparability. The changes have been applied retrospectively and the comparative amounts have been restated accordingly.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Effect of application of common control combination and change of measurements of investment properties

The effect of application of common control combination, in accordance with AG 5, and change of measurements of, investment properties on the Group's results for the years ended 31 December 2016 and 2015 by line items presented in the consolidated income statement (extracts) are as follows:

	At 31 December 2016 HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	At 31 December 2016 (as presented) HK$'000
Revenue	**46,118,182**	**89,326**	**–**	**46,207,508**
Costs of sales	**(40,219,359)**	**(5,271)**	**–**	**(40,224,630)**
Investment income, other income and other gains, net	**57,001**	**1,192,082**	**11,037**	**1,260,120**
Administrative, selling and other operating expenses	**(1,113,021)**	**5,939**	**998**	**(1,106,084)**
Finance costs	**(676,361)**	**(11,798)**	**–**	**(688,159)**
Income tax expenses, net	**(991,305)**	**(13,115)**	**(84)**	**(1,004,504)**
Earnings per share (HK cents)				
Basic	**90.16**	**29.36**	**0.28**	**119.80**
Diluted	**90.16**	**29.36**	**0.28**	**119.80**

	At 31 December 2015 (as previously presented) HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	At 31 December 2015 (as restated) HK$'000
Revenue	37,913,159	88,717	–	38,001,876
Costs of sales	(32,883,385)	(5,376)	–	(32,888,761)
Investment income, other income and other gains, net	832,800	309,812	16,829	1,159,441
Administrative, selling and other operating expenses	(995,527)	(12,872)	1,003	(1,007,396)
Finance costs	(607,082)	(22,023)	–	(629,105)
Income tax expenses, net	(654,526)	(4,323)	(713)	(659,562)
Earnings per share (HK cents)				
Basic	103.16	8.78	0.43	112.37
Diluted	102.26	8.71	0.42	111.39

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Effect of application of common control combination and change of measurements of investment properties *(continued)*

The effect of application of common control combination, in accordance with AG 5, and changes of measurements of investment properties on the consolidated statement of financial position of the Group (extracts) as at 31 December 2016 and 31 December 2015 by line items are as follows:

	At 31 December 2016 HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	At 31 December 2016 (as presented) HK$'000
Non-current Assets				
Property, plant and equipment	2,479,302	14,459	–	2,493,761
Investment properties	35,908	3,999,001	214,611	4,249,520
Total non-current assets	41,802,654	4,013,460	214,611	46,030,725
Current Assets				
Trade and other receivables	17,643,416	449	–	17,643,865
Deposits and prepayments	431,856	(3,244)	–	428,612
Bank balances and cash	11,416,339	68,313	–	11,484,652
Total current assets	40,078,202	65,518	–	40,143,720
Current Liabilities				
Trade payables, other payables and accruals	28,997,340	2,804	–	29,000,144
Deposits received and advances from customers	803,003	24,164	–	827,167
Current tax payables	2,386,053	6,655	–	2,392,708
Total current liabilities	39,682,491	33,623	–	39,716,114
Net current assets	395,711	31,895	–	427,606
Total assets less current liabilities	42,198,365	4,045,355	214,611	46,458,331
Non-current Liabilities				
Deferred tax liabilities	309,014	27,374	12,503	348,891
Total non-current liabilities	20,748,136	27,374	12,503	20,788,013
Capital and Reserves				
Share premium and reserves	21,115,666	4,017,981	202,108	25,335,755
Total equity	21,450,229	4,017,981	202,108	25,670,318

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Effect of application of common control combination and change of measurements of investment properties *(continued)*

	At 31 December 2015 (as previously presented) HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	At 31 December 2015 (as restated) HK$'000
Non-current Assets				
Property, plant and equipment	2,771,990	14,926	–	2,786,916
Investment properties	36,991	2,807,600	205,877	3,050,468
Total non-current assets	37,657,231	2,822,526	205,877	40,685,634
Current Assets				
Trade and other receivables	18,170,163	3,362	–	18,173,525
Deposits and prepayments	526,915	(3,242)	–	523,673
Bank balances and cash	8,015,187	11,037	–	8,026,224
Total current assets	32,407,304	11,157	–	32,418,461
Current Liabilities				
Trade payables, other payables and accruals	21,926,222	756	–	21,926,978
Deposits received and advances from customers	698,194	24,401	–	722,595
Amounts due to fellow subsidiaries	–	937,542	–	937,542
Total current liabilities	30,743,970	962,699	–	31,706,669
Net current assets/(liabilities)	1,663,334	(951,542)	–	711,792
Total assets less current liabilities	39,320,565	1,870,984	205,877	41,397,426
Non-current Liabilities				
Deferred tax liabilities	367,242	26,605	12,418	406,265
Total non-current liabilities	18,073,587	26,605	12,418	18,112,610
Capital and Reserves				
Share premium and reserves	21,045,308	1,844,379	193,459	23,083,146
Total equity	21,246,978	1,844,379	193,459	23,284,816

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Effect of application of common control combination and change of measurements of investment properties *(continued)*

The effect of application of common control combination, in accordance with AG 5, and change of measurements of investment properties on the consolidated statement of cash flows on the Group (extracts) for the year ended 31 December 2015 are as follows:

	At 31 December 2015 (as previously presented) HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	At 31 December 2015 (as restated) HK$'000
Net cash from/(used in) operating activities	300,096	(2,125)	–	297,971
Net cash (used in)/from investing activities	(935,204)	11	–	(935,193)
Net cash from financing activities	1,309,448	–	–	1,309,448

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

In the current year, the Group has applied the following new standard, 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 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferred Accounts
Annual Improvements Project	Annual Improvements 2012–2014 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

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

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income taxes[1]
Amendments to HKFRS 2	Share-based Payment[2]
Amendments to HKFRS 4	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] To be determined

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

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 2016.

(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 AG 5. 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 2016

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Separate financial statements

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

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

(b) Associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Joint arrangements

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

Joint ventures

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

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

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

Joint operations

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

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 make strategic decisions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

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.

(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 rate (unless this average rate 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.6 Leasehold land and building

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

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

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

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

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.

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 joint ventures", "Trade and other receivables", "Deposits and prepayments", "Loans to joint ventures" and "Cash and cash equivalents" in the consolidated statement of financial position.

(c) Available-for-sale investments

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

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.

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, other income and other gains, net" 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.10 Financial assets *(continued)*

Recognition and measurement *(continued)*

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, other income and other gains, net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'Investment income, other income and other gains, net'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'Investment income, other income and other gains, net' 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.11 Impairment of financial assets *(continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

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 of 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

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.

(a) Current income tax

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

(b) Deferred income tax

Inside basis difference

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

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.

(c) Offsetting

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.24 Provisions

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

Where 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.

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 2016

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 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-based payment transactions among group entities

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 by 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.

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

2 Summary of significant accounting policies *(continued)*

2.28 Revenue recognition *(continued)*

(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 Public-Private-Partnership ("PPP") projects (previously known as "Build — Transfer" and "Build — Operation — Transfer" projects)**

Income from PPP 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 2016

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 sale

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 2016

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

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

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

At 31 December 2016, 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$28,000 lower/higher (2015: HK$29,363,000 higher/lower), 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 has 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 rates fluctuate 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.

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 exposures should the need arise.

The sensitivity analysis below has 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 (2015: 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 (2015: 50) basis points higher/lower with all other variables held constant, the consolidated profit before tax for the year ended 31 December 2016 would decrease/increase by HK$42,029,000 (2015: decrease/increase by HK$37,071,000).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

The credit risk on interests in infrastructure project investments and trade receivables is limited because the counterparties are PRC government-related entities and are covered by collateral, where applicable.

Other than concentration of credit risk on liquid funds, interests in infrastructure project investments, amounts due from investee companies and long term trade receivables, the Group does not have any other significant concentration of credit risk. Trade receivables, loans to joint ventures, 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.

The Group provided a corporate guarantee in respect of a bank loan drawn by a previously owned subsidiary and the Group is in the process of releasing the corporate guarantee in due course. No financial exposure is expected as the bank loan was secured by adequate collateral provided by the new owner of the previously owned subsidiary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
The Group						
At 31 December 2016						
Trade payables, other payables and accruals, excluding deferred income	**26,067,823**	**408,837**	**1,965,689**	**503,595**	**587**	**28,946,531**
Amounts due to joint ventures	**735,030**	**–**	**–**	**–**	**–**	**735,030**
Borrowings	**780,715**	**1,131,443**	**4,339,305**	**10,899,217**	**2,750,343**	**19,901,023**
Guaranteed notes payables	**60,938**	**60,938**	**3,919,559**	**–**	**–**	**4,041,435**
Obligations under finance leases	**370**	**427**	**644**	**1,717**	**263**	**3,421**
	27,644,876	**1,601,645**	**10,225,197**	**11,404,529**	**2,751,193**	**53,627,440**
At 31 December 2015, as restated						
Trade payables, other payables and accruals, excluding deferred income	19,065,810	129,597	1,971,555	701,236	859	21,869,057
Amounts due to joint ventures	625,844	–	–	–	–	625,844
Amounts due to fellow subsidiaries	937,542	–	–	–	–	937,542
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
	21,345,122	705,418	3,309,277	15,931,357	2,098,200	43,389,374

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 the prior year. The net gearing ratio is 37.8% as at 31 December 2016 (2015: 41.9%). The decrease was mainly caused by the increase in total capital from new shares issued.

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 2016 and 2015.

	31 December 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments				
Listed debt securities	112,588	–	–	112,588
Unlisted equity securities	–	–	115,782	115,782
Investment properties	–	–	4,249,520	4,249,520
	112,588	–	4,365,302	4,477,890

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

	31 December 2015 (restated)			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments				
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
Investment properties	–	–	3,050,468	3,050,468
	107,811	–	3,182,160	3,289,971

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 2016 and 2015:

	Investment properties HK$'000	Available–for-sale investments HK$'000	Total HK$'000
At 1 January 2015, as restated	2,726,676	345,775	3,072,451
Exchange adjustments	(2,836)	(221)	(3,057)
Additions	–	1,000	1,000
Reclassification to associate	–	(577,215)	(577,215)
Change in fair value	326,628	362,353	688,981
At 31 December 2015, as restated	3,050,468	131,692	3,182,160
Exchange adjustments	**(3,385)**	**(256)**	**(3,641)**
Additions	**–**	**3,407**	**3,407**
Disposal	**–**	**(19,500)**	**(19,500)**
Change in fair value	**1,202,437**	**439**	**1,202,876**
At 31 December 2016	**4,249,520**	**115,782**	**4,365,302**

The changes in fair value of the above financial instruments 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 2016

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 their best estimate of the fair value of the investment.
- Comparable market rent and sales price as available in the relevant market.
- 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 values of the following financial assets and liabilities approximate their carrying amount:

— Trade and other receivables, deposits and prepayments

— Bank balances and cash

— Loans to joint ventures

— Amounts due from/to joint ventures

— Trade payables, other payables and accruals, deposits received and advances from customers

— Amounts due to fellow subsidiaries

— 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.

4.1 Percentage of completion of construction works

The Group recognises 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 sub-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 2016

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 the Relevant Factors in estimating the recoverable amounts of the toll road operating rights. An impairment loss of HK$226 million was made in the current year, as a result of a drop in overall traffic flow performance. The carrying amount of the concession operating right of one toll road has been written down to its recoverable amount. The discount rate used in the value-in-use calculation is 11.48% and the expected growth rate is 7% on an annual basis.

4.6 Estimate of fair value of financial assets and investment properties

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.

The fair values of investment properties were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

4.7 Income and deferred tax

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

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

The Group has exercised significant accounting judgement on recognition of deferred tax assets in respect of losses of certain subsidiaries. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement largely regarding the future financial performance of 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"). Those significant estimations and judgement include gross profit margin, overhead and capital expenditure applied to the profit forecasts.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

5 Revenue

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

	2016 HK$'000	2015 HK$'000 (restated)
Revenue from construction contracts	**26,271,940**	21,676,285
Revenue from infrastructure investment projects (Note(a))	**16,939,096**	13,008,014
Revenue from facade contracting business	**1,641,583**	1,784,380
Revenue from infrastructure operation (Note(b))	**836,842**	946,031
Others (Note(c))	**518,047**	587,166
	46,207,508	38,001,876

Note:

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

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

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

6 Segment information

Segment information

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

The 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 2016

6 Segment information *(continued)*

Segment information *(continued)*

Segment revenue and results for the years ended 31 December 2016 and 2015 are as follows:

	Segment revenue		Gross profit/(loss)		Segment result	
	2016 HK$'000	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)
Reportable segment						
Mainland China	**18,264,588**	14,631,020	**4,027,989**	3,635,761	**3,721,635**	3,528,357
Hong Kong and Macau	**26,301,337**	21,586,476	**1,815,557**	1,309,506	**1,744,088**	1,635,750
Hong Kong	**17,585,358**	16,272,249	**894,137**	1,040,901	**814,091**	903,919
Macau	**8,715,979**	5,314,227	**921,420**	268,605	**929,997**	731,831
Overseas	**–**	–	**(19,110)**	(16,219)	**(35,228)**	(28,386)
FEG Group	**1,641,583**	1,784,380	**158,442**	184,067	**6,096**	19,003
	46,207,508	38,001,876	**5,982,878**	5,113,115	**5,436,591**	5,154,724
Share of revenue/results of joint ventures	**2,878,125**	1,169,129			**420,295**	423,728
Total	**49,085,633**	39,171,005			**5,856,886**	5,578,452
Unallocated corporate expenses					**(276,196)**	(229,280)
Unallocated corporate income					**976,519**	339,716
Share of profits of associates					**142,670**	72,462
Finance costs					**(688,159)**	(629,105)
Profit before tax					**6,011,720**	5,132,245

Measurement

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

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts, machinery leasing, insurance contracts, rental income from investment properties and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, interest income and construction income generated from infrastructure investment projects, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

6 Segment information *(continued)*

Measurement *(continued)*

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

Amounts included in the measure of segment profit or loss:

	Hong Kong		Mainland China		Macau		Overseas		FEG Group		Total	
	2016 HK$'000	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)
Allowance for doubtful debts on trade and other receivables	**–**	–	**2,735**	1,036	**–**	–	**–**	–	**1,325**	1,764	**4,060**	2,800
Depreciation and amortisation	**4,525**	7,478	**335,109**	307,669	**3,442**	2,951	**–**	–	**18,277**	24,279	**361,353**	342,377
Net gain/(loss) on disposal of property, plant and equipment	**18,415**	(46)	**1,625**	3,876	**–**	12	**–**	(301)	**(74)**	(2,200)	**19,966**	1,341
Gain on disposal of prepaid lease payments	**–**	–	**–**	90,569	**–**	–	**–**	–	**–**	–	**–**	90,569

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2016 HK$'000	2015 HK$'000 (restated)	**2016 HK$'000**	2015 HK$'000 (restated)
Hong Kong	**4,884,578**	3,761,705	**62,889**	119,131
Mainland China	**7,559,255**	8,550,764	**103,210**	303,446
Macau	**344,937**	334,985	**9,022**	5,268
Overseas	**256,802**	267,638	**6,744**	8,508
	13,045,572	12,915,092	**181,865**	436,353

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

6 Segment information *(continued)*

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customers information

Revenue from one customer in the Hong Kong reportable segment amounted to approximately HK$6,522,580,000 (2015: one customer in the Hong Kong reportable segment amounted to approximately HK$7,779,929,000), which individually represents more than 10 percent of the Group's total revenue.

7 Investment income, other income and other gains, net

	2016 HK$'000	2015 HK$'000 (restated)
Interest income on:		
Bank deposits	**69,140**	67,877
Debt securities	**5,541**	5,557
Imputed interest on amounts due from investee companies	**12,383**	15,514
Loan to a joint venture	**59,264**	112,647
Dividend income from:		
Unlisted available-for-sale investments	**38,928**	15,458
Gain on disposal of:		
Prepaid lease payments	**–**	90,569
Available-for-sale investments	**1,123**	–
Property, plant and equipment, net	**19,966**	1,341
Properties held for sale	**7,816**	75,682
Gain on fair value changes of investment properties	**1,202,437**	326,628
Impairment loss on concession operating rights	**(225,917)**	–
Service income	**4,537**	26,832
Gain on reclassification from available-for-sale investment to associate	**–**	375,127
Others	**64,902**	46,209
	1,260,120	1,159,441

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

8 Finance costs

	2016 HK$'000	2015 HK$'000 (restated)
Interest on bank loans	**501,072**	426,683
Interest on guaranteed notes payables	**131,393**	133,085
Interest on amounts due to fellow subsidiaries	**11,799**	22,023
Finance lease charges	**257**	257
Others	**47,760**	57,932
Total finance costs	**692,281**	639,980
Less: Amounts capitalised in construction in progress	**(4,122)**	(10,875)
	688,159	629,105

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 3.7% (2015: 3.5%).

9 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the ten (2015: eleven) directors were as follows:

For the year ended 31 December 2016

	Zhou Yong HK$'000 (Note (a))	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Pan Shujie HK$'000	Hung Cheung Shew HK$'000	Wu Mingqing HK$'000	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2016 HK$'000
Fees	800	–	–	–	–	–	360	360	250	360	2,130
Other emoluments:											
Salaries and allowances	2,760	1,611	1,611	1,611	2,250	1,611	–	–	–	–	11,454
Contributions to retirement benefit schemes	18	18	18	18	18	18	–	–	–	–	108
Performance related incentive payments (Note (c))	3,002	3,609	3,356	2,887	2,326	2,887	–	–	–	–	18,067
Total emoluments	6,580	5,238	4,985	4,516	4,594	4,516	360	360	250	360	31,759

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

9 Benefits and interests of directors *(continued)*

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

For the year ended 31 December 2015

	Zhou Yong HK$'000 (Note (a))	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Pan Shujie HK$'000	Hung Cheung Shew HK$'000	Wu Mingqing HK$'000	Li Jian HK$'000 (Note (b))	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2015 HK$'000
Fees	800	–	–	–	–	–	25	360	360	250	360	2,155
Other emoluments:												
Salaries and allowances	2,760	1,229	1,229	1,229	2,213	1,229	–	–	–	–	–	9,889
Contributions to retirement benefit schemes	18	18	18	18	18	18	–	–	–	–	–	108
Performance related incentive payments (Note (c))	3,002	3,333	3,079	2,753	2,100	2,753	–	–	–	–	–	17,020
Total emoluments	6,580	4,580	4,326	4,000	4,331	4,000	25	360	360	250	360	29,172

Notes:

(a) Mr. Zhou acts as Executive Director, Chairman and Chief Executive Officer of the Company.

(b) Mr. Li Jian resigned as a non-executive director of the Company with effect from 19 January 2015.

(c) 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 2016 and 2015.

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

(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 (2015: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

10 Senior management emoluments

The emoluments of the senior management for the years ended 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**31,010**	23,166
Contributions to retirement benefit schemes	**180**	144
	31,190	23,310

The emoluments of the senior management for 2016 and 2015 were within the following bands:

	2016 No. of employees	2015 No. of employees
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**3**	2
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**3**	3
More than HK$4,000,000	**1**	–
	10	8

11 Income tax expenses, net

	2016 HK$'000	2015 HK$'000 (restated)
Current tax:		
Hong Kong	**123,193**	101,880
Other jurisdictions	**823,898**	667,686
PRC withholding tax	**70,232**	–
	1,017,323	769,566
(Over)/underprovision in prior years:		
Hong Kong	**(12,637)**	1,086
Other jurisdictions	**(1,107)**	7,845
	(13,744)	8,931
	1,003,579	778,497
Deferred tax, net (Note 37)	**925**	(118,935)
Income tax expenses for the year	**1,004,504**	659,562

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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:

	2016 HK$'000	2015 HK$'000 (restated)
Profit before tax	**6,011,720**	5,132,245
Share of profits of		
Joint ventures	**(420,295)**	(423,728)
Associates	**(142,670)**	(72,462)
	5,448,755	4,636,055
Tax at domestic income tax rate of 16.5% (2015: 16.5%)	**899,045**	764,949
Effect of different tax rates of profit arising from other jurisdictions	**109,612**	87,392
Tax effect of expenses not deductible for tax purpose	**74,837**	41,442
Tax effect of income not taxable for tax purpose	**(314,871)**	(254,180)
Tax effect of tax losses not recognised	**178,515**	41,977
Tax effect of utilisation of previously unrecognised tax losses	**(3,236)**	(35,565)
Deferred taxation on undistributed earnings of Mainland China subsidiaries and joint ventures (Note 37)	**4,796**	5,247
Withholding tax	**70,232**	–
(Over)/underprovision in prior years	**(13,744)**	8,931
Others	**(682)**	(631)
Tax charge for the year	**1,004,504**	659,562

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

12 Profit for the year

	2016 HK$'000	2015 HK$'000 (restated)
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration	**9,807**	9,157
Depreciation of property, plant and equipment	**317,340**	334,189
Less: Amounts capitalised in contracts in progress	**(184,687)**	(192,710)
	132,653	141,479
Employee benefits expense including directors' emoluments:		
Staff costs	**3,488,173**	3,256,717
Contributions to retirement benefit plans	**127,147**	123,117
Less: Amounts capitalised in contracts in progress	**(2,519,883)**	(2,508,371)
	1,095,437	871,463
Operating lease rentals in respect of:		
Plant and machinery	**415,140**	409,444
Land and buildings	**50,586**	43,220
	465,726	452,664
Less: Amounts included in contracts in progress costs	**(426,735)**	(424,859)
	38,991	27,805
Rental income from investment properties, net of direct outgoings	**(102,192)**	(97,758)
Amortisation of concession operating rights (included in Costs of sales)	**210,625**	180,863
Amortisation of trademark and project backlogs (included in Administrative, selling and other operating expenses)	**10,835**	14,615
Amortisation of prepaid lease payments	**7,240**	5,420
Contracts in progress costs recognised as expense	**39,298,755**	31,967,799
Raw materials and consumables used	**356,607**	431,940
Exchange loss, net	**43,623**	20,126
Allowance for impairment losses on trade and other receivables	**4,060**	2,800

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

13 Dividends

	2016 HK$'000	2015 HK$'000
Dividends recognised as distributions during the year:		
2015 Final, paid — HK18.00 cents (2015: 2014 Final, paid — HK15.00 cents) per share	**730,137**	601,863
2016 Interim, paid — HK15.00 cents (2015: 2015 Interim, paid — HK13.00 cents) per share	**673,221**	527,321
2015 special, paid — HK2.00 cents per share	**–**	81,126
	1,403,358	1,210,310

The final dividend of HK18.00 cents (2015: HK18.00 cents) per share amounting to approximately HK$807,865,000 (2015: HK$730,137,000) 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:

	2016 HK$'000	2015 HK$'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,130,066**	4,524,126

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,282,283**	4,026,027
Effect of diluted potential ordinary shares in respect of share options	**–**	35,387
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,282,283**	4,061,414

No diluted earnings per share are presented as the Company did not have any diluted potential ordinary shares during the year ended 31 December 2016 (2015: 35,387,000 shares).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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
Cost							
At 1 January 2015, as previously presented	1,171,537	1,773,181	1,069,644	174,760	103,115	226,494	4,518,731
Acquisition of Precious Deluxe (Note 2.1)	74,160	–	–	–	–	–	74,160
At 1 January 2015, as restated	1,245,697	1,773,181	1,069,644	174,760	103,115	226,494	4,592,891
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, as restated	1,341,646	1,756,584	1,105,830	180,945	106,965	232,250	4,724,220
At 1 January 2016, as previously presented	**1,267,486**	**1,756,584**	**1,105,830**	**180,945**	**106,965**	**232,250**	**4,650,060**
Acquisition of Precious Deluxe (Note 2.1)	**74,160**	**–**	**–**	**–**	**–**	**–**	**74,160**
At 1 January 2016, as restated	**1,341,646**	**1,756,584**	**1,105,830**	**180,945**	**106,965**	**232,250**	**4,724,220**
Exchange adjustments	**(67,971)**	**(127,159)**	**(9,054)**	**(5,120)**	**(3,719)**	**(3,213)**	**(216,236)**
Additions	**6,144**	**16,331**	**67,299**	**23,660**	**21,185**	**47,246**	**181,865**
Reclassification upon the completion of construction	**16,163**	**190,230**	**13,674**	**351**	**–**	**(220,418)**	**–**
Disposals	**(2,615)**	**(5)**	**(106,026)**	**(9,266)**	**(14,872)**	**–**	**(132,784)**
At 31 December 2016	**1,293,367**	**1,835,981**	**1,071,723**	**190,570**	**109,559**	**55,865**	**4,557,065**
Depreciation							
At 1 January 2015, as previously presented	234,625	614,919	665,556	112,187	64,144	–	1,691,431
Acquisition of Precious Deluxe (Note 2.1)	56,865	–	–	–	–	–	56,865
At 1 January 2015, as restated	291,490	614,919	665,556	112,187	64,144	–	1,748,296
Exchange adjustments	(14,533)	(36,460)	(5,688)	(4,200)	(1,843)	–	(62,724)
Charge for the year	43,682	78,138	169,416	25,307	17,646	–	334,189
Disposals	(4,448)	–	(63,641)	(7,962)	(6,406)	–	(82,457)
At 31 December 2015, as restated	316,191	656,597	765,643	125,332	73,541	–	1,937,304
At 1 January 2016, as previously presented	**256,957**	**656,597**	**765,643**	**125,332**	**73,541**	**–**	**1,878,070**
Acquisition of Precious Deluxe (Note 2.1)	**59,234**	**–**	**–**	**–**	**–**	**–**	**59,234**
At 1 January 2016, as restated	**316,191**	**656,597**	**765,643**	**125,332**	**73,541**	**–**	**1,937,304**
Exchange adjustments	**(19,050)**	**(48,042)**	**(3,859)**	**(2,847)**	**(2,330)**	**–**	**(76,128)**
Charge for the year	**50,417**	**86,240**	**137,155**	**23,271**	**20,257**	**–**	**317,340**
Disposals	**(850)**	**(5)**	**(93,888)**	**(6,746)**	**(13,723)**	**–**	**(115,212)**
At 31 December 2016	**346,708**	**694,790**	**805,051**	**139,010**	**77,745**	**–**	**2,063,304**
Carrying values							
At 31 December 2016	**946,659**	**1,141,191**	**266,672**	**51,560**	**31,814**	**55,865**	**2,493,761**
At 31 December 2015, as restated	1,025,455	1,099,987	340,187	55,613	33,424	232,250	2,786,916

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

15 Property, plant and equipment (continued)

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

	2016 HK$'000	2015 HK$'000 (restated)
Land and buildings in Hong Kong under medium-term leases	**111,906**	98,472
Heat and electricity plants in Mainland China under medium-term leases	**299,661**	310,341
Other premises in Mainland China under medium-term leases	**384,999**	471,787
Freehold land in Macau	**74,055**	72,664
Freehold land in Canada	**19,611**	15,764
Freehold land in the United States of America	**56,427**	56,427
	946,659	1,025,455

At 31 December 2016, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounting to approximately HK$18,383,000 (2015: HK$14,463,000).

At 31 December 2016, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK$34,092,000 (2015: HK$34,944,000).

16 Investment properties

	2016 HK$'000	2015 HK$'000 (restated)
At 1 January	**3,050,468**	2,726,676
Exchange adjustments	**(3,385)**	(2,836)
Change in fair value	**1,202,437**	326,628
At 31 December	**4,249,520**	3,050,468

Valuation process of the Group

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 an observable market data (level 3 assets). The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

16 Investment properties *(continued)*

Fair value measurements using significant unobservable inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2016 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Property in Hong Kong	**3,999,000**	Income Capitalisation Approach	(1) capitalisation rate	2.4%–3.3%
			(2) market rent per square foot per month	HK$35–HK$50
Properties in Macau	**202,600**	Income Capitalisation Approach	(1) capitalisation rate	2.7%–3.5%
			(2) market rent per square foot per month	MOP13–MOP16
Properties in Mainland China	**47,920**	Direct Comparison Approach	(1) price per square foot	RMB2,241–RMB3,527

Prevailing market rents are estimated based on independent valuers' view of recent lettings transactions within the subject properties and other comparable properties. The higher the rent, the higher the fair value.

Reversionary yield and discount rate are estimated by independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the yield and the rate, the higher the fair value.

17 Interests in infrastructure project investments

	2016 HK$'000	2015 HK$'000
Interests in infrastructure project investments	**1,532,082**	1,572,189
Less: Portion due within one year included in current assets	**(37,041)**	(35,817)
Portion due after one year	**1,495,041**	1,536,372

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

The effective interest rates on the infrastructure project investments range from 10.34% to 22.60% (2015: 10.34% to 27.76%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2016 and 2015.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2016 and 2015 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 2016

18 Prepaid lease payments

As at 31 December 2016 and 2015, 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

	2016 HK$'000	2015 HK$'000
Cost of investments, unlisted	**4,049,822**	2,570,354
Share of post-acquisition profits and other comprehensive income, net of dividends	**899,419**	1,003,308
	4,949,241	3,573,662

Set out below are the particulars of the principal joint ventures at 31 December 2016 and 2015, 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
			2016 %	2015 %	
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 are 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 2016

19 Interests in joint arrangements *(continued)*

Joint ventures *(continued)*

Summarised statement of financial position

	NCSB		萊州港務	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Bank balances and cash	**285,649**	173,348	**480,032**	494,668
Other current assets	**178,535**	191,606	**56,327**	50,922
Total current assets	**464,184**	364,954	**536,359**	545,590
Financial liabilities	**36,649**	39,241	**–**	–
Other current liabilities	**83,214**	48,019	**283,121**	335,454
Total current liabilities	**119,863**	87,260	**283,121**	335,454
Non-current				
Property, plant and equipment	**1,144,719**	1,339,193	**832,094**	908,758
Concession operating rights	**1,701,306**	1,928,510	**–**	–
Other non-current assets	**–**	–	**230,366**	236,552
Total non-current assets	**2,846,025**	3,267,703	**1,062,460**	1,145,310
Financial liabilities	**891,688**	1,025,621	**–**	–
Other non-current liabilities	**317,412**	363,736	**7,839**	–
Total non-current liabilities	**1,209,100**	1,389,357	**7,839**	–
Non-controlling interest	**–**	–	**287**	449
Net assets	**1,981,246**	2,156,040	**1,307,572**	1,354,997

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

19 Interests in joint arrangements *(continued)*

Joint ventures *(continued)*

Summarised statement of comprehensive income

	NCSB		萊州港務	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Revenue	**702,935**	778,690	**431,715**	376,829
Depreciation and amortisation	**(143,063)**	(151,110)	**(71,116)**	(80,889)
Interest income	**4,776**	5,044	**7,006**	8,693
Finance costs	**(52,882)**	(72,434)	**–**	–
Administrative expenses	**(186,260)**	(201,103)	**(170,247)**	(156,069)
Profit before tax	**325,506**	359,087	**197,358**	148,564
Income tax expenses, net	**(81,212)**	(88,877)	**(29,407)**	(24,851)
Profit for the year	**244,294**	270,210	**167,951**	123,713
Other comprehensive loss	**(142,755)**	(125,571)	**(108,343)**	(123,436)
Total comprehensive income	**101,539**	144,639	**59,608**	277
Dividends received from joint ventures	**179,617**	201,412	**64,221**	57,723

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

19 Interests in joint arrangements *(continued)*

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	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Opening net assets	**2,156,040**	2,321,265	**1,354,997**	1,450,925
Exchange adjustment	**(142,755)**	(125,571)	**(108,343)**	(123,436)
Profit for the year	**244,294**	270,210	**167,951**	123,713
Dividend declared	**(276,333)**	(309,864)	**(107,033)**	(96,205)
Closing net assets	**1,981,246**	2,156,040	**1,307,572**	1,354,997
Share of net assets	**1,287,810**	1,401,426	**784,543**	812,998
Carrying value of the Group's share of net assets	**1,287,810**	1,401,426	**784,543**	812,998

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:

	2016 HK$'000	2015 HK$'000
Aggregate carrying value	**2,876,888**	1,359,238
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**160,733**	173,863
Other comprehensive income	**(119,549)**	(79,777)
Total comprehensive income	**41,184**	94,086

There are no commitments or contingent liabilities relating to the Group's interests in joint ventures as at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 other contractors to undertake construction and engineering projects in the form of joint operations.

Particulars regarding the principal joint operations as at 31 December 2016 and 2015 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
			2016 %	2015 %	
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 — Build King Joint Venture (Formerly known as 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**	49	Civil engineering works
Maeda — China State Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering works
Penta Ocean — China State Joint Venture	Unincorporated	Hong Kong	**49**	49	Civil engineering works
中建鋼構 — CSHK 合作經營	Unincorporated	Macau	**30**	30	Structural steel works
China State — Dong Ah Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering works
Leighton — China State Joint Venture*	Unincorporated	Hong Kong	**49**	–	Civil engineering works
Penta-Ocean — China State — Dong Ah Joint Venture*	Unincorporated	Hong Kong	**25**	–	Civil engineering works

* Newly formed in 2016

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

20 Interests in associates

	2016 HK$'000	2015 HK$'000
Unlisted companies		
Cost of investments in associates	**3,124,775**	3,124,775
Share of post-acquisition profits and other comprehensive income, net of dividends	**48,139**	48,768
	3,172,914	3,173,543
Amounts due from associates	**897,464**	626,650
	4,070,378	3,800,193

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2015: 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.

Set out below are the associates of the Group as at 31 December 2016 and 2015.

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 2016 %	2015 %	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	**31.5**	31.5	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	**40.0**	40.0	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	**20.0**	20.0	Operation of slaughterhouse
Fast Shift Investments Limited ("Fast Shift")	Incorporated	BVI	Non-voting class B#	**29.0**	29.0	Investment holding
Omar Property Development Company Limited	Incorporated	Macau	Ordinary	**15.0**	15.0	Property development
安徽興泰融資租賃有限責任公司	Incorporated	PRC	Ordinary	**25.0**	25.0	Loan financing
澳門水泥廠	Incorporated	Macau	Ordinary	**31.34**	31.34	Manufacture and sale of ready-mixed concrete
深圳市毅駿房地產開發有限公司	Incorporated	PRC	Ordinary	**20.0**	20.0	Property development
Trillion Vantage Investments limited*	Incorporated	BVI	Ordinary	**20.0**	–	Investment holding

* Incorporated in 2016

\# Holder of non-voting class B shares of Fast Shift, through Fast Shift's interest in Nova Taipa — Urbanizacoes, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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	
	2016 HK$'000	2015 HK$'000
Assets		
Current assets	**10,512,994**	8,983,118
Total assets	**10,512,994**	8,983,118
Liabilities		
Non-current liabilities	**856,373**	856,373
Current liabilities	**3,402,355**	1,849,692
Total liabilities	**4,258,728**	2,706,065
Net assets	**6,254,266**	6,277,053

Summarised statement of comprehensive income

	Fast Shift	
	2016 HK$'000	2015 HK$'000
Revenue	**–**	–
Loss and total comprehensive loss for the year	**(22,787)**	(2,019)
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 2016

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	
	2016 HK$'000	2015 HK$'000
Opening net assets	**6,277,053**	6,279,072
Loss for the year	**(22,787)**	(2,019)
Closing net assets	**6,254,266**	6,277,053
Share of net assets	**1,813,737**	1,820,345
Carrying value of the Group's share of net assets	**1,813,737**	1,820,345
Amount due from an associate	**322,425**	260,075

Aggregate information of associates that are not individually material

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

	2016 HK$'000	2015 HK$'000
Aggregate carrying value	**1,359,177**	1,353,198
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	**149,278**	73,047
Other comprehensive income	**(28,314)**	(16,587)
Total comprehensive income	**120,964**	56,460

There are no contingent liabilities relating to the Group's interests in associates as at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

21 Concession operating rights

	HK$'000
Cost	
At 1 January 2015	7,053,327
Exchange adjustments	(379,809)
Additions	38,263
At 31 December 2015	6,711,781
Exchange adjustments	**(428,748)**
At 31 December 2016	**6,283,033**
Amortisation and impairment	
At 1 January 2015	522,335
Exchange adjustments	(35,619)
Charge for the year	180,863
At 31 December 2015	667,579
Exchange adjustments	**(55,428)**
Charge for the year	**210,625**
Impairment (included in Investment income, other income and other gains, net)	**225,917**
At 31 December 2016	**1,048,693**
Carrying values	
At 31 December 2016	**5,234,340**
At 31 December 2015	6,044,202

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziquan, Shanxi Province with carrying amounts of approximately HK$2,856,978,000 (2015: HK$3,413,704,000) and HK$2,377,361,000 (2015: HK$2,630,498,000), 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 2016 and 2015, the concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with carrying amount of approximately HK$2,856,978,000 (2015: HK$3,413,704,000) had been pledged to secure the bank loan with a carrying amount of approximately HK$2,049,272,000 (2015: HK$2,254,197,000) (Note 32).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

22 Trademark, project backlogs, licences and goodwill

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
Cost					
At 1 January 2015, 31 December 2015 and 31 December 2016	216,708	45,359	9,950	577,664	849,681
Amortisation					
At 1 January 2015	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
Charge for the year	**10,835**	**–**	**–**	**–**	**10,835**
At 31 December 2016	**51,468**	**45,359**	**–**	**–**	**96,827**
Carrying values					
At 31 December 2016	**165,240**	**–**	**9,950**	**577,664**	**752,854**
At 31 December 2015	176,075	–	9,950	577,664	763,689

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 of 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 2016

23 Available-for-sale investments

Available-for-sale investments comprise:

	2016 HK$'000	2015 HK$'000
Listed securities:		
— Debt securities listed in Hong Kong with fixed interest of 4.75% and maturity date in 2018	**39,347**	39,269
— Debt securities listed in Hong Kong with fixed interest of 4–6.45% and maturity date in 2022–2043 (Note (a))	**73,241**	68,542
	112,588	107,811
Unlisted securities:		
— Investment funds and certificate of deposits	**–**	19,061
— Equity securities (Note (b))	**115,782**	112,631
Total	**228,370**	239,503

Notes:

(a) At 31 December 2016, an amount of HK$53,355,000 (2015: HK$49,147,000) 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 2016, an amount of HK$65,636,000 (2015: HK$65,636,000) 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 2016 and 2015 as there is no objective evidence of impairment loss.

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

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

	2016 HK$'000	2015 HK$'000
HK$	**60,700**	57,293
RMB	**3,602**	3,857
US$	**112,588**	126,873
Macao Pataca ("MOP")	**51,480**	51,480
	228,370	239,503

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 rates ranging from 5.94% to 7.83% per annum (2015: 5.25% to 7.83 % per annum) and the balances are denominated in RMB (2015: RMB).

At 31 December 2016, amounts due from investee companies include HK$177,190,000 (2015: HK$262,230,000) to subsidiaries of COLI, a fellow subsidiary of the Group.

25 Inventories

	2016 HK$'000	2015 HK$'000
Raw materials and consumables	**89,405**	94,103
Work in progress	**655**	812
Finished goods	**41,305**	13,920
	131,365	108,835

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

	2016 HK$'000	2015 HK$'000
Contract costs incurred plus recognised profit less foreseeable losses	**115,675,761**	85,465,277
Less: progress billings	**(114,494,896)**	(87,712,577)
	1,180,865	(2,247,300)
Analysed for reporting purposes as:		
Amounts due from contract customers	**6,485,536**	2,421,715
Amounts due to contract customers	**(5,304,671)**	(4,669,015)
	1,180,865	(2,247,300)

At 31 December 2016, retentions held by customers for contract work amounted to approximately HK$3,372,108,000 (2015: HK$2,577,509,000) and have been included in trade and other receivables under current assets. The advances received from customers for contract work not yet commenced at 31 December 2016 and 2015 have been included in deposits received and advances from customers under current liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

27 Trade and other receivables

	2016 HK$'000	2015 HK$'000 (restated)
Trade receivables and retention receivables	**38,092,487**	34,978,866
Less: allowance for doubtful debts	**(24,175)**	(21,538)
	38,068,312	34,957,328
Other receivables	**1,396,917**	1,167,316
Less: allowance for doubtful debts	**(1,065)**	(1,158)
	1,395,852	1,166,158
Trade and other receivables (Note (a))	**39,464,164**	36,123,486
Current portion	**(17,643,865)**	(18,173,525)
Non-current portion (Note (b))	**21,820,299**	17,949,961

Notes:

(a) Trade receivables and retention receivables include balances with related companies amounting to approximately HK$61,753,000 (2015: HK$61,332,000), which are unsecured, interest free and repayable in accordance with the terms of relevant agreements. Other receivables included balances with related companies amounting to approximately HK$326,646,000 (2015: HK$664,313,000), which are unsecured, interest free and repayable on demand.

(b) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Most of 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 2018 to 2022, with approximately HK$11,120,287,000 in 2018, HK$7,062,506,000 in 2019, HK$3,637,506,000 in 2020 to 2022. 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:

	2016 HK$'000	2015 HK$'000 (restated)
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	**7,575,653**	10,699,099
31–90 days	**2,946,561**	4,449,776
Over 90 days	**24,173,990**	17,230,944
	34,696,204	32,379,819
Retention receivables	**3,372,108**	2,577,509
Other receivables	**1,395,852**	1,166,158
Trade and other receivables	**39,464,164**	36,123,486
Portion classified as current assets	**(17,643,865)**	(18,173,525)
Non-current portion	**21,820,299**	17,949,961

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

27 Trade and other receivables *(continued)*

Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to HK$23,778,470,000 (2015: HK$16,704,856,000).

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 2016, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,779,561,000 (2015: HK$1,305,526,000).

Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2015: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of the 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:

	2016 HK$'000	2015 HK$'000
91–180 days	**140,178**	–
181–365 days	**2,161**	251,240
Over 365 days	**67,834**	438,197
Total	**210,173**	689,437

Except for the amount of approximately HK$25,240,000 (2015: HK$22,696,000) which was provided for doubtful debts as at 31 December 2016, no allowance for doubtful debt is considered to be necessary for past due trade receivables based on management's evaluation of creditworthiness and the past collection history of those receivables.

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
1 January	**22,696**	21,132
Exchange adjustments	**(1,516)**	(1,236)
Impairment losses recognised on receivables	**4,060**	2,800
31 December	**25,240**	22,696

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 2016

27 Trade and other receivables *(continued)*

Movement in the allowance for doubtful debts *(continued)*

Trade and other receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000 (restated)
HK$	**2,804,156**	4,668,109
RMB	**33,995,440**	29,346,885
MOP	**2,104,951**	1,420,993
US$	**129,587**	240,738
Others	**430,030**	446,761
	39,464,164	36,123,486

28 Amounts due to fellow subsidiaries and an associate

Amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand. The balances are denominated in HK$.

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

29 Amounts due from/(to) joint ventures and loans to joint ventures

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 loans to joint ventures are unsecured, carrying interest at 6% 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 2016

30 Bank balances and cash

	2016 HK$'000	2015 HK$'000 (restated)
Pledged bank deposits	**430**	291
Deposit with financial institutions	**28**	23
Bank balances and cash	**11,484,194**	8,025,910
	11,484,652	8,026,224

Pledged bank deposits

At 31 December 2016, bank deposits amounting to approximately HK$430,000 (2015: HK$291,000) are pledged and earn interest at fixed rates ranging from 0.29% to 2.79% per annum (2015: 0.3% to 0.35% per annum).

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2015: 1 to 6 months) earning interest at fixed rate ranging from 0.004% to 4.4% per annum (2015: 0.001% per annum).

Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates ranging from 0.001% to 9% per annum (2015: 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:

	2016 HK$'000	2015 HK$'000 (restated)
HK$	**3,015,390**	2,861,108
RMB	**5,844,798**	3,810,485
MOP	**2,457,299**	1,297,252
Others	**167,165**	57,379
	11,484,652	8,026,224

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 2016

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:

	2016 HK$'000	2015 HK$'000 (restated)
Trade payables, aged:		
0–30 days	**10,822,619**	8,073,021
31–90 days	**5,113,422**	2,056,945
Over 90 days	**3,467,700**	3,740,657
	19,403,741	13,870,623
Retention payables	**7,181,098**	5,986,535
Other payables and accruals	**2,415,305**	2,069,820
	29,000,144	21,926,978

Other payables included in the other payables and accruals amounted to approximately HK$2,361,694,000 (2015: HK$2,011,899,000), 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$2,638,223,000 (2015: HK$1,788,869,000), 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$241,048,000 (2015: HK$660,002,000), which were unsecured, interest free and repayable on demand.

The average credit period on trade and construction cost payables is 60 days (2015: 60 days). At 31 December 2016, the amount of retention payables expected to be due after more than one year was approximately HK$2,469,872,000 (2015: HK$2,673,649,000).

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

	2016 HK$'000	2015 HK$'000 (restated)
HK$	**7,941,139**	6,365,191
RMB	**18,107,652**	14,107,905
MOP	**2,640,708**	1,182,653
US$	**79,247**	60,904
Others	**231,398**	210,325
	29,000,144	21,926,978

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

32 Borrowings

	2016 HK$'000	2015 HK$'000
Bank loans, secured	**2,062,425**	2,267,388
Bank loans, unsecured	**15,242,251**	11,626,503
	17,304,676	13,893,891
Less: Amount due within one year shown under current liabilities	**(1,455,620)**	(808,197)
Amount due after one year	**15,849,056**	13,085,694
Carrying amount repayable:		
Within one year	**1,455,620**	808,197
More than one year but not exceeding two years	**3,943,354**	815,832
More than two years but not more than five years	**9,968,412**	10,663,147
More than five years	**1,937,290**	1,606,715
	17,304,676	13,893,891

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

Borrowings are dominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	**11,902,550**	10,300,000
RMB	**5,079,283**	3,400,780
Canadian Dollar ("CAD")	**56,936**	109,467
US$	**265,907**	83,644
	17,304,676	13,893,891

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

32 Borrowings

The effective interest rates of borrowings are as follows:

	2016				2015			
	HK$ %	RMB %	CAD %	US$ %	HK$ %	RMB %	CAD %	US$ %
Bank loans, secured	**–**	**4.41**	**6.26**	**–**	–	4.86	6.26	–
Bank loans, unsecured	**2.33**	**4.61**	**3.45**	**3.64**	2.41	5.67	3.45	3.11

33 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 2015	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
Issue of ordinary shares (Note)	**431,824,639**	**10,795**
Balance at 31 December 2016	**4,488,139,261**	**112,203**

Note: During the year, the Company issued and allotted 431,824,639 new Shares at the subscription price of HK$11.14 per Share ("Subscription Shares") pursuant to a Subscription Agreement entered into between China Overseas Holdings Limited and the Company dated 11 May 2016.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

34 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 2015, as previously presented	9,437,027	(1,670,221)	337	2,666	58,726	1,074,454	211,223	10,615,574	19,729,786
Acquisition of Precious Deluxe (Note 2.1)	–	(799,900)	–	–	–	3,617	–	2,455,924	1,659,641
At 1 January 2015, as restated	9,437,027	(2,470,121)	337	2,666	58,726	1,078,071	211,223	13,071,498	21,389,427
Profit for the year	–	–	–	–	–	–	–	4,524,126	4,524,126
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 on translation of the Company and its subsidiaries	–	–	–	–	–	(1,375,205)	–	–	(1,375,205)
Exchange differences on translation of joint ventures	–	–	–	–	–	(234,473)	–	–	(234,473)
Exchange differences on translation of associates	–	–	–	–	–	(16,587)	–	–	(16,587)
Total comprehensive income for the year	–	–	–	–	(12,529)	(1,626,265)	–	4,524,126	2,885,332
Issue of ordinary shares upon exercise of share options	10,957	–	–	(2,160)	–	–	–	–	8,797
Lapse of share options	–	–	–	(506)	–	–	–	506	–
Contribution from a former shareholder	–	9,900	–	–	–	–	–	–	9,900
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	9,900	–	(2,666)	–	–	52,261	(1,262,065)	(1,191,613)
At 31 December 2015, as restated	9,447,984	(2,460,221)	337	–	46,197	(548,194)	263,484	16,333,559	23,083,146

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

34 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 2016, as previously presented	9,447,984	(1,670,221)	337	–	46,197	(549,054)	263,484	13,506,581	21,045,308
Acquisition of Precious Deluxe (Note 2.1)	–	(790,000)	–	–	–	860	–	2,826,978	2,037,838
At 1 January 2016, as restated	9,447,984	(2,460,221)	337	–	46,197	(548,194)	263,484	16,333,559	23,083,146
Profit for the year	–	–	–	–	–	–	–	5,130,066	5,130,066
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	–	–	–	(941)	–	–	–	(941)
Gain on fair value changes of available-for-sale investments, net of tax	–	–	–	–	5,102	–	–	–	5,102
Exchange differences on translation of the Company and its subsidiaries	–	–	–	–	–	(1,829,488)	–	–	(1,829,488)
Exchange differences on translation of joint ventures	–	–	–	–	–	(277,346)	–	–	(277,346)
Exchange differences on translation of associates	–	–	–	–	–	(28,314)	–	–	(28,314)
Total comprehensive income for the year	–	–	–	–	4,161	(2,135,148)	–	5,130,066	2,999,079
Issue of ordinary shares	4,799,164	–	–	–	–	–	–	–	4,799,164
Acquisition of subsidiaries under merger accounting	–	(3,908,554)	–	–	–	–	–	–	(3,908,554)
Acquisition of additional interest of subsidiaries	–	(233,722)	–	–	–	–	–	–	(233,722)
2015 final dividend paid	–	–	–	–	–	–	–	(730,137)	(730,137)
2016 interim dividend paid	–	–	–	–	–	–	–	(673,221)	(673,221)
Transfer to statutory reserve	–	–	–	–	–	–	20,329	(20,329)	–
Total transactions with owners, recognised directly in equity	4,799,164	(4,142,276)	–	–	–	–	20,329	(1,423,687)	(746,470)
At 31 December 2016	14,247,148	(6,602,497)	337	–	50,358	(2,683,342)	283,813	20,039,938	25,335,755

Notes:

(a) Special reserve arose from:

(i) The balance of special reserve brought forward from prior years arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司, China Overseas Technology Holdings Limited and its subsidiaries ("COTHL") and China Overseas Ports Investment Company and its subsidiaries under common control. During the year, the Group acquired Precious Deluxe Global Limited and its subsidiaries under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of contribution from/(distribution to) the former shareholders in prior years.

(ii) During 2012, the Group obtained control over 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 private placing to certain independent investors. As a result, the Group's shareholding in FEG was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in FEG of approximately HK$57 million and the carrying amount of the attributable share of net assets of FEG of approximately HK$23 million, was credited to the special reserve.

(iii) During 2016, the FEG Group further acquired 36.63% of equity interests in Gamma North America, Inc. through conversion of shareholder's loans. The net liability value of Gamma North America, Inc. of HK$229,666,000 has been transferred from non-controlling interests to special reserve in equity.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

34 Share premium and reserves *(continued)*

Notes: *(continued)*

(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 2016 is the proposed 2016 final dividend of approximately HK$807,865,000 (2015: HK$730,137,000).

35 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 2016 was estimated at approximately HK$3,925 million (2015: HK$3,920 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.

36 Deferred income

	2016 HK$'000	2015 HK$'000
Deferred income arose from the following:		
Connection services	**752,699**	796,531

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 represents 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:

	2016 HK$'000	2015 HK$'000
Deferred income due within one year included in trade payables, other payables and accruals under current liabilities	**53,611**	57,921
Deferred income due after one year	**699,088**	738,610
	752,699	796,531

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

37 Deferred taxation

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

	2016 HK$'000	2015 HK$'000 (restated)
Deferred tax assets:		
To be recovered after more than twelve months	**176,642**	225,824
To be recovered within twelve months	**48,364**	55,127
	225,006	280,951
Deferred tax liabilities:		
To be recovered after more than twelve months	**341,615**	398,474
To be recovered within twelve months	**7,276**	7,791
	348,891	406,265

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015, as previously presented	–	18,617	256,314	9,324	66,196	37,937	5,158	(188,646)	(2,743)	202,157
Acquisition of Precious Deluxe (Note 2.1)	41,582	–	–	–	–	–	–	–	–	41,582
At 1 January 2015, as restated	41,582	18,617	256,314	9,324	66,196	37,937	5,158	(188,646)	(2,743)	243,739
Exchange adjustments	–	–	(8,241)	280	–	(3,596)	–	12,067	–	510
(Credited)/charged to consolidated income statement (Note 11)	(2,559)	(1,014)	(3,400)	(4,514)	5,247	(6,998)	–	(105,697)	–	(118,935)
At 31 December 2015, as restated	39,023	17,603	244,673	5,090	71,443	27,343	5,158	(282,276)	(2,743)	125,314
At 1 January 2016, as previously presented	**–**	**17,603**	**244,673**	**5,090**	**71,443**	**27,343**	**5,158**	**(282,276)**	**(2,743)**	**86,291**
Acquisition of Precious Deluxe (Note 2.1)	**39,023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39,023**
At 1 January 2016, as restated	**39,023**	**17,603**	**244,673**	**5,090**	**71,443**	**27,343**	**5,158**	**(282,276)**	**(2,743)**	**125,314**
Exchange adjustments	**–**	**–**	**(10,089)**	**(318)**	**–**	**–**	**–**	**8,053**	**–**	**(2,354)**
Charged/(credited) to consolidated income statement (Note 11)	**854**	**(5,024)**	**(17,531)**	**(7,092)**	**4,796**	**(7,056)**	**–**	**31,978**	**–**	**925**
At 31 December 2016	**39,877**	**12,579**	**217,053**	**(2,320)**	**76,239**	**20,287**	**5,158**	**(242,245)**	**(2,743)**	**123,885**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

37 Deferred taxation *(continued)*

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

	2016 HK$'000	2015 HK$'000 (restated)
Deferred tax assets	**225,006**	280,951
Deferred tax liabilities	**(348,891)**	(406,265)
	(123,885)	(125,314)

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:

	2016 HK$'000	2015 HK$'000
Unused tax losses (Note (a))	**1,617,163**	843,675
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (Note (b))	**3**	3
	1,617,166	843,678

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$977,765,000 (2015: HK$412,660,000) 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.

38 Major non-cash transaction

During the year ended 31 December 2016, the FEG Group acquired additional interest in a subsidiary through conversion of shareholder's loans into equity, resulting in a reduction of non-controlling interests of approximately HK$229,666,000.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

39 Share-based payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan") of CSCECL, an intermediate holding company of the Company, 10,485,000 incentive shares were granted to certain employees of the Company (the "Employees", including five directors and certain senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share (the "Exercise Price"), subject to a lock-up period of two years' service from the Grant Date (the "Lock-Up Period"). During the Lock-up Period, these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has a constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or the individual's key performance indicators are not achieved.

The fair value of incentive shares on the Grant Date determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date, exercise price of RMB4.866 per share, share-based payments cap at 40% of the respective Employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

40 Operating lease arrangements

The Group as lessee

At 31 December 2016 and 2015, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2016 HK$'000	2015 HK$'000 (restated)
Within one year	**51,965**	59,547
In the second to fifth year inclusive	**75,272**	95,870
	127,237	155,417

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

40 Operating lease arrangements *(continued)*

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$4,249,241,000 (2015: HK$3,573,662,000) were let out under operating leases.

Property rental income earned, net of direct outgoings, during the year was approximately HK$102,192,000 (2015: HK$97,758,000) 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 2016 and 2015, the Group had contracted with tenants for the following future minimum lease payments:

	2016 HK$'000	2015 HK$'000 (restated)
Within one year	**89,466**	79,256
In the second to fifth year inclusive	**97,013**	73,086
Over five years	**13,760**	9,627
	200,239	161,969

41 Commitments

At 31 December 2016 and 2015, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
— construction in progress for property, plant and equipment	**31,636**	554,885

42 Transactions with non-controlling interests

Acquisition of additional interest in subsidiaries

Apart from the further acquisition of 36.63% of equity interests in Gamma North America Inc. through conversion of shareholder's loan as disclosed in note 34(a)(iii), on 5 December 2016, the Group acquired an additional 4.95% of the issued shares of 深圳路安特瀝青高新技術有限公司 for a purchase consideration of HK$9,187,000. The Group recognised a decrease in non-controlling interests of HK$5,131,000 and a decrease in equity attributable to owners of the company of HK$4,056,000. The effect of changes in the ownership interest of 深圳路安特瀝青高新技術有限公司 on the equity attributable to owners of the company during the year is summarised as follows:

	2016 HK$'000	2015 HK$'000
Carrying amount of non-controlling interests acquired	**5,131**	–
Consideration paid to non-controlling interests	**(9,187)**	–
Excess of consideration paid recognised within equity	**(4,056)**	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 the immediate holding company, an intermediate holding company, fellow subsidiaries, associates and joint ventures during the year:

Transactions

	2016 HK$'000	2015 HK$'000 (restated)
Fellow subsidiaries		
Rental income	**7,126**	7,014
Security service payment	**10,547**	14,785
Revenue from construction contracts	**1,398,585**	360,154
Project consultancy services income	**17,234**	23,752
Construction costs	**5,254,776**	4,413,982
Insurance premium income	**954**	1,112
Revenue from connection service	**24,913**	19,273
Management fee paid	**10,978**	24,987
Interest expenses	**11,799**	22,023
Associates		
Purchase of construction materials	**505,125**	418,905
Revenue from construction contracts	**1,058,625**	618,582
Joint ventures		
Revenue from construction contracts	**3,804,567**	2,757,716
Rental income from lease of machinery	**6,073**	574
Purchase of materials	**102,177**	109,257
Sales of building materials	**63,466**	22,322
Insurance premium income	**10,351**	27,806
Construction costs	**766,629**	772,012
Consultancy income	**86**	66
Gain on disposal of prepaid lease payment	**–**	90,569
Management fee income	**18,565**	–
Immediate holding company		
Management fee income	**–**	1,702
Intermediate holding company		
Revenue from construction contracts	**32,627**	1,365
Construction costs	**–**	473,022

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

43 Related party transactions *(continued)*

Transactions with other state-controlled entities in Mainland China

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

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

- Revenue from construction contracts
- Investment income
- Finance costs

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

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

Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term benefits	**62,661**	52,230
Post-employment benefits	**288**	252
	62,949	52,482

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 2016

44 Company Statement of Financial Position and Reserve Movement

	2016 HK$'000	2015 HK$'000
Non-current Asset		
Interests in subsidiaries	**18,444,885**	10,396,924
Current Assets		
Deposits, prepayments and other receivables	**–**	243
Amounts due from subsidiaries	**5,269,225**	5,519,912
Tax recoverable	**–**	651
Bank balances and cash	**4,784**	602,583
	5,274,009	6,123,389
Current Liabilities		
Other payables	**20,371**	10,680
Tax payable	**934**	–
	21,305	10,680
Net Current Assets	**5,252,704**	6,112,709
Total Assets less Current Liabilities	**23,697,589**	16,509,633
Capital and Reserves		
Share capital	**112,203**	101,408
Share premium and reserves (Note)	**14,686,146**	10,271,985
	14,798,349	10,373,393
Non-current Liability		
Borrowings	**8,899,240**	6,136,240
	23,697,589	16,509,633

On behalf of the Board

Zhou Yong
Director

Zhou Hancheng
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 2015	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
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,018,355**	**1,018,355**
Issue of ordinary shares	**4,799,164**	**–**	**–**	**–**	**4,799,164**
2015 final dividend paid	**–**	**–**	**–**	**(730,137)**	**(730,137)**
2016 interim dividend paid	**–**	**–**	**–**	**(673,221)**	**(673,221)**
At 31 December 2016	**14,247,148**	**337**	**–**	**438,661**	**14,686,146**

45 Particulars of principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/registered capital	Attributable equity interest held 2016 %	Attributable equity interest held 2015 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 ordinary shares of HK$300,000,000	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$150,000	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	655,569,190 ordinary shares of HK$655,569,190 and 844,430,810 non-voting deferred shares of HK$844,430,810	**100**	100	Building construction, civil and foundation engineering works and investment holding
China State Construction Science and Technology Limited	Hong Kong	100 ordinary shares of HK$100	**100**	100	Provision of related installation repairs and maintenance services
Add Treasure Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Zetson Enterprises Ltd	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Issuance of guaranteed notes
CS International Holdings Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
China State Grand Wealth Investments Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
Ever Power Group Limited	BVI/Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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
			2016 %	2015 %	
Indirectly held by the Company:					
China Overseas Building Construction Limited	Hong Kong	19,999,900 ordinary shares of HK$199,999,000 and 100 non-voting deferred shares of HK$1000	**100**	100	Building construction, project management and investment holding
China Overseas (Hong Kong) Limited	Hong Kong	5,000,000 ordinary shares of HK$50,000,000	**100**	100	Investment holding and provision of management services
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$19,999,000 and 100 non-voting deferred shares of HK$1,000	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	99,500,000 ordinary shares of HK$99,500,000 and 500,000 non-voting deferred shares of HK$500,000	**100**	100	Foundation engineering works and project management
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	100,000,000 ordinary shares of HK$100,000,000	**100**	100	Mechanical and electrical engineering works and project management
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$2	**100**	100	Holding of trade marks
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
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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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
			2016 %	2015 %	
Indirectly held by the Company: *(continued)*					
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
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
Oceanic Empire Holdings Limited (iv)	BVI/Hong Kong	1 ordinary share of US$1	**100**	–	Investment holding
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. (v)	Canada	100 common shares of CAD53,362.36 each	**69.34**	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
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 2016

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
			2016 %	2015 %	
Indirectly held by the Company: *(continued)*					
Gamma North Corporation (v)	United States of America	1 share of US$1	**69.34**	40.73	Manufacture of curtain walls, aluminium windows and other related products
Gamma USA, Inc. (v)	United States of America	1,000 shares of US$0.001 each	**69.34**	40.73	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Precious Deluxe Global Limited	BVI	1 ordinary share of US$1	**100**	100	Investment holding
Advocate Properties Limited	Hong Kong	10,000,000 shares of HK$1 each	**100**	100	Investment holding
On Success Development Limited	Hong Kong	10,000 shares of HK$1 each	**100**	100	Property investment
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 (ii)	PRC	RMB50,000,000	**100**	100	Provision of project consultant services
深圳海龍建築科技有限公司 (formerly known as 深圳海龍建築製品有限公司) (i)	PRC	RMB50,000,000	**100**	100	Manufacturing and sales of precast structures
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 (ii)	PRC	US$878,000,000	**100**	100	Investment holding

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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 2016 %	2015 %	Principal activities
Indirectly held by the Company: *(continued)*					
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
重慶海勝基礎設施開發有限公司 (ii)	PRC	RMB310,000,000	**100**	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	PRC	RMB210,000,000	**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	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
遠東幕牆製品(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
龍海海嘉建設有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(湖州)有限公司 (ii)	PRC	RMB170,000,000	**100**	100	Infrastructure investment
中建國際投資(杭州)有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(青島)有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
中建國際投資(淮安)有限公司 (ii)	PRC	RMB96,000,000	**100**	100	Infrastructure investment
中建國際投資(句容)有限公司 (ii)	PRC	RMB150,000,000	**90**	90	Infrastructure investment
嘉興海悅建設有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
資陽海悅建設有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
濱州海嘉建設有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment
淮安海嘉建設有限公司 (ii)	PRC	RMB250,000,000	**100**	100	Infrastructure investment
合肥中建國際投資發展有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure investment

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

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
			2016 %	2015 %	
Indirectly held by the Company: *(continued)*					
深圳裕龍建築有限公司(ii)(iv)	PRC	RMB2,000,000	100	–	Provision of subcontracting services
山東海龍建築科技有限公司(ii)(iv)	PRC	RMB10,000,000	100	–	Manufacturing and sales of precast structures
中建國際投資(台州)有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(合肥)有限公司(ii)(iv)	PRC	RMB200,000,000	100	–	Infrastructure investment
杭州海榮建設有限公司(ii)(iv)	PRC	RMB160,000,000	90	–	Infrastructure investment
淄博海勝建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
鄭州海河建設工程有限公司(ii)(iv)	PRC	RMB200,000,000	100	–	Infrastructure investment
鄭州海欣建設工程有限公司(ii)(iv)	PRC	RMB200,000,000	100	–	Infrastructure investment
淄博海嘉建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
淄博海悦建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
淮安海悦建設有限公司(ii)(iv)	PRC	RMB120,000,000	100	–	Infrastructure investment
嘉興海悦建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
嘉興海耀建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
杭州海悦建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(嘉興)有限公司(ii)(iv)	PRC	RMB200,000,000	100	–	Infrastructure investment
成都海耀建設有限公司(ii)(iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
西安海嘉建設發展有限公司(ii)(iv)	PRC	RMB100,000,000	95	–	Infrastructure investment
長沙海嘉建設有限公司(ii)(iv)	PRC	RMB200,010,000	90	–	Infrastructure investment
句容海嘉建設有限公司(ii)(iv)	PRC	RMB120,000,000	90	–	Infrastructure investment

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2016

45 Particulars of principal subsidiaries *(continued)*

Notes:

(i) Registered as foreign owned enterprise

(ii) Limited liability company registered in the PRC

(iii) Listed company

(iv) Incorporated in 2016

(v) The attributable equity interest held increased from 40.73% to 69.34% follow by a further acquisition in 2016.

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				
	2012 HK$'000 (restated)	2013 HK$'000 (restated)	2014 HK$'000 (restated)	2015 HK$'000 (restated)	**2016** **HK$'000**
Revenue	22,130,646	27,365,719	34,522,262	38,001,876	**46,207,508**
Operating profit	2,617,717	3,414,762	4,331,373	5,265,160	**6,136,914**
Share of profits of					
Joint ventures	413,284	430,228	294,345	423,728	**420,295**
Associates	18,255	21,941	23,787	72,462	**142,670**
Finance costs	(271,454)	(436,088)	(475,569)	(629,105)	**(688,159)**
Profit before tax	2,777,802	3,430,843	4,173,936	5,132,245	**6,011,720**
Income tax expenses, net	(413,147)	(512,991)	(668,137)	(659,562)	**(1,004,504)**
Profit for the year	2,364,655	2,917,852	3,505,799	4,472,683	**5,007,216**
Profit/(loss) for the year attributable to:					
Owners of the Company	2,359,613	2,996,716	3,575,331	4,524,126	**5,130,066**
Non-controlling interests	5,042	(78,864)	(69,532)	(51,443)	**(122,850)**
	2,364,655	2,917,852	3,505,799	4,472,683	**5,007,216**

Note: The consolidated results for the years ended 31 December 2012, 2013, 2014 and 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe and changes of measurement of investment properties.

Five Year Financial Summary (continued)

Consolidated Net Assets

	For the year ended 31 December				
	2012 HK$'000 (restated)	2013 HK$'000 (restated)	2014 HK$'000 (restated)	2015 HK$'000 (restated)	**2016** **HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	2,545,141	2,692,022	2,844,595	2,786,916	**2,493,761**
Investment properties	2,443,665	2,650,331	2,726,676	3,050,468	**4,249,520**
Interests in infrastructure project investments	915,049	1,186,012	1,489,188	1,536,372	**1,495,041**
Prepaid lease payments	277,795	280,063	273,022	269,816	**315,097**
Interests in joint ventures	2,630,927	2,149,893	3,449,034	3,573,662	**4,949,241**
Interests in associates	36,156	48,757	2,104,943	3,800,193	**4,070,378**
Concession operating rights	5,501,701	6,353,833	6,530,992	6,044,202	**5,234,340**
Deferred tax assets	–	151,027	187,320	280,951	**225,006**
Trademark, project backlogs and licences	252,551	226,596	200,640	186,025	**175,190**
Goodwill	577,664	577,664	577,664	577,664	**577,664**
Available-for-sale investments	497,861	543,642	453,286	239,503	**228,370**
Investment in convertible bonds	296,827	–	–	–	**–**
Amounts due from investee companies	361,471	399,645	411,838	281,858	**196,818**
Trade and other receivables	3,186,846	8,141,167	12,901,282	17,949,961	**21,820,299**
Deposit paid for an investment	–	500,000	–	108,043	**–**
Loan to a joint venture	–	127,550	804,918	–	**–**
	19,523,654	26,028,202	34,955,398	40,685,634	**46,030,725**
CURRENT ASSETS	21,288,785	29,078,139	34,342,389	32,418,461	**40,143,720**
TOTAL ASSETS	40,812,439	55,106,341	69,297,787	73,104,095	**86,174,445**
NON-CURRENT LIABILITIES					
Borrowings	(10,101,194)	(8,600,258)	(10,361,804)	(13,085,694)	**(15,849,056)**
Guaranteed notes payables	–	(3,860,286)	(3,869,804)	(3,879,322)	**(3,888,839)**
Deferred income	(520,791)	(638,802)	(735,808)	(738,610)	**(699,088)**
Deferred tax liabilities	(404,671)	(439,143)	(431,059)	(406,265)	**(348,891)**
Obligations under finance leases	(4,938)	(4,280)	(3,480)	(2,719)	**(2,139)**
	(11,031,594)	(13,542,769)	(15,401,955)	(18,112,610)	**(20,788,013)**
CURRENT LIABILITIES	(14,725,100)	(23,834,817)	(32,238,529)	(31,706,669)	**(39,716,114)**
TOTAL LIABILITIES	(25,756,694)	(37,377,586)	(47,640,484)	(49,819,279)	**(60,504,127)**
NET ASSETS	15,055,745	17,728,755	21,657,303	23,284,816	**25,670,318**

Note: The consolidated net assets as at 31 December 2012, 2013, 2014 and 2015 have been restated for the application of merger accounting for common control combination, acquisition of Precious Deluxe and changes of measurement of investment properties.

Particulars of 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
(g)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, office floors 4th to 25th Floors and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial	Medium-term lease	217,754	100

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

28th Floor, China Overseas Building,
139 Hennessy Road, Wanchai, Hong Kong
Tel : 2823 7888
Fax : 2527 6782
Website : www.csci.com.hk