中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
(Stock Code: 3311)

Make Concerted Efforts to Build Up Harmony

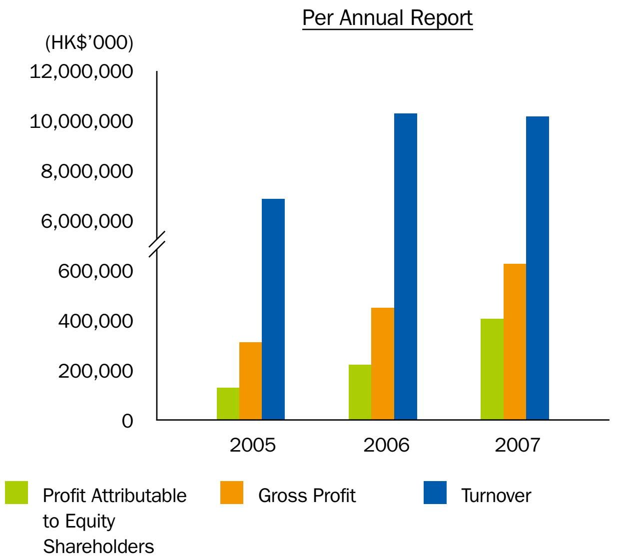
Annual Report 2007

Contents

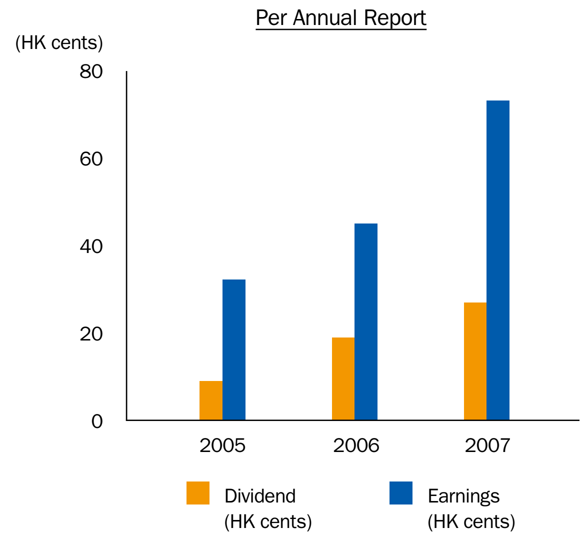
Financial Highlights

For the year ended 31 December	2007	Per Annual Report 2006	Change	2005	Restated including newly acquired businesses in 2007 2006	2005
RESULTS (HK$'000)						
Turnover	**10,168,321**	10,294,826	-1.2%	6,862,530	11,094,546	8,666,223
Gross profit	**766,116**	459,050	66.9%	331,137	541,366	440,734
Profit attributable to equity shareholders	**404,893**	222,182	82.2%	130,666	410,493	193,366
– underlying businesses	**284,781**	–		–	222,182	152,021
– newly acquired businesses	**120,112**	–		–	188,311[note]	41,345
FINANCIAL RATIOS						
Gross profit margin (%)	**7.5%**	4.5%	66.7%	4.8%	4.9%	5.1%
Net margin (%)	**4.0%**	2.2%	81.8%	1.9%	3.7%	2.2%
Current ratio (times)	**1.20**	1.18	N/A	1.21	0.97	0.94
FINANCIAL INFORMATION PER SHARE						
Earnings (HK cents)	**73.28**	45.05	62.7%	32.26	80.03	38.00
Dividend (HK cents)	**27.00**	19.00	42.1%	9.00	19.00	9.00
Net assets (HK$)	**3.54**	1.95	81.5%	1.70	1.36	1.19
OTHER INFORMATION						
Value of incomplete contract as at 31 December (HK$ million)	**20,217**	20,033	0.9%	15,600	20,033	15,600

Results



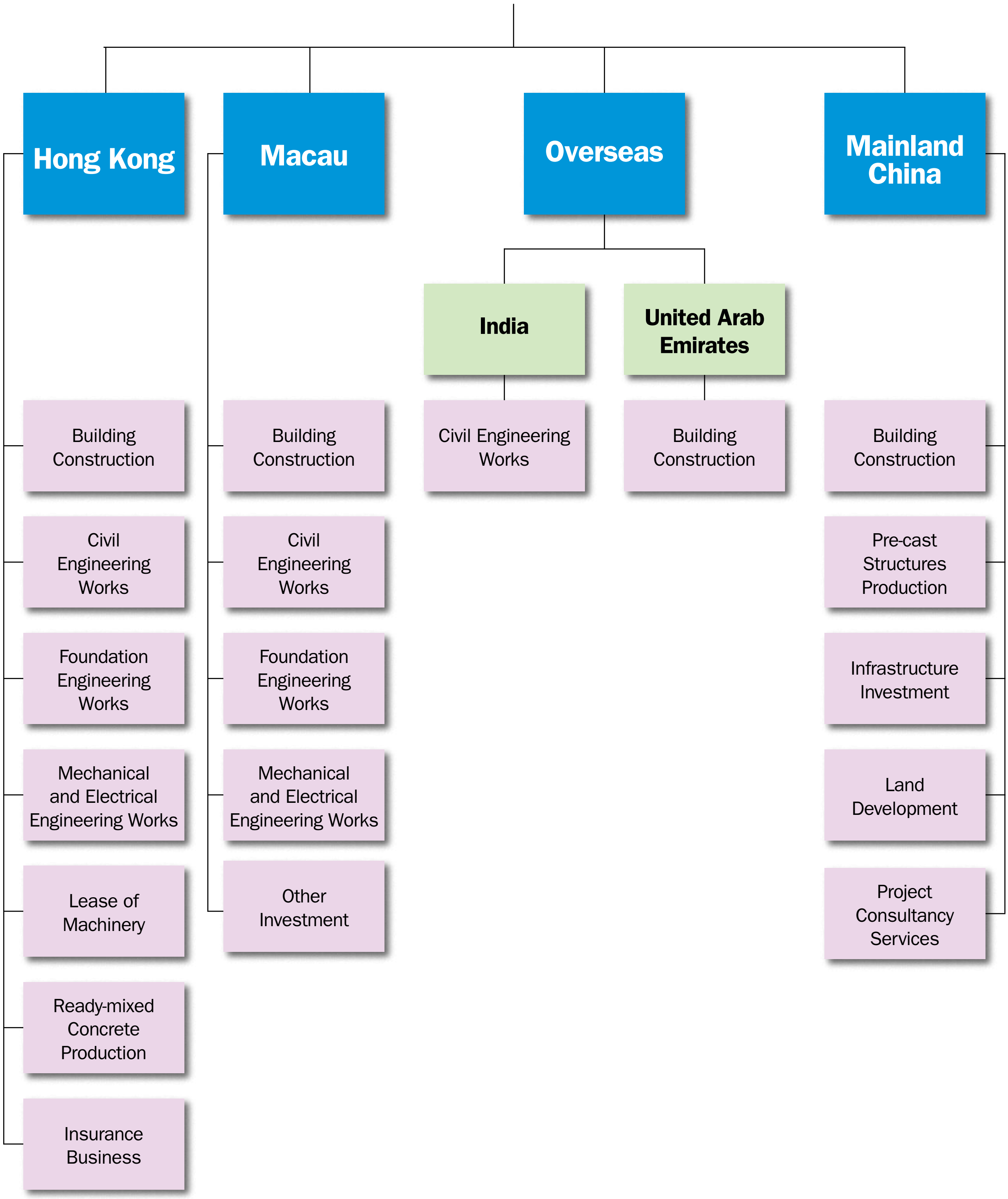
Financial Information Per Share



Note: Including exceptional gain on disposal of listed securities of HK$158 million

Corporate Structure

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



Board of Directors and Committees

Board of Directors

Chairman and Non-executive Director
Kong Qingping

Honorary Chairman (Non-board Member)
Sun Wen Jie

Executive Directors
Zhou Yong (Vice-chairman and Chief Executive Officer)
Yip Chung Nam
Fu He
Zhou Hancheng
Cheong Chit Sun

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

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

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

Nomination Committee
Kong Qingping (Chairman)
Zhou Yong
Fu He
Raymond Ho Chung Tai
Adrian David Li Man Kiu
Raymond Leung Hai Ming
Lee Shing See

Corporate Information

Qualified Accountant
Chan Sim Wang

Company Secretary
Connie Chiang Yuet Wah

Authorised Representatives
Kong Qingping
Zhou Yong

Principal Share Registrar and Transfer Office
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

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

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

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

Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Adviser
JSM

Principal Bankers
Bank of China (Hong Kong) Limited
Bank of Communications Co. Ltd., Hong Kong Branch
BNP Paribas Hong Kong Branch
CALYON
DBS Bank Ltd., Hong Kong Branch
The Bank of East Asia, Limited
The Hongkong and Shanghai Bank Corporation Limited

Stock Code
3311

Warrant Code
501

Website
www.csci.com.hk

Financial Calendar
Closure of Registers of Members
6 June 2008 to 12 June 2008
(both days inclusive)

Annual General Meeting
12 June 2008

Payment of Proposed Final Dividend
26 June 2008


RENESAS

Our Direction

Supported by the sound operation strategy of "Competing by Low Cost and High Quality of Management", the Group is in a strong position to capture the opportunities offered by the construction market growth.

Chairman's Statement

The development strategy of "cross-region operation" to build an operation platform integrating such three major regions of Hong Kong and Macau, overseas region and the Mainland China will be continuously implemented for the purpose of avoiding risk from a single market. Active promotion is made on construction-related related investment business to seize investment opportunities in the Mainland China so as to utilise its complementary strength and optimise resource allocation effectively, promote value chain management and further enhance the core competitiveness of the Company.

THE ANNUAL RESULTS

The Group's audited profit attributable to the Shareholders for the year ended 31 December 2007 was HK$405 million. Annual turnover was HK$10,168 million while basic earnings per share was HK 73.28 cents.

PAYMENT OF DIVIDENDS

The Board recommends the payment of a final dividend of HK18 cents per share for the year ended 31 December 2007, together with the interim dividend of HK9 cents per share, the annual total dividends per share will amount to HK27 cents, representing a year-on-year increase of 42.1%.

REVIEW OF OPERATION

In 2007, the global economy maintained its robust growth momentum with instable factors emerging. While the global financial markets were hard hit by the US subprime mortgage crisis, the economies of emerging countries are expected to grow continuously. As a whole, the economic growth of China and India will remain rapid, while the economies of Macau and Hong Kong will maintain a robust momentum, which will create favourable conditions for the implementation of the Group's strategies and enable the Company to significantly increase its shareholder value and market value.

Market Conditions

Hong Kong's economy remained strong, with GDP increasing by 6.7% in 2007. The robust economy of Mainland China continues to provide impetus to Hong Kong's economic growth. The Group adheres to its sound operation strategy of "Competing by Low Cost and High Quality of Management" and succeeds in maintaining its competitiveness in the market of Hong Kong, and has achieved satisfactory results of operation.

The overall economy of Macau is rosy, with 2007 GDP growth rate exceeded the record high of 28.4% in 2004, government revenue increased significantly and resident income improved continuously. Affected by the Ao Man Long incident, there are just a few newly-launched construction projects in the construction market of Macau although existing construction is in full swing. The Group took advantage of its comprehensive competitive edge in Hong Kong and Macau to strengthen linkage of its operation in Hong Kong and Macau, as well as maintaining its market share in Macau, which brought considerable proceeds.

The economy of Dubai of the United Arab Emirates enjoys strong growth, drawing a large number of investors to the Dubai market. Large projects from both the public and the private sectors have been launched onto the market one after another. The construction market continues to prosper and has become an important driver for the local GDP. As the investment environment of the United Arab Emirates is favourable for us to expand our business by leveraging our mature experience in Hong Kong, the Group achieves remarkable results by adhering to its prudent operation strategy, and seizing opportunities at the right time.

With its middle class population rapidly growing and its long-term cooperation with major economies in the world, India continues to witness rapid economic growth. The government's further increase in the investment in infrastructure and residential buildings and the permission for private investment to participate in the construction of relevant projects also provide new momentum to boost the construction market of India. The Group adhered to its prudent and sound operation strategy, worked hard to implement its construction-in-progress and selectively took part in a few targeted tender processes, thus ensuring its steady development in the Indian market.

Completed Projects

In 2007, the Group completed 26 projects, which mainly included:

- Hong Kong: Enterprise Square 5, Kowloon Bay; Residential Development at Tung Lo Wan Hill Road, Shatin; TWTL 398, Tai Ho Road, Tsuen Wan, Superstructure; Design and Construction of Hin Tin Swimming Pool Phase 2, Shatin; Formation and Associated Infrastructure Works for Development at Choi Wan Road and Jordan Valley; and Castle Peak Road Improvement between Ting Kau and Sham Tseng, Tsuen Wan.

- Macau: Commercial and Residential Development at Lot R+R1 at Avenida 1 de Maio; and Construction of Nova Taipa Gardens, Phase 2B.

- Mainland China: Shangri-La Hotel, Phase 3, Beijing.

Mr. KONG Qingping
Chairman and Non-executive Director

New Projects Awarded

The Group secured 34 new contracts in 2007, with an aggregated attributable contract value of approximately HK$11,187 million, of which the Hong Kong market accounted for 46.2%, the Macau market accounted for 33.7%, the overseas market accounted for 18.8%. New contracts awarded mainly included:

- Hong Kong: Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1); Proposed Residential Development (Package 2) (Phase 1) – Carcass Contract at Tseung Kwan O; Design and Construction of Junior Police Officer's Married Quarters at Tuen Mun; Construction of Public Housing Development at Tung Tau Cottage Area West; Replacement and Rehabilitation of Water Mains, Stage 2 – Mains in Kowloon City and West Kowloon; Main Contract for Central Park at TKOTL70, Area 86, Tseung Kwan O; and Redevelopment of Quarantine B Stables at Shatin – Main Construction Contract.

- Macau: Commercial and Residential Development at Lot U, Macau; Wynn Resorts Macau – Diamond Suites and Residential Development at Lot TN25b & TN26d Taipa, Macau.

- Dubai, the United Arab Emirates: Trident Grand Residence; Dubai Sports City – Profile Project Development and XL Tower and Business Tower at Business Bay.

Projects in Progress

As at 31 December 2007, the Group has a total of 71 projects in progress, with a total attributable contract value of HK$32.87 billion (value of incomplete contract was HK$20.22 billion).

Projects in progress has been smoothly undertaken and with great effort in the control and management on quality, safety, environmental protection, progress and cost in accordance with the laws of the local government and contract requirements. Clients are served with services of the best quality. As at the report date, there are altogether 81 projects in progress, with an aggregated attributable contract value of HK$36.77 billion.

Corporate Governance

The laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited are being strictly complied with while operation is adhered to legal basis. With effective monitoring of the Board, strengthened communication with the investors and release of relevant information in a timely manner, investors' understanding of the Company is enhanced and the standard of corporate governance is further improved.

The interests of shareholders are being further protected by the maintenance of a sound and effective corporate governance structure together with continuing optimization in the internal risk monitoring system. A steady growth of operation is promoted with the further improvement in brand building that highlights the image of the brand.

Financial Management

The management and control of the Group's financial, treasury and external financing functions are centralised at head office level with adherence to the principle of prudent financial management. As at 31 December 2007, the bank balance was HK$1.56 billion with no bank borrowings and thus, the financial position was very healthy. There are also sufficient committed but unused facilities to meet the need for business development. On 4 February 2008, the Group signed a syndicated loan amounting to HK$1 billion with the Bank of China (Hong Kong), HSBC, Bank of Communications, and the Bank of East Asia. The syndicated loan lays a more reasonable capital structure as well as a solid foundation for the diversification of the Group's construction and related investment. Close monitoring of overseas markets is made and effective measures is implemented when necessary to avoid any risk in currency or interest rate.

At the quarterly economic activity analysis meeting and thematic session on finance, rolling evaluation on the Group's overall operations and system establishment is made to ensure a steady expansion of business.

Capital Operation and Related Investment Business

Approximately HK$1 billion (gross of expenses) had been raised by way of an open offer.

Acquisition of several assets from parent company at a total consideration of HK$510 million, that plays an important role in exploring the Mainland China market, consolidating market presence in Macau and expanding into engineering insurance business as well as bringing considerable proceeds.

Engage in 10% equity interest in two real estate projects in Chongqing and Zhuhai through establishment of a joint venture company with China Overseas Land & Investment Limited ("COLI"), a subsidiary of parent company within the group of holding company. The investment is expected to make positive contribution to the steady growth of the Group's profit.

Acquisition of 100% equity interest in Shenyang Huanggu Thermal Power Company Limited from COLI, at a consideration of HK$400 million, which will further diversify the Group's related investment business and bring long-term and stable revenue.

Towards the end of 2007, Shenzhen China Overseas Construction Limited (wholly-owned subsidiary) signed a contract with Tianjin Binhai Development Investment Holdings Company Limited for the consolidation and rehabilitation of certain pieces of land in the Tuanbohu District in Tianjin through the joint establishment of a project company. The total expected investment amounts to HK$692 million, and the Group holds 60% equity interest in the project company.

"Proposal for bonus issue of warrants" scheme was announced on 8 January 2008 with an exercise period of 1 year commencing on 28 February 2008. If all the warrants are fully exercised, a long-term equity funding of over HK$ 1.3 billion (gross of expenses) will be raised which will be used to strengthen the Group's financial position and net asset base for the future expansion of its business.

Human Resources Management

With a firm belief that people are the most important asset of a company, utmost effort is made to provide the staff with a challenging and harmonious working environment. Life-time learning is promoted with training and development opportunities provided to widen the perspective and improve the quality of the staff. Staff selection and appraisal system, job promotion and effective incentives mechanism are established. To share the fruits of operation with the staff under the strong belief that people are the base of everything is a way to pay back the community and to practice good corporate citizenship.

At the human resources management meeting held in Zhuhai, Guangdong Province of PRC in April of 2007, the capability in overall human resources planning is further strengthened and its human resources management system is enriched, regulated and improved through in-depth research and discussion.

Corporate Citizenship

Taking to heart a traditional idea for corporate citizenship, great emphasis is being put on social responsibilities, customer service, safety management, environmental protection and staff welfare as components of corporate citizenship, in addition to the pursuit of profits for its shareholders.

Active participation in community activities and charity is made to contribute to the society and raises funds to help people in need. For example, a love and care team of over 300 persons had been organized as a full support of the "Community Chest Walks for Millions" held on Hong Kong Island, the largest charity activity in Hong Kong, participation in the "MTR Race Walking" and fund donation by various means to the areas hit by the severe snow storm in Mainland China.

Key Awards

The Quality Award – Bronze Prize presented by the Hong Kong Management Association (HKMA) in May 2007.

Three sites received CIOB Construction Manager of the Year Award – Gold Award presented by the Chartered Institute of Building (Hong Kong) in June 2007 respectively.

Technical achievement in "Research on the Construction Technologies for the Hong Kong Disneyland Project" received the Corporate Youth Innovation Award-Gold Award presented jointly by the Ministry of Science and Technology, Youth Federation for Central Enterprises and Enterprise Federation in May 2007.

The technological achievement of the "Technology Study and System Application of Major Construction Works in Hong Kong Disneyland" received the second prize of 2007 National Science and Technology Progress Award. The Group was the only enterprise in Hong Kong that received the award.

In December, 2007, the top prize of the 2007 People Management Award – Large-scale Enterprise Category presented by the Hong Kong Institute for Human Resource Management.

The 2007 Construction Environmental Award presented by the Hong Kong Construction Association.

BUSINESS PROSPECTS

Given the fact that the global financial markets were hard hit by the US subprime mortgage crisis, and the soaring prices of energy and bulk commodities, it is anticipated that growth of the global economy will slow down, but the economic growth of emerging countries will remain steady.

The Group attempts to shift its focus from construction business to construction and related investment, so as to maximise shareholders' value. The development strategy of "cross-region operation" to build an operation platform integrating such three major regions of Hong Kong and Macau, overseas region and the Mainland China will be continuously implemented for the purpose of avoiding risk from a single market. Active promotion is made on related investment business to seize investment opportunities in Mainland China and to closely attend to the construction-related investment market in India so as to utilise its complementary strength and optimise resource allocation effectively, promote value chain management and further enhance the core competitiveness of the Company.

Market Conditions

The economy of Hong Kong is expected to keep growing moderately as spurred by the rapid growth of the Mainland economy. From a long-term perspective, the economy of Hong Kong will maintain robust momentum while entering into an era of negative interest rate with the emergence of inflation pressure and the drop in interest rate following US's rate cut, which will be certain to stimulate a new round of growth in the real estate market. In addition, the substantial fiscal surplus enjoyed by the Hong Kong government and the ten major construction plans launched in succession by the government will definitely rejuvenate the construction market in Hong Kong. The Group can maintain its position as one of the largest construction contractors in Hong Kong by taking advantage of its familiarity with the Hong Kong market for nearly 30 years.

Although the construction market in Macau has entered into a stable stage in terms of scale, Macau's infrastructure and investment environment will further improve when the large-scale infrastructure projects planned by the government, such as the extension work of the Macau International Airport, cross harbour tunnel, Hong Kong-Macau-Zhuhai Bridge, the light-rail transit system and land reclamation, are launched in succession. By taking advantage of China Construction Engineering (Macau) Company Limited's familiarity with the local market and the Group's comprehensive advantage on resource integration, competitiveness in the Macau market is enhanced through strengthening the integration of operation in Hong Kong and Macau and achieving complementary strength and resource sharing.

The market in Dubai, the United Arab Emirates, remains prosperous and large-scale governmental and private projects will be launched one after another, it is expected that the value of contracts from developers will amount to HK$700 billion in the next 5 years. Meanwhile, new opportunities emerge in the construction industry of Abu Dhabi as hot money from the Middle East is flowing into the Abu Dhabi market. As a result, the growing number of population, urban plans and the booming tourism industry will enable the construction market to grow remarkably and have a promising prospect. The Group is highly confident in the prospects of the United Arab Emirates market and on the basis of executing well projects already awarded, seizes further opportunities in the growing construction market in Dubai, fully displays its competitive strength in its ability to import Chinese labour, shall grow stronger and bigger in Dubai. Expanding move towards the market of Abu Dhabi will be made where its resources permit.

With the rapid and steady growth of the Indian economy, government and private investment in infrastructure and residential buildings are increasing. Together with the drastic increase in demand for office buildings in the next five years resulting from the rapid development of the IT industry in India, the construction industry will remain robust. The Group will closely watch and study the Indian construction market, prudently and selectively take part in tenders in the contracting field, pay particular attention to construction-related investment opportunities in India.

Mainland China will face inflation pressure in 2008 but boosted by the troika of consumption, investment and export as well as the effect of the 2008 Beijing Olympic, its economy will continue to grow in a steady but relatively rapid pace. With the acceleration of urbanization and the increase in investment in infrastructure, the Mainland construction market and infrastructure investment will grow rapidly in future, which will create a favourable external environment and broader room for the development of the Group's construction and related investment business. The Group believes that strategically, it is a right choice for the Group to enter into the Mainland China market. With "achieving sustainable growth in profit" as the basic objective for business expansion and operation, construction contracting business and construction-related investment business are being prudently selected to achieve a steady return based on the Group's financial capability and synergy. In addition, the feasibility of acquiring infrastructure projects in the Mainland from its parent company will be further studied and discussed so as to seek new sources of profit growth.

Operation Strategy

The Group has been engaging in the fully internationalized and competitive construction business in Hong Kong for almost 30 years, and has developed five unique major competitive strengths and core competitiveness. These are, firstly, a large number of experienced employees and efficient management teams; secondly, a mature and highly efficient internal control system; thirdly, a strong team of sub-contractors and suppliers; fourthly, good reputation established throughout the years and a proven track record; fifthly, strong financial support. High regard is put on the promotion of the "5+3" project management model, namely: balanced development in five major aspects: project quality, progress, safety, environmental protection and cost, as well as a strong emphasis on the practice of three assurance systems on workflow, process and responsibility at the decision-making, management and operating levels so that the contract responsibility, operation responsibility and social responsibility are organically integrated.

The objective of "Pursuit for Excellence" is integrated in all its internal management procedures, to build the brand name of "China State Construction" in all dimensions and all-regional basis, to carry forward the strategy of "Excellence Works", and to implement the essence of "5+3" project management model. While business development is moving on a fast track, project management and comprehensive quality service are being strictly implemented with value chain management being effectively applied. The project implementation capability is enhanced in its full play with further emphasis placed on the balance among operation scale, efficiency, risk and opportunities. Scientific and systematic customer resource management is made possible by the Group with the establishment of the CRM system, which is also used as an effective mechanism for communication and coordination with customers, so that customers are provided with premium services and more business opportunities can be captured subsequently.

Financial Management

Financial management is continuously strengthened to further improve our capability in capital operation and effectively support our business expansion. Rolling evaluation on the Group's overall operations is made via ongoing quarterly operation analysis meetings and thematic sessions on finance, to ensure the steady growth of business. Active effort will be made continuously to promote its ERP system aiming at strengthening the flow of project and operating information and actively controlling cost, and optimizing cash flow, so as to improve the Group's operation efficiency and risk management capability.

COMPANY MISSION

With an assertion on using people well, a harmonious and win-win operating environment is created for the Group's products, customers, shareholders and staff by continued innovations and reinforcing its core competitiveness.

To develop as an evergreen corporation through strengthening strategies, we focus on core business, active expansion on related investment businesses, application of the principle of prudent financial management to strengthen our cash management so as to maintain the position as an industry leader and to maximize the shareholders' value.

ACKNOWLEDGEMENT

May I take this opportunity to express my gratitude to the Board for its brilliant leadership, to the shareholders for lending their strong support, and to the community for their enthusiast help, and last but not least, to our staff for their dedicated efforts!

Kong Qingping
Chairman and Non-executive Director

Hong Kong, 18 March 2008

Management Discussion and Analysis

The Group has recorded a consolidated turnover of approximately HK$10,168 million (2006: HK$11,095 million), representing a decrease of 8.3%. The decrease was mainly because certain projects were changed from construction contracts to project management contracts. The gross profit increased by 41.5% to HK$766 million (2006:HK$541 million). The overall gross profit margin increased from 4.9% in 2006 to 7.5% in 2007.

The profit attributable to the equity shareholders was HK$405 million (2006: HK$410 million). The results of the underlying businesses has an increment of 28.2% while the results of the newly acquired businesses (excluding the exceptional gain on disposal of listed securities at the amount of HK$158 million in 2006) has increased by HK$90 million or 3 times.

Basic earnings per share was HK73.28 cents. For the underlying businesses, there is an increment of 14.4%.

TURNOVER

By Geographical Sectors

(i) Hong Kong market

Hong Kong market remained the major turnover contributor during the year, it contributed HK$5,501 million turnover, representing 54.1% of the overall turnover. Driven by the success of overseas markets expansion and business diversification in Mainland China market, the percentage of group turnover contribution by Hong Kong market decreased from 67.1% to 54.1%. As most of the large-scale Hong Kong projects which have significant turnover contribution were completed in 2006, turnover from Hong Kong dropped by 26.1%.

In view of the confirmation of key infrastructure projects in Hong Kong and the continuous growth of Hong Kong economy, Hong Kong construction market has become even more promising and positive than past few years. Supported by the sound operation strategy of "Competing by Low Cost and High Quality of Management", the Group is in a strong position to capture the opportunities offered by the construction market growth.

(ii) Macau market

Macau market contributed HK$1,587 million turnover. The percentage of group turnover contribution remained stable, representing 15.6% (2006: 14.0%).

The Group continued to be benefited from the tremendous opportunities brought to the construction industry. However, the impact on turnover was partially offset by the change of nature of a jointly controlled project named "City of Dreams". Having considered the contractual arrangement, both the Group and the joint venture partners considered that it is more appropriate to change the original contract from construction contract to a project management contract. Thus the turnover was then recognized based on the project management fee.

(iii) Dubai market

Dubai market contributed HK$2,065 million turnover. The percentage of group revenue contribution increased significantly from 7.2% in 2006 to 20.3% in 2007. Reflected by the success of overseas market expansion and the continuous growth of Dubai market, it has become one of the major turnover contributors of the Group.

(iv) Mainland China market

Mainland China market contributed HK$663 million turnover. The percentage of group revenue contribution remained stable in 2007, representing 6.5% in 2007 (2006: 7.6%).

(v) Indian market

Indian market contributed HK$351 million. The percentage of group revenue contribution remained stable in 2007, representing 3.5% (2006: 4.1%). In 2007, in view of the increased passenger travel of the Hyderabad International Airport in India, the employer decided to expand the facilities at the new airport being constructed by the Group to cater for 12 million instead of 7 million passengers per annum. By considering the resource and risk factors, the Group and the employer agreed to modify the contractual arrangement to change the project from construction contract to project management contract.

By Business Segments

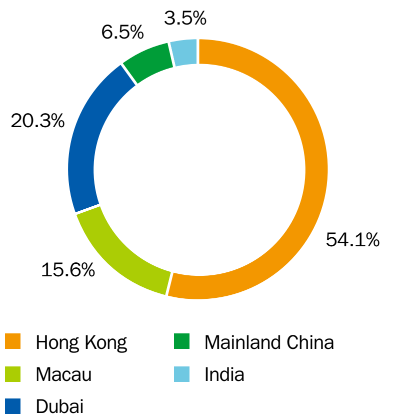
(i) Construction business

Construction segment is the major business segment of the Group, which contributed HK$9,393 million. The proportion of the revenue contributed from construction segment was slightly decreased from 95.9% in 2006 to 92.4% in 2007.

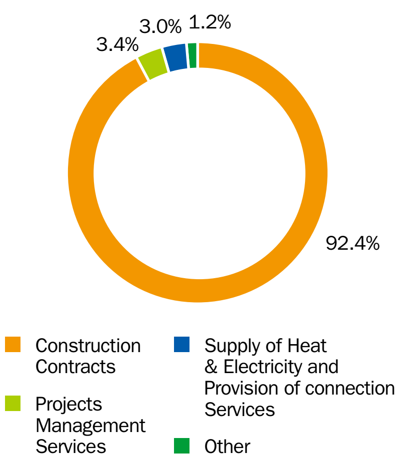
Mr. ZHOU Yong

Vice-chairman and Chief Executive Officer

Turnover by Geographical Sectors



Turnover by Business Sectors



(ii) Project management business

The turnover contributed from project management business increased 4 times from HK$85 million in 2006 to HK$346 million in 2007, representing 3.4% of the overall turnover. The significant increase was due to the following factors:

- the nature of certain projects was changed from construction projects to project management contracts;
- the Group secured a new large scale project management contract in Mainland China in 2007 which contributed considerable amount of revenue to the Group;
- the Group completed a project management contract with satisfactory results in Macau in 2007.

(iii) Supply of heat and electricity and connection services business

Production and supply of heat, electricity and steam and connection services in Shenyang generated HK$302 million, representing an increase by 31.1% from HK$231 million in 2006. The increase was mainly attributed to the rise of connection services fee during the year and the launch of completed Power Plant Phrase III which allowed the increase in production capacity and expansion of provision coverage in Shenyang.

(iv) Other businesses

The other business including the insurance business, project consultancy services, sales of building materials & pre-cast structure and revenue from machinery leasing generated a stable turnover over the year.

GROSS PROFIT

(i) Hong Kong market

Hong Kong market contributed HK$179 million gross profit in 2007 (2006: HK$348 million). The gross profit margin decreased from 4.7% in 2006 to 3.3% in 2007, because of the intense competition of the construction industry in the previous years that narrowed the profit margin of the existing projects.

(ii) Macau market

Macau market contributed HK$274 million gross profit in 2007 (2006: HK$109 million). The gross profit margin increased from 7.0% in 2006 to 17.3% in 2007. Besides, the Group had been granted extra bonus in 2007 for the quality works delivered for a completed project management project. The increase in gross profit margin is due to the more competitive contract prices offered by the employers in line with the booming Macau construction market and also the substantial increase in profit from project management business.

(iii) Dubai market
Dubai contributed HK$53 million gross profit in 2007 (2006: HK$7 million). The gross profit margin increased from 0.8% in 2006 to 2.6% in 2007. There is a steady growth in Dubai market.

(iv) Mainland China market
The Mainland China market contributed HK$234 million gross profit in 2007 (2006: HK$69 million). The gross profit margin increased from 8.2% in 2006 to 35.3 % in 2007.

For construction projects, the Group secured a new construction management project which contributed a higher profit margin in Mainland China market in 2007.

For the supply of heat and electricity and connection services business in Shenyang, the completion and operation of Power Plant Phrase III had allowed the expansion in production capacity and enhance cost effectiveness. Together with the increase in connection services fee in 2007, the both gross profit and gross profit margin had been built to substantial high level.

(v) Indian market
Indian market contributed HK$26 million gross profit in 2007 (2006: HK$8 million). The gross profit margin increased from 1.8% in 2006 to 7.3% in 2007.

NET INVESTMENT INCOME

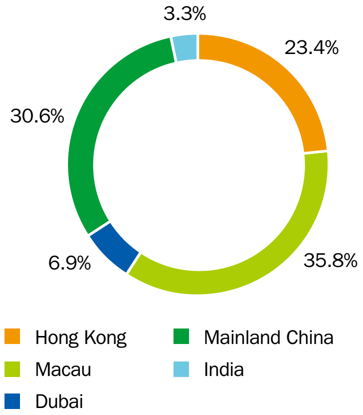
The net investment income of HK$100 million for 2007 (2006: HK$242 million), representing a decrease of 58.9%. This was attributable to an exceptional gain on disposal of listed securities of a newly acquired business at the amount of HK$158 million in last year.

ADMINISTRATIVE EXPENSES

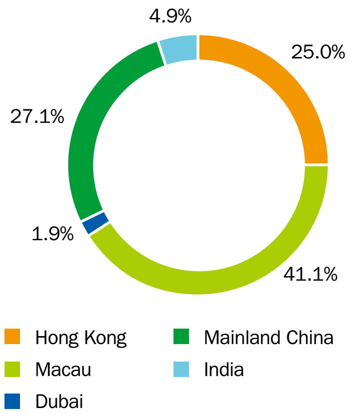
Administrative expenses increased by 18.1% to HK$332million (2006: HK$281 million). The major reasons for the increment were the followings:

(i) Increasing staff cost, which itself accounts for two-third of the administrative expenses. Beside raising the general income level, the Group also made a discretionary bonus distribution to maintain our competitive work team amid the strong job market; and

Gross Profit by Geographical Sectors



Segment Results by Geographical Sectors



(ii) Continuing expansion of the operations in overseas and Macau markets. During the year the Group established a new office in Abu Dhabi, the capital of United Arab Emirates, as a footstone to better capitalise the blooming construction industry of the region. That led to a great leap of administrative expenses in Dubai office to HK$45 million in the current year (2006: HK$25 million);

FINANCE COSTS

The finance costs decreased 61.9% to HK$1.8 million for year ended 31 December 2007 (2006: HK$4.8 million). The significant decrease was mainly due to the gradual repayment of a bank loan of HK$120 million by the heat and electricity business since the second half of 2006. The finance costs incurred during the year were mainly from other borrowings.

EARNINGS PER SHARE

Basic earnings per share reduced by 8.4% to HK 73.28 cents (2006: HK 80.03 cents).

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of HK$405 million (2006: HK$410 million of which including the exceptional gain on disposal of listed securities of HK$158 million) and on the weighted average number of 552,533,055 (2006: 512,934,240) ordinary shares in issue during the year. The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 December 2007 has accounted for the issuance of new shares pursuant to the open offer which was completed on 10 September 2007.

CORPORATE FINANCE

The management and control of the Group's financial, capital management and external financing functions are centralized at head office level. The Group has been adhering to the principle of prudent financial management.

Liquidity

As at 31 December 2007, the Group's bank balance amounted to HK$1,563 million (2006: HK$2,175 million). The proportion by currencies is listed below:

Hong Kong Dollar	50.0%
Renminbi	20.3%
Macao Patacas	15.1%
United Arab Emirates Dirhams	11.7%
US Dollars	0.8%
Indian Rupee	2.1%
	100%

The Group was hence financially sound with no bank borrowing as at 31 December 2007 (2006: HK$240,000). The Group also has sufficient committed but unused facilities to meet the need for business development opportunity in Hong Kong, Mainland China and overseas markets.

Financial Resources

During the year, the Group raised equity funding at the amount of HK$999,668,000 before expenses through an Open Offer. The result of the Open Offer was satisfactory and provided further funding to support the Group's expansion.

In February 2008, the Group also obtained positive responses for its self-arranged three-year syndicated loan of HK$1 billion at a privileged rate.

In addition, the Group made a bonus issue of one-year warrant at favorable term and it is expected a further long-term equity funding of HK$1.3 billion would be raised.

Utilisation of Financial Resources

In order to utilise financial resources effectively and efficiently, the Group had expanded its operations by acquiring certain businesses from its controlling shareholder and fellow subsidiary.

In addition, the Group is actively studying various construction-related investment projects. By fully taking advantage of its own strong financial capability and studying the feasibility of bringing contract projects through investment. During the year, the Group successfully entered into an agreement for the consolidation and rehabilitation of certain pieces of lands in Tianjin. The Group will continue to seek for more room for development opportunity with a view to creating better returns to shareholders.

Financing Credit

As the Group has a sound operation for over twenty years, it maintains a good relationship with a number of large-scaled banks in Hong Kong. Apart from a project operated by a jointly controlled entity and the requirement in Dubai, all the Group's present banking facilities were clean and without collateral. As at 31 December 2007, HK$18 million (2006: HK$42 million) of the Group's bank deposits were pledged mainly for the issuance of surety bond in respect of a project undertaken by a jointly controlled entity. In addition, some of the local bank deposits were pledged for the guarantee of employment for staff and workers from foreign countries in accordance to the requirements of Dubai government.

Exchange Risk and Corresponding Hedging Arrangement

Since the Group's operations relate to various overseas regions, the Group pays close attention to foreign exchange exposure and continuously tracks economic development, monetary policies and conditions that would have an impact on exchange rates in local markets. The currency of UAE Dirham has been linked to the US dollar and has remained relatively stable. The exchange rate of the Indian Rupee is subject to greater fluctuation and has drawn the attention of the Group. A staff was designated to observe the trend of the Indian Rupee and report to management regularly. The Group was also in conjunction with various financial institutions, conducted a study on exchange risk management and on avoidance or offsetting exchange risk. No hedging arrangement is required at present but the management will continue to pay close attention and implement efficient measures for hedging arrangement when necessary.

Credit Exposure

The Group deals with credit exposure according to the risk management policies, Credit extended to business associates are based on the reputation and financial capacity enjoyed by customers. In connection with projects in progress (no matter in Hong Kong, Macau or overseas), the major customers are the local Government, certain institutional organisations and certain reputable property developers. Therefore, no significant credit risk is exposed with the Group.

Our Synergy

The Group took advantage of its comprehensive competitive edge in Hong Kong and Macau to strengthen linkage of its operation in Hong Kong and Macau as well as maintaining its market share in Macau. The United Arab Emirates business is expending by leveraging our mature experience in Hong Kong.

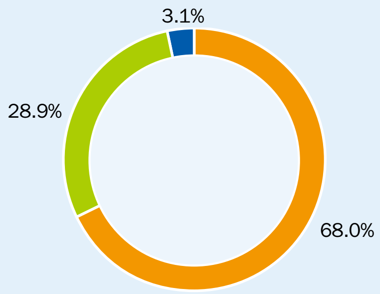
Business Review

Completed Projects in 2007

Summary for the year

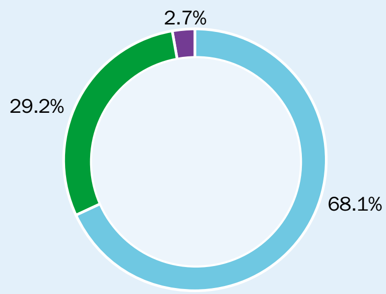
- 26 completed projects
- Attributable contract value for completed projects was HK$9.36 billion

By Project Categories



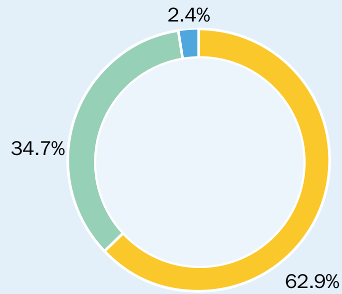
- Building Construction
- Civil Engineering Works
- Others

By Customers



- Government/Public Sector
- Institutional Bodies
- Private Sector

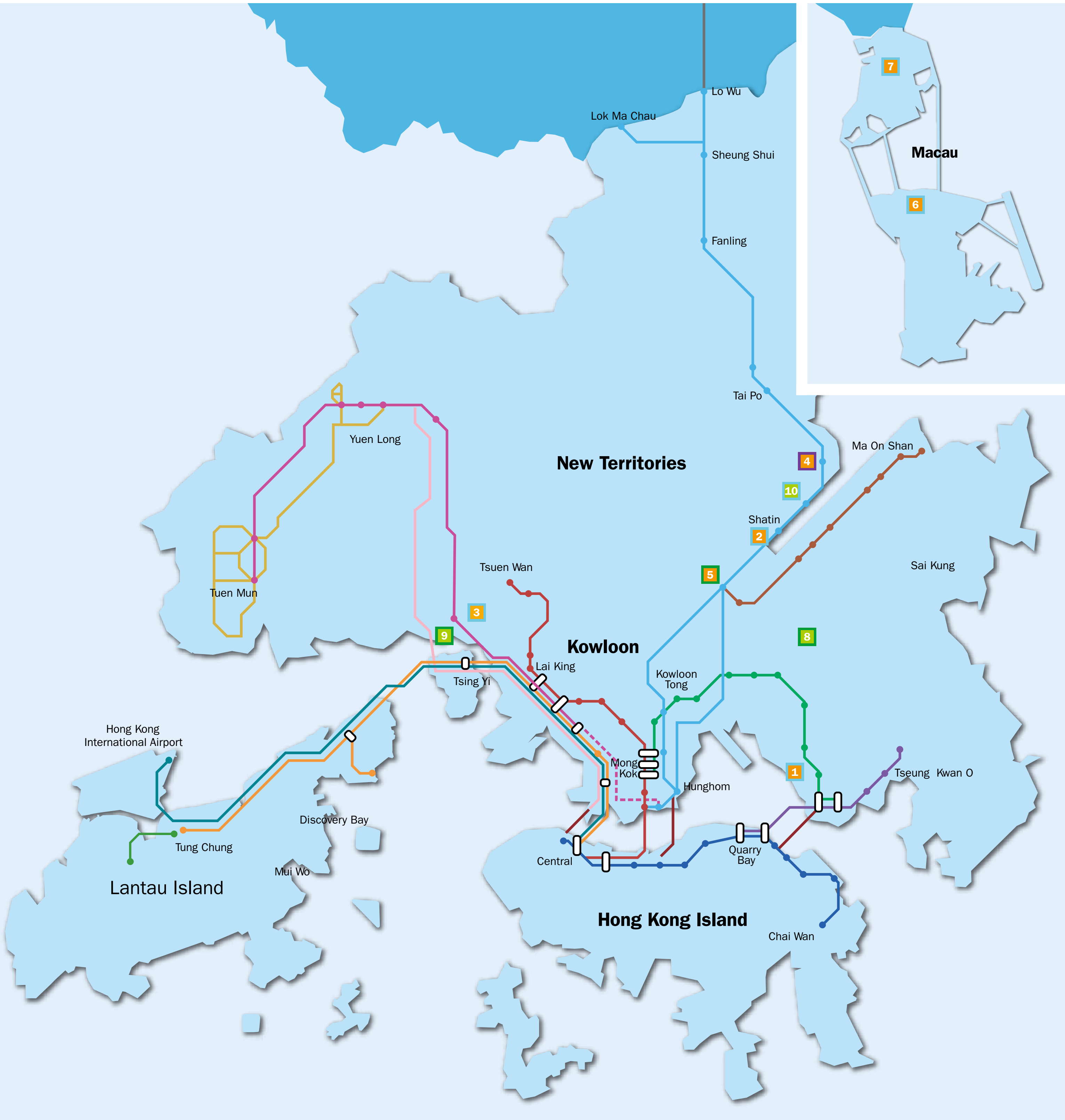
By Markets



- Hong Kong
- Macau
- Mainland China

Major Completed Projects in 2007

No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
	Building Construction			
1	Enterprise Square 5, Kowloon Bay			□
2	Residential Development at Tung Lo Wan Hill Road, Shatin			□
3	TWTL 398, Tai Ho Road, Tsuen Wan, Superstructure			□
4	Centralised Science Laboratories, Chinese University		□	
5	Design and Construction of Hin Tin Swimming Pool Phase 2, Shatin	□		
6	Construction of Nova Taipa Gardens, Phase 2B			□
7	Commercial / Residential Development at Lot R+R1, at Aveneida 1 de Maio Macau			□
	Civil Engineering Works			
8	Formation and Associated Infrastructure Works for Development at Choi Wan Road and Jordan Valley	□		
9	Castle Peak Road Improvement between Ting Kau and Sham Tseng, Tsuen Wan	□		
10	2008 Olympic Equestrian Venues Core Venue Main Construction Contract			□



Existing Line

- Island Line
- Tsuen Wan Line
- Kwun Tong Line
- Tseung Kwan O Line
- Tung Chung Line
- Disneyland Resort Line
- Airport Express
- Tung Chung Cable Car
- East Rail Line
- West Rail Line
- Ma On Shan Rail
- Light Rail
- Cross Harbour Tunnels
- Route 3

Under Construction

- Kowloon Southern Link

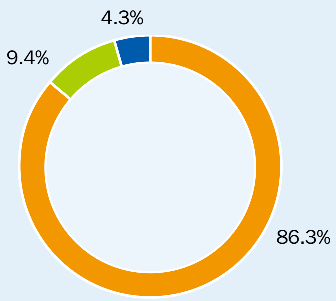
New Projects Awarded in 2007

Summary for the year

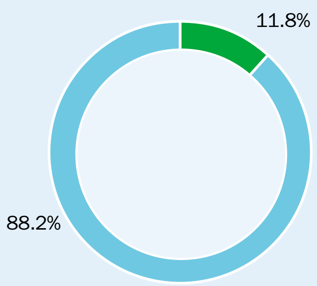
- 34 new projects awarded
- Attributable contract value for new projects awarded was HK$11.19 billion

In 2007, the group was awarded 34 new projects with a total attributable contract value of HK$11.19 billion, of which 86.3%, 9.4% and 4.3% were contributed by building construction, civil engineering works and other works respectively.

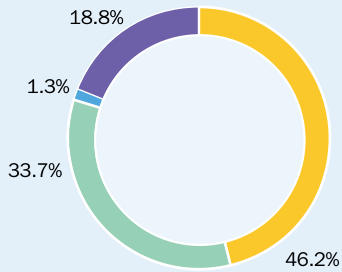
By Project Categories



By Customers



By Markets



Major New Projects Awarded in 2007

No.	Project Name	Attributable Contract Value HK$ million
	Building Construction	
1	Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1)	1,449
2	Wynn Resorts Macau – Diamond Suites	1,357
3	Proposed Residential Development (Package 2)(Phase 1) – Carcass Contract at Tseung Kwan O	1,172
4	Dubai Sports City-Profile Project Development	852
5	Trident Grand Residence	660
6	XL Tower and Business Tower	406
7	Design and Construction of Junior Police Officer’s Married Quarters at Tuen Mun	299
8	Construction of Public Housing Development at Tung Tau Cottage Area West	196
9	Main Contract for Proposed Composite Building at 214-224 Queen’s Road East	180
10	Proposed Residential/Commercial Development at 26-40, Larch Street Tai Kok Tsui	168
11	Proposed Redevelopment at 1 Wo Fung Street, Sheung Wan	161
12	Design and Construction for the Renovation of Libraries (Phase 2)	131
	Civil Engineering Works	
13	Replacement and Rehabilitation of Water Mains, Stage 2 – Mains in West Kowloon and Kowloon City	319
14	Main Contract for Central Park, TKOTL No.70, Area 86, Tseung Kwan O	216
15	Redevelopment of Quarantine B Stables at Shatin – Main Construction Contract	194
16	Ping Ha Road Improvement Works	173

Projects in Progress at the End of 2007

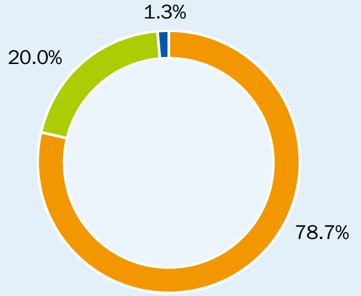
Summary of the end of 2007

- 71 projects in progress
- Total attributable contract value for projects in progress was HK$32.87 billion
- Contract value for incomplete works was HK$20.22 billion

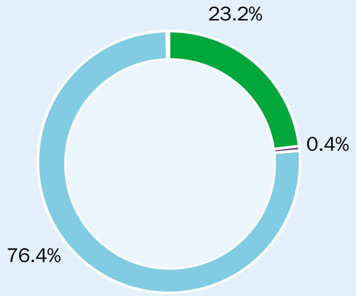
From 1 January 2008 to the date of this report

- 10 new projects with a total attributable contract value of HK$3.90 billion

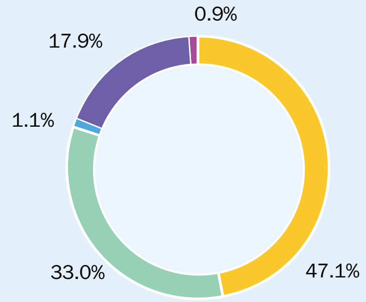
By Project Categories



By Customers



By Markets



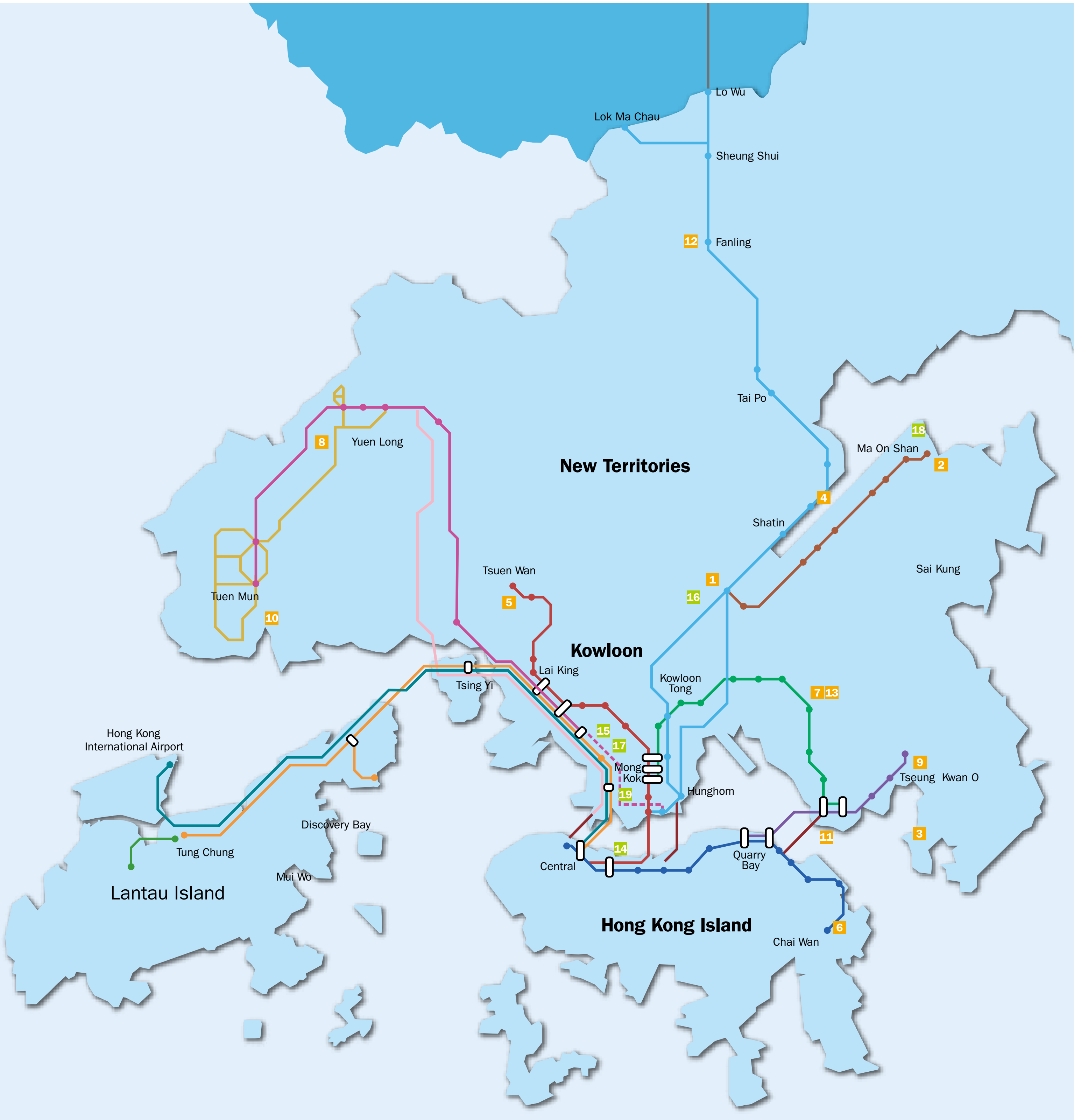
Projects in Progress at the End of 2007

	Contracts on hand as at 31 December 2007			New contracts awarded after year end date	
	No.	Attributable Contract value HK$ million	Value of Incomplete Contract HK$ million	No.	Attributable Contract Value HK$ million
Hong Kong Projects					
Building Construction	25	8,969	5,397	5	1,514
Civil Engineering Works	18	6,110	2,564	2	2,240
Others	6	404	307	2	126
Macau Projects	10	10,859	8,775	–	–
Dubai Projects	8	5,878	3,056	–	–
Indian Project	1	303	80	–	–
Mainland China Projects	3	350	38	1	21
Total	**71**	**32,873**	**20,217**	**10**	**3,901**

Projects in Progress at the End of 2007 (continued)

Major Projects in Progress — Hong Kong

No.	Project Name	Attributable Contract Value HK$ million
	Building Construction	
1	Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1)	1,449
2	KCRC Wu Kai Sha Station, Ma On Shan	1,360
3	Proposed Residential Development (Package 2)(Phase 1) – Carcass Contract at Tseung Kwan O	1,172
4	Foundation and Railway Depot works for Ho Tung Lau	569
5	TWTL 394 Yeung Uk Road Tsuen Wan	546
6	Construction of Centre for Youth Development at Chai Wan	471
7	Foundation and Construction of Choi Wan Road Site 1 Phase 2	380
8	Construction of Tin Shui Wai Area 103 Phase 1	363
9	Design and Construction of a Sports Ground at Area 45, Tseung Kwan O	349
10	Design and Construction of Junior Police Officer's Married Quarters at Tuen Mun	299
11	Construction of Eastern Harbour Crossing Site Phase 3	278
12	Completion Contract for Construction of Fanling Area 36 Phase 2	263
13	Foundation and Construction of Choi Wan Road Site 1 Phase 1	252
	Civil Engineering Works	
14	Central Reclamation Phase 3	1,706
15	KCRC Kowloon Southern Link Tunnels – Yau Ma Tei Ventilation Building to Nam Cheong Overrun	740
16	Sha Tin Heights Tunnel and Approaches	717
17	KCRC Kowloon Southern Link Tunnels – Jordan Road to Yau Ma Tei Ventilation Building	693
18	Highways Department Term Contract (Management and Maintenance of roads in Sha Tin, Sai Kung and Islands Districts excluding high speed roads)	600
19	Replacement and Rehabilitation of Water Mains, Stage 2 – Mains in West Kowloon and Kowloon City	319



Existing Line

- Island Line
- Tsuen Wan Line
- Kwun Tong Line
- Tseung Kwan O Line
- Tung Chung Line
- Disneyland Resort Line
- Airport Express
- Tung Chung Cable Car
- East Rail Line
- West Rail Line
- Ma On Shan Rail
- Light Rail
- Cross Harbour Tunnels
- Route 3

Under Construction

- Kowloon Southern Link

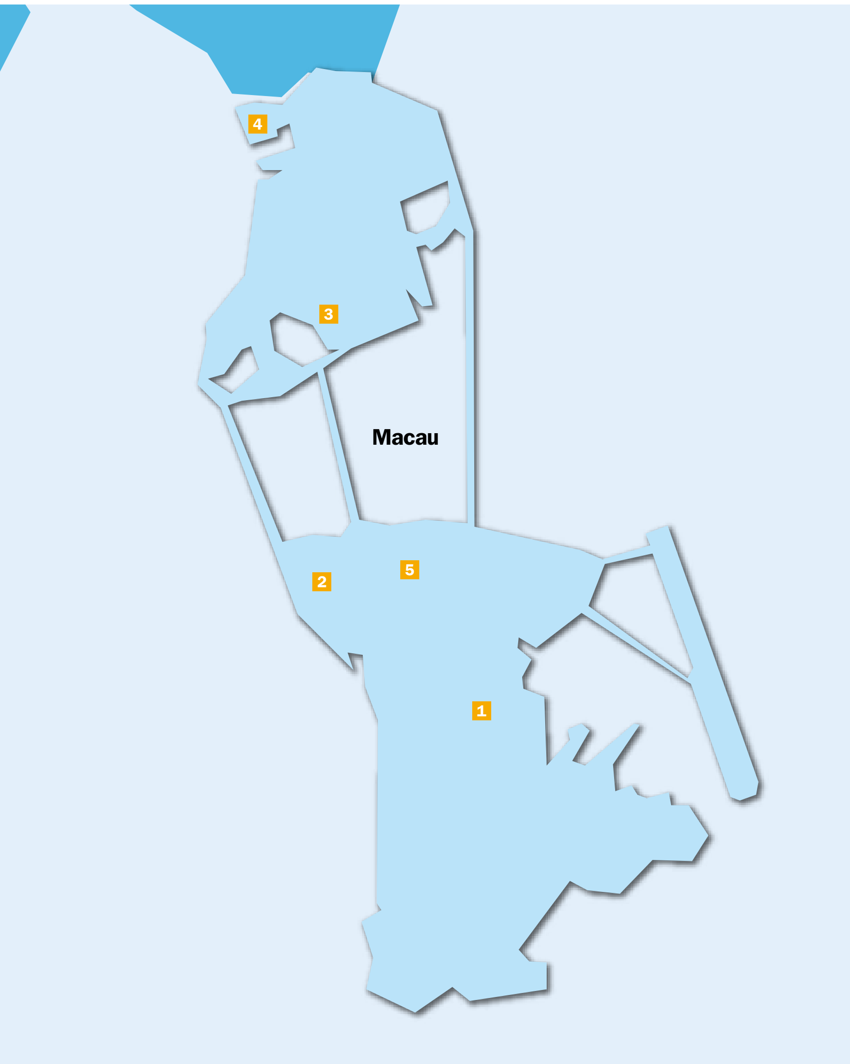
Projects in Progress at the End of 2007 (continued)

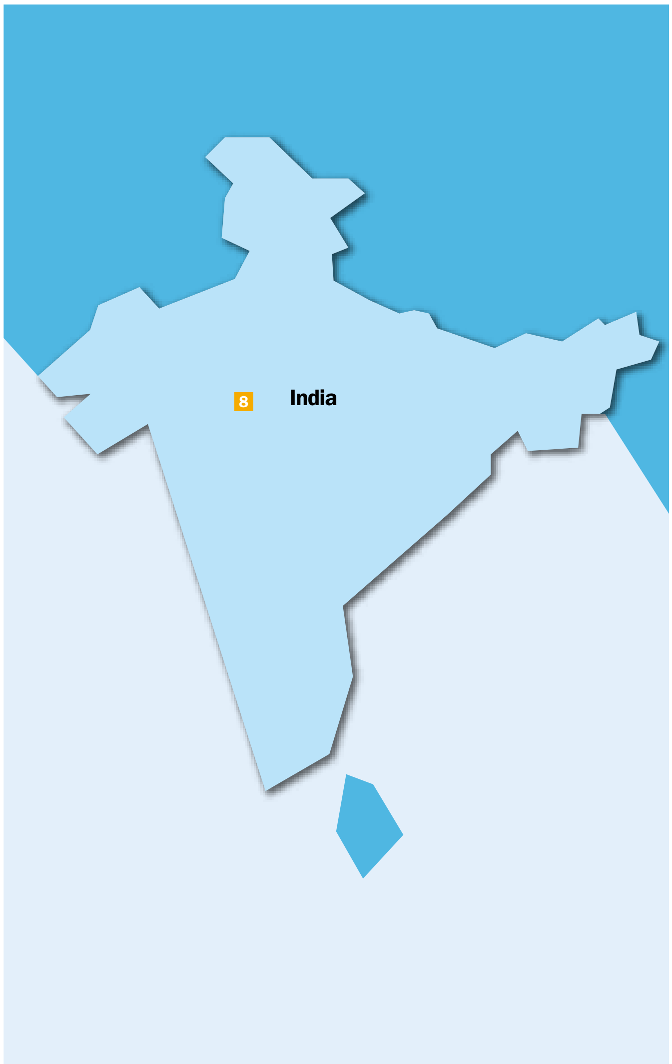
Major Projects in Progress — Macau

No.	Project Name	Attributable Contract Value HK$ million
	Building Construction	
1	City of Dreams	4,440
2	Est Govemador Albano Oliveira, Taipa Macau	1,981
3	Wynn Resorts Macau – Diamond Suites	1,357
4	青州社會房屋綜合體建造工程 – B及C大樓的承攬工程	776
5	Construction of Nova Taipa Gardens Phase 2A	410

Major Projects in Progress — Overseas

No.	Project Name	Attributable Contract Value HK$ million
	Building Construction	
1	Dubai Mall Hotel	1,550
2	Golf Tower III	950
3	Dubai Sports City-Profile Project Development	852
4	Armada Towers	666
5	Trident Grand Residence	660
6	Lease Office Building and Shopping Arcade, JAFZA South	611
7	XL Tower and Business Tower	408
	Civil Engineering Works	
8	East-West Corridor in the State of Madhya Pradesh	303


4
3
Macau
2
5
1


8
India


7
1
2
5
4
Dubai
6
3
Dubai
Abu Dhabi
UAE

Businesses in Mainland China

Major Businesses in Mainland China

No.	Businesses Category	
A	**Building Construction**	
		Attributable Contract Value HK$ million
1	Shangri-La Hotel Futian Shenzhen	173
2	深圳福田嘉里建設大廈	129
B	**Project Consultancy Services**	
1	Shenzhen	
2	Guangzhou	
3	Zhuhai	
4	Wuhan	
5	Chengdu	
6	Nanjing	
7	Qingdao	
8	Tianjin	
9	Beijing	
10	Dalian	
C	**Pre-cast Structures Production**	
•	深圳海龍建築製品有限公司	
D	**Infrastructure Investment**	
•	瀋陽皇姑熱電有限公司	
E	**Land Development**	
•	Tuanbohu District Tianjin	


Mainland China
D
B9
E
B8
B10
B7
B6
B5
B4
B2
A1
A2
B1
C
B3

Major Projects

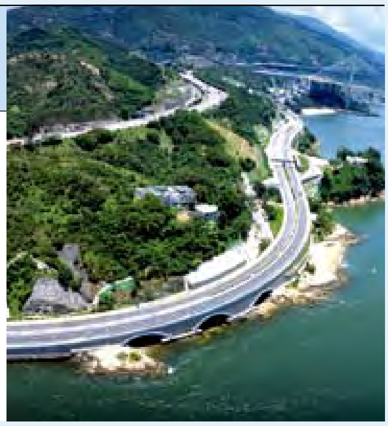
Hong Kong

Formation and Associated Infrastructure Works for Development at Choi Wan Road and Jordan Valley

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**November 2001**
Contract Value:	**HK$1,338 million**

Castle Peak Road Improvement Between Ting Kau and Sham Tsang, Tsuen Wan

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**May 2002**
Contract Value:	**HK$963 million**



Central Reclamation Phase 3

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**February 2003**
Attributable Contract Value:	**HK$1,706 million**

Design and Construction of Hin Tin Swimming Pool Phase 2, Shatin

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**March 2005**
Contract Value:	**HK$172 million**

Enterprise Square 5, Kowloon Bay

Customer Category:	**Private Sector**
Project Commencement Date:	**April 2005**
Contract Value:	**HK$1,047 million**

Construction of Centre for Youth Development at Chai Wan

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**June 2005**
Contract Value:	**HK$471 million**

Major Projects (continued)

Foundation and Construction of Choi Wan Road Site 1 Phase 2

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**July 2005**
Contract Value:	**HK$380 million**

Design and Construction of a Sports Ground at Area 45, Tseung Kwan O

Customer Category:	**Government/ Public Sector**
Project Commencement Date:	**April 2006**
Contract Value:	**HK$349 million**

2008 Olympic Equestrian Venues Core Venue Main Construction Contract

Customer Category:	**Private Sector**
Project Commencement Date:	**July 2006**
Contract Value:	**HK$284 million**

Macau

Construction of Nova Taipa Gardens, Phase 2B

Customer Category:	**Private Sector**
Project Commencement Date:	**July 2005**
Contract Value:	**HK$309 million**

Dubai

Armada Towers

Customer Category:	**Private Sector**
Project Commencement Date:	**June 2005**
Contract Value:	**AED315 million (Approx. HK$666 million)**

Dubai Mall Hotel

Customer Category:	**Private Sector**
Project Commencement Date:	**December 2005**
Contract Value:	**AED723 million (Approx. HK$1,550 million)**

Major Projects (continued)

Lease Office Building and Shopping Arcade, JAFZA South

Customer Category:	**Private Sector**
Project Commencement Date:	**December 2005**
Contract Value:	**AED290 million**
	(Approx. HK$611 million)

Golf Tower III

Customer Category:	**Private Sector**
Project Commencement Date:	**March 2006**
Contract Value:	**AED446 million**
	(Approx. HK$950 million)

Trident Grand Residence

Customer Category:	**Private Sector**
Project Commencement Date:	**March 2007**
Contract Value:	**AED313 million**
	(Approx. HK$660 million)

Major Project/Businesses in Mainland China

Shangri-La Hotel Phase 3, Beijing

Customer Category:	**Private Sector**
Project Commencement Date:	**June 2005**
Contract Value:	**HK$73 million**

Other Businesses

深圳海龍建築製品有限公司

Location:	**Shenzhen**
Nature of Business:	**Production of Pre-cast Products**

瀋陽皇姑熱電有限公司

Location:	**Shenyang**
Nature of Business:	**Generation and supply of heat and electricity**

Corporate Governance Report

The board of directors holds meetings from time to time to supervise the overall strategy, policy and business operation and to supervise the Group's financial performance and internal control.

The Audit Committee discussed various accounting issues with the external auditors.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied and complied with all the code provisions and some recommended best practices set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code on securities transactions by directors ("Securities Code") with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the year.

BOARD OF DIRECTORS

The Group (the Company and its subsidiaries) is governed by the Board. The Board is responsible for leading and controlling the Group. The Board focuses on the overall strategic, policies and business plan of the Group, monitor the financial performance and internal controls of the Group.

The composition of the Board and the individual attendance of each director is set out below:

	Attended/ Eligible to Attend
Non-executive Director	
Kong Qingping *(Chairman)*	4/4
Executive Director	
Zhou Yong *(Vice-chairman & Chief Executive Officer)*	4/4
Yip Chung Nam	4/4
Fu He	4/4
Zhou Hancheng	4/4
Cheong Chit Sun	4/4
Independent Non-executive Director	
Raymond Ho Chung Tai	4/4
Adrian David Li Man Kiu	3/4
Raymond Leung Hai Ming	4/4
Lee Shing See	4/4

During the year, the Board held four meetings. Throughout the year, Directors also participate in the consideration and approval of non-routine issues of the Company by way of circular resolutions with supporting explanatory write-up. The Vice-chairman and Chief Executive Officer, the Executive Director and Financial Controller and the Company Secretary at all time answer the non-routine issues enquiries made by the Directors.

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

All directors keep contact with the company secretary and can enjoy the services provided by the company secretary so as to ensure the procedure of board meetings, all applicable rules and regulations are complied with. In case of any change 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 minute within reasonable time after each meeting to the directors concerned for advice. 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 chairman at the expense of the Company. If the subject under discussion at a board meeting involves the interests of substantial shareholders or directors and the board considers that those interests are of significant interest conflicts, the board will ensure there are sufficient independent directors participating in discussing about and voting on those resolutions. Those directors related to the interests shall abstain from voting on the resolution.

Independent 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.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Kong Qingping is chairman and non-executive director of the Company and is responsible for leading the Board and ensures all directors are provided with appropriate and sufficient information before board meetings so that the Board can operate effectively and perform its duties.

Mr. Zhou Yong is vice-chairman and chief executive officer of the Company and is responsible for the operations of the Group. The chief executive officer and executive directors jointly implement the policy adopted by the Board and are responsible to the Board for the overall operation and administration of the Group.

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

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

Non-executive directors are appointed on a term of three years. All directors (including non-executive directors) are subject to retirement by rotation pursuant to the Articles. Directors appointed to fill casual vacancies shall be elected by shareholders at the first general meeting following their appointment.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 9 June 2005. The major responsibilities of the Remuneration Committee include giving advice to the board on the overall remuneration policy of the Group, reviewing and approving the remuneration of 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 Company's website.

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

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

The Vice-chairman and Chief Executive Officer assisted by the human resources division in reviewing the remuneration data of the market and proposed the remuneration policy of the Group before proposing to the Remuneration Committee for consideration and seek 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 Company, the prevailing economic environment and the market trend.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 20 March 2006. The 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 Company 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 Company's website.

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

	Attended/ Eligible to Attend
Kong Qingping *(Chairman)*	1/1
Zhou Yong	1/1
Fu He	1/1
Raymond Ho Chung Tai	1/1
Adrian David Li Man Kiu	1/1
Raymond Leung Hai Ming	1/1
Lee Shing See	1/1

During the year, the Nomination Committee evaluated the composition and structure of the Board, and review the independence of the independent non-executive directors.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the audit fees received by the auditors of the Company totalled approximately HK$3.05 million, including audit service fees of the Company of approximate HK$2.88 million and audit service fees of approximate HK$0.17 million for the ad hoc projects of the Company in 2007.

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, the internal control procedure and the risk management system of the Company, and reviewing the relationship between the Company and auditors. 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 Company's website.

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

	Attended/ Eligible to Attend
Raymond Ho Chung Tai *(Chairman)*	4/4
Adrian David Li Man Kiu	3/4
Raymond Leung Hai Ming	4/4
Lee Shing See	4/4

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2006, the re-appointment of auditors, the Group accounts for the six month ended 30 June 2007, the connected transactions of the Group and the internal control reports. The external auditors were invited to attend one of the above meetings and they discussed various accounting issues with the Audit Committee.

INTERNAL CONTROL

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

The Group has established a Management Audit Committee which is independent of all business lines and is responsible for the executive directors so as to ensure the neutrality of control. The Committee makes construction site as a unit and take turn to visit individual construction site for inspection and investigation. All audit reports are sent to the executive directors and senior management for their perusal and follow-up, if necessary so as to ensure proper management of risks, thereby achieving the business objectives of the Group.

During the year, the Committee inspected and investigated the cost control system of the Company's construction sites. The Committee selected four large-scale construction sites for investigation and focus on their subcontracting system, contract management procedure, procurement management procedure and material management system. The audit reports on the findings were sent to the executive directors and senior management for perusal and follow-up. The defects were remedial during the year and the systems were strengthen.

The Committee reviewed the Company's corporate governance, fixed assets management, treasury management, financial reporting management, human resources management, income control management and stock control management by trial test during the period from July 2007 to October 2007. The audit reports on the findings were sent to the executive directors and senior management for perusal and follow-up. The defects were remedial during the year and the internal control system of the Company was improved and consummated.

The Committee reviewed the overall internal control system of the Company's insurance business line and the Mainland China construction business line, both are newly acquired business lines during the year. The audit reports on the findings were sent to the executive directors and senior management for perusal and follow-up. Recommendations on the improvement of the operation system and internal management system were proposed.

The Group also reviewed its safety and health policy. Trainings on the worksite safety, proper and safety use of equipment, etc were organized. The safety and health policy were enhance.

The Group will continue to conduct a review of the effectiveness of its system of internal control at least annually.

DIRECTORS' RESPONSIBILITY FOR PREPARING ACCOUNTS

The Directors acknowledge their responsibility to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Group.

AUDITORS' REPORTING RESPONSIBILITIES

The reporting responsibilities of Deloitte Touche Tohmatsu Certified Public Accountants, the Auditors of the Company, are state in the Independent Auditors' Report of the Company's 2007 Annual Report.

STAFF DISCIPLINE

The Company has placed much emphasis on the discipline of its staff as well as business ethics and integrity.

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

SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders. These include general meeting, annual report and interim report, notice, announcement and circular.

The general meeting is a main channel of communication between Directors and shareholders. The Company held an annual general meeting and two extraordinary general meetings during 2007. The Chairman gave sufficient time to shareholders at general meetings to provide them opportunity to raise questions and express their opinions.

The 2007 Annual General Meeting was held on 5 June 2007. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 21 days prior to the meeting. The Chairman of the Board attended the meeting. The Chairman of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, a separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by show of hands. The procedure for demanding a poll by shareholders was set out in the circular dispatched together with the Company's annual report, and the poll voting procedure was explained fully to shareholders during the meeting.

Two extraordinary general meetings were held on 31 August 2007 and 27 December 2007 respectively. The notice of meetings and the circulars containing information on the proposed resolutions were sent to shareholders more than 14 days prior to the meetings. The Chairman of the Board attended the meetings. The chairman and members of the independent board committee were available to answer questions from the shareholders at the meetings. At the meetings, a separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The procedure for demanding a poll by shareholders was set out in the circular dispatched. The results of the poll were posted on the Hong Kong Exchange and the Company's website on the same day of the meetings.

INVESTOR RELATIONS AND COMMUNICATION

The Company has been striving to maintain high transparency and communicate with shareholders and investors through diversified communication channels. The Company hold 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 on the Group so that shareholders, investors and the public can inspect the information about the Company in a timely manner. The Company's website: http://www.csci.com.hk.

Investor Relations

The Group's management explained to analysts on the latest development plans following the results announcement.

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

The management of the Company values the feedback of the external investment parties and meets analysts and investors both regularly or irregularly to present the latest development strategy and operating conditions to them and communicates with investors in a timely manner. In 2007, through designated staff, the Company actively pushed forward with the promotion of the listed company and organised meetings with analysts and investors over 100 persons-time, and arranged for bankers and media to visit the sites of the Company for several times. Besides, the management has also participated in investment conferences and forums organised by major investment banks in the US, Europe, Singapore and Hong Kong. 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 2008, the Company will further strengthen its efforts in this respect and maintain good relationship with investors through multiple channels and at multiple levels.

Major Events of the Year 2007

January

1 "Hand in Hand, Heart to Heart", 1,700 staff participated in the 2007 Annual Dinner.

- A love and care team with over 300 staff of the Group was organised to join the Community Chest Walks for Millions on Hong Kong Island.

March

- Announcement of 2006 annual results of the Group. As at 31 December 2006, the Group's turnover was HK$10.29 billion, representing an increase of 34.3%.
- Awarded the contract for the Trident Grand Residence luxurious apartment project in Dubai region.

3 The Group received a number of awards in the Construction Industry Safety Award Scheme.

April

- Four race walkers from the Group participated in MTR Hong Kong Race Walking 2007, the largest race walking event in Hong Kong, to raise funds to support the Hospital Authority Health InfoWorld's "Better Health for a Better Hong Kong" as well as to promote healthy life style.
- Awarded the contract for Central Park at Area 86, Tseung Kwan O.

Jan Feb Mar Apr May Jun

February

- The 2007 Chinese New Year media luncheon was held at the Club House of Hong Kong Jockey Club in Happy Valley. Over 40 media organisations joined the gathering.
- The Group was awarded "2006 Hong Kong Awards for Industries: Productivity and Quality" and was the only construction company receiving the award for the year.

2 The ground-breaking ceremony of Macau MSR Drinking Water Treatment Plant Extension was held, the guests of honour of which included Mr. Edmund Ho Hau Wah, the Chief Executive of the Macau Special Administrative Region and Mr. Kong Qingping, the Group's chairman and non-executive director.

- The Group entered into a strategic cooperation framework agreement with the Hong Kong Polytechnic University.

May

- An On-site Safety Management and Organised Construction Seminar (安全管理文明施工現場交流會) was held at the construction site of Foundation and Construction of Choi Wan Road Site 1 Phase 2 to raise awareness of site safety and environmental protection.
- The Group won various Considerate Contractors Site Awards which recognised the Group's achievements on work safety, health and environmental protection.

4 The 2nd Technology Week was organised, and experts and representatives from the industry in Mainland China and Hong Kong took part in it.

- Representatives of the HKSAR government visited the Group's subsidiary in Dubai as well as the construction site of Armada Towers. The representatives recognised the leading position of the Group, as a Hong Kong construction company, in Dubai region.
- The "Research on the construction technologies for the Hong Kong Disneyland" won a gold award in the first Central Government Corporate Youth Innovation Award.

June

- 5 The Group won three awards in the "Construction Manager of the Year Awards 2006".
- The Group was granted a bronze award of the HKMA Quality Award.
- Awarded the contract for Wynn Resorts Macau-Diamond Suites Project.
- Awarded the contract for Proposed Residential Development (Package 2) (Phase I) – Carcass Contract at Tseung Kwan O.
- Awarded the contract for the Dubai Sports City–Profile Project Development.

September

- Approximately HK$1 billion was raised by way of open offer.
- Awarded the contract for Design and Construction of Junior Police Officer's Married Quarters at Tuen Mun.
- Awarded the contract for Redevelopment of Quarantine B Stables at Shatin–Main Construction Contract.
- Awarded the contract for XL Tower and Business Tower project in Dubai region.

November

- Staff of the Group participated in the "Hong Kong – Macau O! Day Challenge" hosted by the Salvation Army to raise fund for community services of the Salvation Army in Hong Kong and Macau.
- 7 the Group entered into the co-operation contract for 天津市團泊新城西區項目.
- The Business Environment Council in Hong Kong visited the Group's site of Central Reclamation Phase III.

Jul Aug Sep Oct Nov Dec

July

- 6 The "China State Construction Fun Day for the Lu Ban Festival 2007" was held. About 1,000 staff, family members and suppliers participated in the event.
- Awarded the contract for Tai Wai Maintenance Centre, Superstructure Main contract (Phase I).

August

- The 2007 interim results of the Group were announced. As at 30 June 2007, the Company's turnover was HK$5.20 billion, representing an increase of 6.88%.

December

- 8 The Group received five awards in "Quality Public Housing – Construction and Maintenance Awards 2007".
- The Group won the People Management Award – Large Enterprise Group 2007.
- Staff of the Group's Macau subsidiary formed a love and care team to join the 24th community chest walks for Millions in Macau.

Our Eco-awareness

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

Corporate Citizenship
Staff Development and Personal Growth

"China State Construction Fun Day for Lu Ban Festival 2007" provided an opportunity for the staff and families to take part in.

The Group organises the function of "Award of Outstanding Staff" to recognise the staff working in Hong Kong, Macau and overseas with remarkable performance.

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

During the year, the Group's efforts were recognised with the People Management Award. As at the end of 2007, the Group had a total of 4,468 employees (excluding staff of our joint-venture projects), of which, 2,171 persons were in Hong Kong, 1,402 of them were in the Mainland China, 336 were in Macau and 559 were working overseas.

STAFF RECRUITMENT PROGRAMME

The Group organised campus recruitment programmes in four universities in Hong Kong and seminars and on-the-spot recruitment programmes were well-received. The Group has also hired graduates with high caliber from well-known universities in Mainland China through its "Recruitment Programme for the Son of the Sea" and recruited outstanding staff from other establishments in an effective manner.

TRAINING OF STAFF AND SELF DEVELOPMENT

The Group provides the full support for its staff for lifelong learning and self value-adding. The Group has put aside capital to set up the "Staff Education Fund". The Group will also hammer out training programmes according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 1,257 employees took part in the courses during the period. In order to cope with the Group's business development on an international scale, the Group commenced the training on "overseas business development strategy and operation" for all of the Group's management staff and recruited professional instructors from overseas to conduct the "Modern Safety Management" courses, which will enhance the management concept of the management staff in a forward-looking manner and optimise the quality of management of the Group as a whole.

The Group organised various activities for team building and staff relationship.

The Group organised different training programmes to encourage its staff for self value-adding so as to cope with the changes of society.

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

INCENTIVE MECHANISM

All the departments of the Group have to determine their business indicators and plans according to the annual financial planning and budget presented by the financial department as the key basis for their respective performance assessment. The Group fully recognises that the effectiveness of a system depends on its implementation, therefore the Group has committed to implementing the various incentive mechanisms, including "Contracting Responsibility of Sites" and the "System of Departmental Operation and Management Objectives and Responsibilities". "Award of Outstanding Staff" recognised the staff working in Hong Kong, Macau and overseas with remarkable performance of the year.

The Group has also organised a myriad of exciting activities after work, including interest groups, sports games, photography, social gatherings and trips. The Group held the "2007 Lunar New Year's Eve Festival" (2007迎春聯歡晚會), " China State Construction Fun Day for the Lu Ban Festival 2007" during the year to share the joy with the staff in recognition of their efforts and contributions to the Group. The Group also sent teams to take part in the badminton competition of "China Overseas Cup" (中海杯) held in Beijing and organised by its parent company. Such activities had enriched the leisure life of the staff and provided opportunities of communications and exchange for the colleagues and their families, and became an important part for team building and staff relationship.

Environment Protection and Promotion

Trees plantation day was organised by the construction sites in order to create a pleasant environment.

To build up a harmonious community relationship, the construction site invites students from nearby schools to create printings on the site hoardings.

For a successful construction project, other than cost control, safety, quality and progress, environmental protection is also an important ingredient. As a responsible contractor of our society, the Group must champion green management in construction planning in order to create a pleasant environment for our society. The Group has adopted a number of measures for environmental protection to minimise the level of pollution and the creation of waste materials the works may produce as well as to save natural resources, and also to improve our environmental management system. The innovative environmental initiatives of the Group applied in its construction works, namely the intelligent multi-working platforms, have won a number of honours throughout the years. The following environmental protection measures has been applied in the work sites as basic standards:

- automatic tyre cleansing machine – which cleans the mud and silt adhering to the tyres of vehicles going in and out of the construction site
- waste water treatment machine – which purifies the waste water produced by the construction site until it has reached the required standard before discharge or recycled
- cement recovery device – which saves the first 0.3 m^3 of cement of each cement truck as a result of loss from the collapse test
- provisional sound barrier – which minimizes the impact of noise to the residents, schools and hospitals
- precast concrete floor plate – which accelerates the construction of hard floors and reduces dust and the precast components could be reused.

With the concerted efforts of the Group, the results were evident. In 2007, the Group received a number of awards including the “Considerate Contractors Site Awards”, “Outstanding Waste Management Performance Grand Awards”, “Wastewi$e Logos” and the “The Environmental Merit Award” by the Hong Kong Construction Association.

China State Construction Environmental Day was organised to support the World Environmental Day, which took the form of a trees plantation day in 2007 well supported by our staff.

"The Competition of the Most Environmental-Friendly Construction Proposal" was organised to raise the awareness of the management of construction sites to undertake environmental-friendly construction project.

In 2007, the Group played an active role in the environmental protection activities of the community, such as organising the "China State Construction Environmental Protection Day" and "Explore Antarctica with Rebecca Lee" (與李樂詩一同探索南極), which were aimed at enhancing the awareness of environmental protection. And in order to achieve the dual purpose of caring for the community and championing environmental protection, the Group has been committed to create our environment jointly with the community nearly, examples are the trees plantation day for Jordan Valley, invitation of students from nearby schools at the construction site of Construction of Service Reservoirs near Choi Wan Road to create paintings on the site hoardings in order to make the environment more pleasant. The Group also hosted "The Competition of the Most Environmental-Friendly Construction Proposal" and the "Environmental Protection Workshops" with different themes, which were aimed to impart the latest environmental protection information to site workers and subcontractors.

The Group has also asked subcontractors to comply with environmental protection policies, and to hold regular meetings with subcontractors during the progress to discuss environmental protection related issues. Moreover, the Group has also organised training on environmental management systems for its staff and subcontractors to enhance their recognition of environmental protection and to promote the saving of resources. It has also encouraged staff to research on the means to save energy and resources in construction, thereby securing sustainable improvement and saving costs in the long run.

The Group and Community

Volunteers from the Group participated in a charity visit to the China Overseas Qinglong Hope School in Shaanxi Province.

Staff members of Macau office participated in the Community Chest Walk for Millions in Macau.

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

With the active participation of its staff, the Group provides strong support to all kinds of social activities such as the "Walks for Millions Hong Kong Island for 2007", "MTR Race Walking 2007" and the "Hong Kong – Macau O! Day Challenge" and the Group has also organised a staff volunteer's charity visit to the China Overseas Qinglong Hope School in Shaanxi Province. Such activities aim at helping the needed in the community and arouse the care of the community in its staff.

COMMUNITY CHEST WALKS FOR MILLIONS 2007, HONG KONG

The Group organised a team of love and care of over 300 to support the largest charity walk on Hong Kong Island in person – Community Chest Walks for Millions 2007.

COMMUNITY CHEST WALKS FOR MILLIONS 2007, MACAU

Adhering to the Group's principle of being reciprocal to the community, staff members of Macau office participated in the Community Chest Walk for Millions in Macau.

MTR RACE WALKING 2007

A team of four representing the Group joined the "MTR Race Walking 2007" which is the "Health For Prosperity" campaign of the Health Info World of Hospital Authority in order to promote a healthy living.

The Group encourages staff members to join various community services in order to enhance their morale and help the needed in the Community.

The Group organised a large team of love and care to participate in the Community Chest Walk for Millions every year.

HONG KONG — MACAU O! DAY CHALLENGE

The "Hong Kong — Macau O! Day Challenge" hosted by the Salvation Army is the first cross-city orientation charity competition of Hong Kong. The Group's team completed the event with their stamina, perseverance, wit and cooperation.

CHARITY VISIT TO CHINA OVERSEAS QINGLONG HOPE SCHOOL IN SHAANXI PROVINCE

Over 20 volunteers from the Group have participated in a charity visit to the China Overseas Qinglong Hope School in Shaanxi Province. The participants initiated a sponsorship campaign for helping local students with financial difficulties and improving their livelihood.

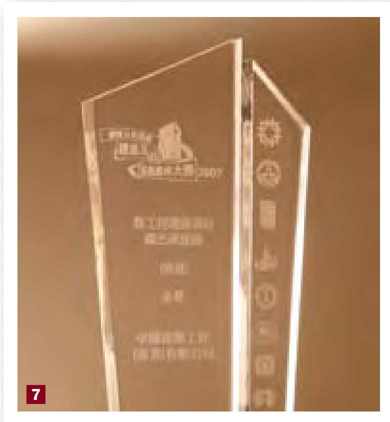
The Group has donated to a number of beneficiary organizations and charities including the Community Chest, Salvation Army, the Health InfoWorld of the Hospital Authority as well as other voluntary organisations.

Major Prizes of the Year 2007

No.	AWARDS	UNIT/PROJECT	ISSUING AUTHORITY
1	**The second prize of the National Science and Technology Progress Award – "Technology Study and System Application of Major Construction Works in Hong Kong Disneyland"**	China State Construction International Holdings Limited/ China State Construction Engineering (HK) Limited	State Council of the People's Republic of China
2	**People Management Award 2007 – Large Enterprise Category Winner**	China State Construction International Holdings Limited	Hong Kong Institute for Human Resource Management and the South China Morning Post
3	**Construction Manager of the Year Awards 2006 – Gold Award**	China State Construction Engineering (HK) Limited	Chartered Institute of Building (Hong Kong)
4	**Corporate Youth Innovation Award – Gold Award**	Technology Study and System Application of Hong Kong Disneyland Project	General Office of Chinese Communist Youth League, Youth Federation for Central Enterprises, Ministry of Science and Technology and Enterprise Federation
5	**Hong Kong Awards for the Industries Productivity and Quality Awards**	China State Construction International Holdings Limited	Trade and Industry Department of Hong Kong Government
6	**2007 HKMA Quality Award**	China State Construction International Holdings Limited	Hong Kong Management Association
7	**Quality Public Housing Construction and Maintenance Awards: Outstanding Contractors Award Gold Prize (Foundation) — New Works Project**	China State Construction Engineering (HK) Limited	Hong Kong Housing Authority and etc

5

6



7

No.	AWARDS	UNIT/PROJECT	ISSUING AUTHORITY
8	**Quality Public Housing Construction and Maintenance Awards**	Redevelopment of Lam Tin Estate Phase 7 & 8 (Foundation)	Hong Kong Housing Authority and etc
9	**Quality Public Housing Construction and Maintenance Awards**	Foundation for Public Housing Development at Ex-Chai Wan Estate	Hong Kong Housing Authority and etc
10	**Considerate Contractors Site Award and Outstanding Waste Management Performance Award (Silver Prize)**	North Point Sewage Pumping Station	Environment, Transport and Works Bureau and etc
11	**2007 Hong Kong Construction Environmental Award**	China State Construction Engineering (HK) Limited	Hong Kong Construction Association
12	**Construction Industry Safety Award Scheme 2006/2007 – Building Construction Site (Public Contract) – Silver Award**	Construction of Centre for Youth Development at Chai Wan	Labour Department of Hong Kong and etc
13	**Construction Industry Safety Award Scheme 2006/2007 – Building Construction Site (Public Contract) – Bronze Award**	Design and Construction of a Sports Ground at Area 45, Tseung Kwan O	Labour Department of Hong Kong and etc
14	**Construction Industry Safety Award Scheme 2006/2007 – Civil Engineering Construction Site**	Foundation for Public Housing Development at Ex-Chai Wan Estate	Labour Department of Hong Kong and etc

Directors and Organisation

DIRECTOR

Mr. KONG Qingping

Chairman and Non-executive Director,
Chairman of Remuneration Committee,
Chairman of Nomination Committee

Aged 52, was appointed as Director of the Company on 21 April 2004 and subsequently appointed as Chairman and designated as Non-executive Director of the Company on 1 June 2005. Mr. Kong holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture, a degree of Executive Master of Business Administration from Harbin Institute of Technology and is a member of the Chartered Institute of Building (UK). Mr. Kong is a guest professor at Harbin Institute of Technology and at Hong Kong Polytechnic University. Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He became a general manager of China State Construction Limited ("CSCL") in 1997, was appointed as a director of China State Construction Engineering (Hong Kong) Limited ("CSCEHK") in 1999, and was appointed as chairman of CSCEHK and CSCL in 2002. Mr. Kong has more than 26

years' extensive experience in management of corporate affairs and construction projects. Currently, Mr. Kong is the Vice President of CSCEC, a director of China Overseas Holdings Limited and its certain subsidiaries and the Chairman of China Overseas Land & Investment Limited ("COLI"). Mr. Kong also acted as Chief Executive of COLI from 2001 to May 2007. COLI is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award - Executive Director of Listed Companies (SEHK - Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chong Qing Committee of Chinese Political Consultative Conference.

Mr. ZHOU Yong
Vice-chairman and Chief Executive Officer,
Nomination Committee Member
Aged 37, was appointed as a Director of the Company on 21 April 2004 and subsequently be designated as an Executive Director and Vice-chairman of the Board of Directors of the Company on 1 June 2005 and 9 June 2005 respectively. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is a Fellow of the Chartered Institute of Building (UK). Mr. Zhou joined CSCEC in 1994 and was seconded to the Group in 1996. He was appointed as a director of certain subsidiaries of the Group since 2001. Mr. Zhou has more than 15 years' construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specializes in investment and development new business startup, formulating and executing business strategies for companies. He oversaw the overall operation of the Group.

Mr. YIP Chung Nam
Executive Director
Aged 58, was appointed as an Executive Director of the Company on 1 June 2005. Mr. Yip graduated from the University of Hong Kong. He is Fellow of The Hong Kong Institution of Engineers and a member of The Institution of Civil Engineers (UK). Mr. Yip joined the Group in 1987. He acted as an executive director of COLI from 1993 to 2005. He was appointed as a director of certain subsidiaries of the Group since 1996. He has over 34 years' experience in engineering, construction and project management. Mr. Yip is currently the vice chairman of civil-engineering committee and First Vice-President of the 64th Council of the Hong Kong Construction Association. He is also a committee member of the Pneumoconiosis Compensation Fund Board.

Mr. FU He
Executive Director,
Nomination Committee Member
Aged 42, was appointed as an Executive Director of the Company on 1 June 2005. Mr. Fu graduated from Zhejiang University and Murdoch University. He is a member of both of the Hong Kong Institution of Engineers and Chartered Institute of Building (UK). Mr. Fu joined CSCEC in 1987 and was seconded to the Group in 1993. He was appointed as a director of certain subsidiaries of the Group since 2000. He has over 20 years' management experience in civil engineering.

Mr. ZHOU Hancheng
Executive Director and Financial Controller
Aged 38, was appointed as a Director of the Company on 21 April 2004 and subsequently be 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 a member of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He was appointed as a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 12 years' experience in corporate finance, financial accounting and investment management.

Mr. CHEONG Chit Sun
Executive Director
Aged 56, was appointed as an Executive Director of the Company on 12 October 2005. Mr. Cheong graduated from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and the University of Hull (UK). He is Fellow of The Institution of Civil Engineers (UK) and a member of The Hong Kong Institution of Engineers. Mr. Cheong joined the Group in 2003. He was appointed as a director of certain subsidiaries of the Group since 2004. Mr. Cheong has over 34 years' experience in engineering, construction and project management in Hong Kong and overseas.

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 68, was appointed an 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, UK, Honorary Doctor of Business Administration from the City University of Hong Kong, Honorary Doctor of Laws from University of Manchester, UK, a Postgraduate Diploma for Advanced Studies in Engineering Soil Mechanics from The Victoria University of Manchester, UK and a bachelor degree in engineering from the University of Hong Kong. Dr. Ho has been responsible for numerous projects of engineering and environmentally related works of considerable magnitude and varied nature, including Shatin New Town and Tseung Kwan O New Town, all the new KCR railways stations from Kowloon Tong to Lo Wu (now called the East Rail) and the associated bridges and roadworks. He has also been involved in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects as well as project management. Dr. Ho was formerly president of certain organizations such as Hong Kong Institution of Engineers, council chairman of the City University of Hong Kong, council chairman of the former City Polytechnic of Hong Kong, chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first and second Legislative Council (Engineering Functional Constituency) and, the Provisional Legislative Council, chairman of the Transport Advisory Committee, member of Hong Kong Affairs Adviser, member of consultative committee on the New Airport and Related Project and member of the Gas Safety Advisory Committee. Dr. Ho was chairman, director and partner of a number of companies of the Maunsell Consultants Asia Ltd in addition to its international company Guy Maunsell International Ltd during the period from January 1976 to August 1993. Dr. Ho is currently chairman of Guangdong Daya Bay Nuclear Plant and Lingao Nuclear Plant Safety Consultative Committee. He is also a member of the third Legislative Council (Engineering Functional Constituency) and is director of various private companies in Hong Kong and is an independent non-executive director of Deson Development International Holdings Limited and GCL-Poly Energy Holdings Ltd., companies listed on the Main Board of the Stock Exchange.

Mr. Adrian David LI Man Kiu

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

Aged 34, was appointed an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a master degree in management from Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, US, a Master Degree of Arts and a Bachelor Degree of Arts in Law from the University of Cambridge. He is a member of The Law Society of England and Wales and The Law Society of Hong Kong. Mr. Li has been the General Manager and Head of Corporate Banking Division of The Bank of East Asia, Limited since 2000 and is responsible for the planning, management and supervision of the Bank's corporate banking business. He is a member of the Ninth and Tenth Guangdong Provincial Committee and was formerly a member of the Ninth and Tenth Guangzhou Committee of the Chinese People's Political Consultative Conference, P.R.C. He is also a committee member of the Ninth and Tenth All-China Youth Federation, the Deputy Chairman of the Ninth Beijing Municipality Youth Federation and the Vice Chairman of the Fifteenth Session of Hong Kong United Youth Association Limited. In addition, he is the Council Member of the Vocational Training Council, a member of the Advisory Board and Chairman of the Investment Committee of the Hong Kong Export Credit Insurance Corporation and a member of the MPFA Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He also sits on the Board of Ocean Park Corporation and is an independent non-executive director and audit committee Chairman of Sino Land Company Limited, Tsim Sha Tsui Properties Limited and Sino Hotels (Holdings) Limited. Further, he is an alternate independent non-executive director of San Miguel Brewery Hong Kong Limited.

Mr. Raymond LEUNG Hai Ming

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

Aged 53, was appointed an Independent Non-executive Director of the Company on 1 June 2005. Mr. Leung holds a bachelor degree in Applied Science in Civil Engineering and a Master degree in Applied Science. Mr. 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 and Institution of Civil Engineers (UK). He has more than 27 years' experience in engineering, investment, construction and project management. Mr. Leung is director of various private companies in Hong Kong. He is an non-executive director of Continental Holdings Limited, a company listed on the main board of the Stock Exchange; and independent non-executive director of Elec & Eltek International Company Limited, a company listed on the main board of Singapore Exchange Limited. Mr. Leung is also the chief executive officer of C & L Holdings Ltd engaging in investment and business consultancy.

Mr. LEE Shing See, GBS, OBE, JP

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

Aged 65, was appointed 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 was appointed by the Hong Kong Government as a director of the Hong Kong Science Parks Corporation from July 2005, and an interim CEO of the Corporation from 15 May 2007. A member of the Construction Industry Council and Environmental Impact Assessment Appeal Board Panel. Mr. Lee has over 40 years' experience in engineering and construction. He is an independent non-executive director of Chun Wo Holdings Limited, a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. TIAN Shuchen, deputy general manager, aged 42. He graduated from Dalian University of Technology and Murdoch University (Australia). Mr. Tian 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 was appointed as a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 16 years' experience in construction engineering and project management. He is responsible for the Group's operation in Mainland China and diversified investment business.

Mr. ZHANG Yifeng, deputy general manager, aged 53. He graduated from Logistical Engineering University of PLA and Murdoch University (Australia). Mr. Zhang is a member of the Hong Kong Institute of Engineers and a member of the Chartered Institute of Building (UK). Mr. Zhang joined the Group in 1993. He was appointed as a director of certain subsidiaries of the Group since 2004. Mr. Zhang has over 26 years' experience in construction engineering and project management. He is responsible for the Group's operation in Macau.

Mr. HUNG Cheung Shew, deputy general manager, aged 49. He graduated from the Plymouth Polytechnic. Mr. Hung 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 was appointed as a director of certain subsidiaries of the Group since 2000. Mr. Hung has over 26 years' experience in construction management and planning. He is responsible for the Group's joint venture construction management, building construction and mechanical and electrical engineering operations.

Mr. PAN Shujie, assistant general manager, aged 43. He graduated from the Southeast University (formerly known as Nanjing Institute of Technology) and the University of Warwick (UK). Mr. Pan 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 was appointed as a director of certain subsidiaries of the Group since 2005. Mr. Pan has over 16 years' experience in civil project management. He is responsible for the Group's civil engineering and foundation engineering operations.

Mr. WONG Wing Yuk, assistant general manager, aged 50. He graduated from the Plymouth Polytechnic (UK) and obtained the MBA degree from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a chartered engineer of the Engineering Council and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He was appointed as a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 21 years' experience in construction engineering and contract management. He is assist in management the Group's overseas operations.

Mr. LAU Wing Shing, general manager of Building Construction Department, aged 48. He graduated from the University of Warwick (UK). 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 and the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board. Mr. Lau is currently appointed by Housing, Planning and Lands Bureau, a member of the Appeal Tribunal Panel (Buildings Ordinance). Mr. Lau joined the Group in 1989. He was appointed as a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 26 years' experience in contract and project management. He is assist in management the Group's building construction operations.

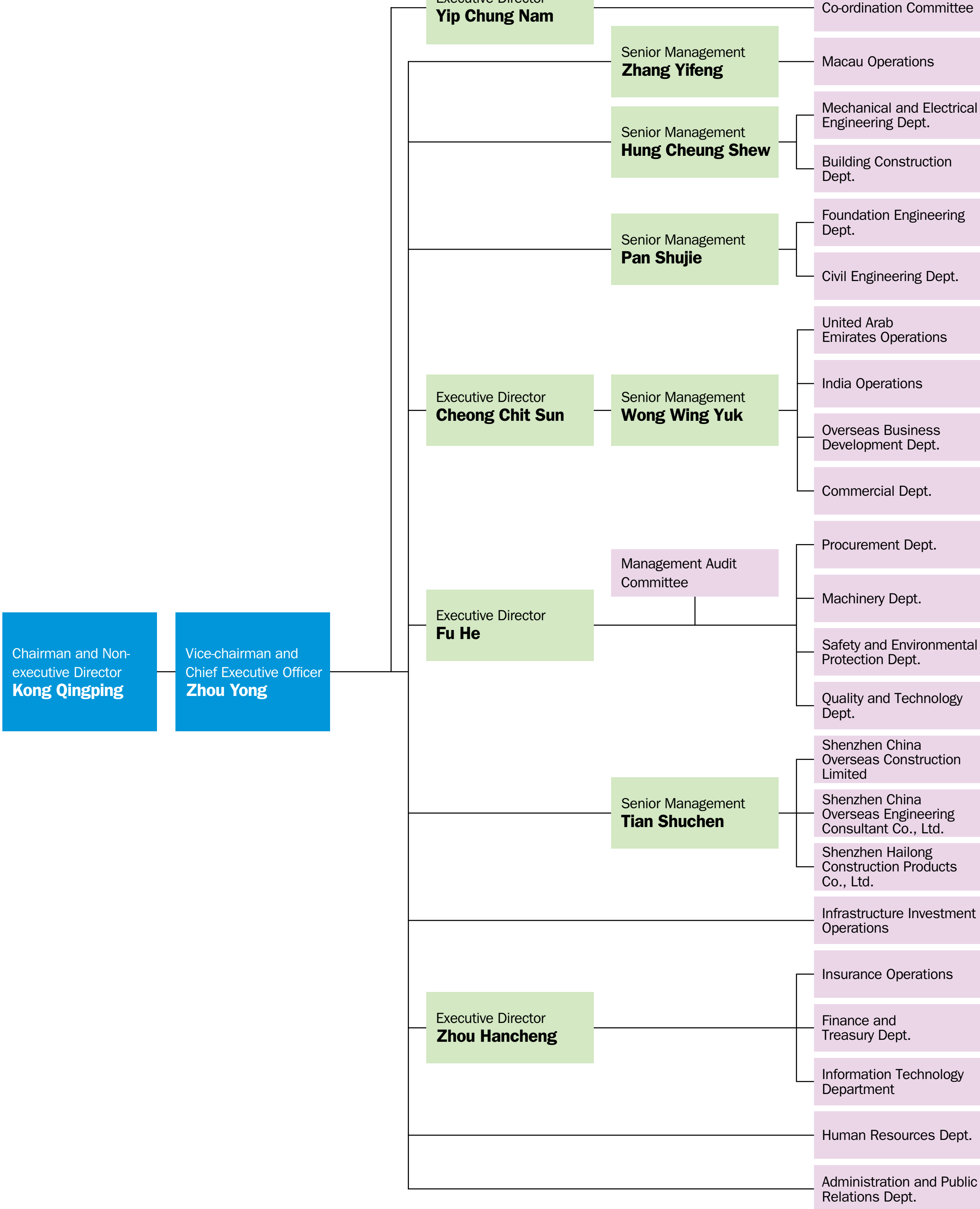
Mr. CHAN Wai Hung, general manager of Civil Engineering Department, aged 50. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and City University of Hong Kong. Mr. Chan is a member of The Hong Kong Institution of Engineers and Registered Professional Engineer (Civil) of the Hong Kong Engineers Registration Board. He is also a Chartered Engineer of The Engineering Council (UK) and member of The Institution of Civil Engineers. Mr. Chan is currently, appointed by Housing, Planning and Lands Bureau, a member of the Registered Contractors' Disciplinary Board Panel. He joined the Group in 1989 and was appointed as a director of certain subsidiaries of the Group since then. Mr. Chan has over 26 years' experience in contract and project management. He is assist in management the Group's civil engineering operations.

Mr. QIN Jidong, vice president and general manager of CSHK Dubai Contracting LLC, aged 39. Mr. Qin graduated from the Tianjin University and the Loughborough University (UK). Mr. Qin joined the Group in 1996. He was appointed as a director of certain subsidiaries of the Group since 2004. Mr. Qin has over 16 years' experience in international construction project management. He is responsible for the Group's operations in Dubai.

Mr. Melvyn J. FORD, Commercial Director of CSHK Dubai Contracting LLC, aged 53. Mr. Ford is an associate member of the Royal Institute of Chartered Surveyors. He joined the Group in 1999. Mr. Ford has over 31 years' experience in international construction projects, contracts and corporate management. He is assist in management the Group's Dubai operations.

Mr. CHAN Sim Wang, qualified accountant and deputy general manager of Finance and Treasury Department, aged 39. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College). Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and Fellow of the Association of Chartered Certified Accountants. He joined the Group in 1997. Mr. Chan has over 15 years' experience in finance management, accounting and audit fields.

ORGANISATION CHART



Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, associates, jointly controlled entities and jointly controlled operations are set out in notes 42, 21 and 27 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 86.

An interim dividend of HK9 cents per share (ordinary share of HK$0.10 each in the issued share capital of the Company) amounting to HK$54,172,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK18 cents per share (ordinary share of HK$0.10 each in the issued share capital of the Company) to the shareholders on the register of members on 12 June 2008, amounting to approximately HK$109,714,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 154 and 155.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in note 8 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out on page 156.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements during the year in the share premium and reserves of the Group are set out on page 89.

DIRECTORS

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

Non-executive Director
Mr. Kong Qingping (Chairman)

Executive Directors
Mr. Zhou Yong (Vice-chairman and Chief Executive Officer)
Mr. Yip Chung Nam
Mr. Fu He
Mr. Zhou Hancheng
Mr. Cheong Chit Sun

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

Note:

In accordance with the provisions of the Company's Articles of Association Mr. Yip Chung Nam, Mr. Fu He and Dr. Raymond Ho Chung Tai will retire by rotation at the forthcoming Annual General Meeting, and, being eligible, offer themselves for re-election.

Information regarding directors' emoluments is set out in note 12 to the consolidated financial statements.

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 "Listing Rules"). The Company considers all of the independent non-executive 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).

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND WARRANTS

As at 31 December 2007, the interests of the Directors and their associates in the shares, underlying shares and warrants of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

	Number of ordinary shares held	Number of underlying shares held		
Name of Directors	Personal interests[1]	Share options[2]	Total	% of shares in issue[3]
Kong Qingping	739,200	748,800	1,488,000	0.25
Zhou Yong	470,400	655,200	1,125,600	0.19
Yip Chung Nam	482,666	468,000	950,666	0.16
Fu He	330,000	474,000	804,000	0.13
Zhou Hancheng	320,000	442,400	762,400	0.13
Cheong Chit Sun	108,000	374,400	482,400	0.08
Raymond Ho Chung Tai	–	208,000	208,000	0.03
Adrian David Li Man Kiu	–	208,000	208,000	0.03
Raymond Leung Hai Ming	–	208,000	208,000	0.03
Lee Shing See	–	208,000	208,000	0.03

Notes:

1. This represents interests held by the relevant Director as a beneficial owner.

2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the Company's Share Option Scheme, details of which are set out in the section headed "Share Options" of this report.

3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2007 (i.e. 608,204,442 ordinary shares).

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND WARRANTS *(continued)*

(b) Long positions in shares and underlying shares of Associated Corporation

China Overseas Land & Investment Ltd. ("COLI")

	Number of ordinary shares held	Number of underlying shares held			
Name of Directors	Personal interests[1]	Share options[2]	Warrants[3]	Total	% of shares in issue[4]
Kong Qingping	7,156,000	1,344,000	726,333	9,226,333	0.12
Zhou Yong	1,643,750	768,000	136,979	2,548,729	0.03
Yip Chung Nam	3,400,000	800,000	283,333	4,483,333	0.06
Fu He	200,000	800,000	33,333	1,033,333	0.01
Zhou Hancheng	–	256,000	–	256,000	0.00
Cheong Chit Sun	240,000	160,000	13,333	413,333	0.01

Notes:

1. This represents interests held by the relevant Director as a beneficial owner.

2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by COLI, details of which are set out in the section headed "Directors' Rights to Acquire Shares or Warrants" of this report.

3. This represents interests in warrants held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the warrants issued by COLI, details of which are set out in the section headed "Directors' Rights to Acquire Shares or Warrants" of this report.

4. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 31 December 2007 (i.e. 7,743,705,396 ordinary shares).

Other than disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or warrants of the Company or any of its associated corporations as at 31 December 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR WARRANTS

(i) The Company

As at 31 December 2007, the number of outstanding share options granted by the Company under the Company's Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR WARRANTS *(continued)*

(ii) Associated Corporation

(a) *Share Options*

As at 31 December 2007, the number of outstanding share options granted by COLI to the Directors to subscribe for shares of COLI, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:–

Name of Directors	Date of grant	Exercise period	Exercise price (HK$)	Number of share options	% of share in issue (Note)
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,344,000	0.02
Zhou Yong	18.06.2004	18.06.2005 to 17.06.2014	1.13	768,000	0.01
Yip Chung Nam	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000	0.01
Fu He	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000	0.01
Zhou Hancheng	18.06.2004	18.06.2005 to 17.06.2014	1.13	256,000	0.00
Cheong Chit Sun	18.06.2004	18.06.2005 to 17.06.2014	1.13	160,000	0.00

Note: The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2007 (ie. 608,204,442 ordinary shares).

(b) *Warrants*

As at 31 December 2007, the number of listed warrants (stock code: 415) held by the Director to subscribe shares of COLI, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:–

Name of Directors	Exercise period	Exercise Price (HK$)	Number of warrants	% of share in issue (Note)
Kong Qingping	28.08.2007 to 27.08.2008	HK$12.50	726,333	0.01
Zhou Yong	28.08.2007 to 27.08.2008	HK$12.50	136,979	0.00
Yip Chung Nam	28.08.2007 to 27.08.2008	HK$12.50	283,333	0.00
Fu He	28.08.2007 to 27.08.2008	HK$12.50	33,333	0.00
Cheong Chit Sun	28.08.2007 to 27.08.2008	HK$12.50	13,333	0.00

Note: The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 31 December 2007 (ie. 7,743,705,396 ordinary shares).

Other than the share options and warrants disclosed above, at no time during the year ended 31 December 2007 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.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 38 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

Category	Date of grant	Number of Share Options					Exercise price[1] (HK$)	Exercise period
		Outstanding at 01.01.2007	Adjustment during the year[1]	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2007		
Directors								
Kong Qingping	14.09.2005	1,200,000	48,000	499,200	–	748,800	0.99	14.09.2006 to 13.09.2015
Zhou Yong	14.09.2005	840,000	33,600	218,400	–	655,200	0.99	14.09.2006 to 13.09.2015
Yip Chung Nam	14.09.2005	600,000	24,000	156,000	–	468,000	0.99	14.09.2006 to 13.09.2015
Fu He	14.09.2005	600,000	24,000	150,000	–	474,000	0.99	14.09.2006 to 13.09.2015
Zhou Hancheng	14.09.2005	560,000	22,400	140,000	–	442,400	0.99	14.09.2006 to 13.09.2015
Cheong Chit Sun	14.09.2005	450,000	14,400	90,000	–	374,400	0.99	14.09.2006 to 13.09.2015
Raymond Ho Chung Tai	14.09.2005	200,000	8,000	–	–	208,000	0.99	14.09.2006 to 13.09.2015
Adrian David Li Man Kiu	14.09.2005	200,000	8,000	–	–	208,000	0.99	14.09.2006 to 13.09.2015
Raymond Leung Hai Ming	14.09.2005	200,000	8,000	–	–	208,000	0.99	14.09.2006 to 13.09.2015
Lee Shing See	14.09.2005	200,000	8,000	–	–	208,000	0.99	14.09.2006 to 13.09.2015
All Directors		5,050,000	198,400	1,253,600	–	3,994,800		
Employees	14.09.2005	18,228,000	706,160	2,701,560	516,800	15,715,800	0.99	14.09.2006 to 13.09.2015
Consultants	14.09.2005	18,600,000	648,000	5,322,480	–	13,925,520	0.99	14.09.2006 to 13.09.2015
Total		41,878,000	1,552,560	9,277,640	516,800	33,636,120		

SHARE OPTIONS *(continued)*

Notes:

(1) Immediate after the open offer of the Company held on 10 September 2007, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.

(2) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised were as follows:

Date of exercised of share options	Number of share options exercised	Weighted average closing price of the Company's shares immediately before the exercise (HK$)
12.01.2007	430,000	5.78
14.03.2007	134,000	6.15
24.04.2007	60,000	6.32
14.05.2007	20,000	6.50
12.06.2007	10,000	6.98
03.07.2007	80,000	7.39
17.07.2007	140,000	7.71
27.08.2007	1,900,000	8.45
05.09.2007	210,000	8.56
08.10.2007	3,159,600	8.74
29.10.2007	1,919,920	8.95
14.11.2007	576,520	9.29
07.12.2007	637,600	9.59
	9,277,640	

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	% of share in issue[1]
China Overseas Holdings Limited[2]	Beneficial owner	377,198,612	62.01
China State Construction & Engineering Corporation Limited[3]	Interest of a controlled corporation/ beneficial owner	377,198,612	62.01
China State Construction Engineering Corporation[4]	Interest of a controlled corporation/ beneficial owner	377,198,612	62.01

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2007 (i.e. 608,204,442 ordinary shares).

2. Amongst the total number of 377,198,612 Shares held by China Overseas Holdings Limited ("COHL"), 361,028,346 were held as beneficial owner while the balance of 16,170,266 were interests of controlled corporations.

3. COHL is a direct wholly owned subsidiary of China State Construction & Engineering Corporation Limited ("CSCECL"), thus CSCECL is deemed by the SFO to be interested in 377,198,612 Shares directly owned by COHL.

4. CSCECL is held as to 94% by China State Construction Engineering Corporation ("CSCEC"), thus CSCEC is deemed by the SFO to be interest in 377,198,612 Shares indirectly owned by CSCECL.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of connected and related party transactions are set out on pages 77 to 84. Save as the related party transactions disclosed in note 41 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Kong Qingping holds directorship in China State Construction Engineering Corporation (the Company's ultimate holding company), China Overseas Holdings Limited (the Company's immediate holding company) and China Overseas Land & Investment Ltd (the Company's associated corporation), and/or their respective subsidiaries which are engaged in construction, property development and related business.

As the Board of the Group operates independently of the boards of these companies, the Group can operate its business independently of, and at arm's length from, the businesses of these companies.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible persons, details of the scheme is set out in note 38 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The Assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the MPF Scheme amounting to approximately HK$22.59 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2007.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$80,000.

MAJOR CUSTOMERS AND SUPPLIERS

In 2007, the five largest customers of the Group accounted for approximately 49% of the Group's turnover and turnover from the largest customer included therein accounted for approximately 12%. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 43 to the consolidated financial statements.

AUDIT COMMITTEE

The principal duties of the Audit Committee are the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee have been satisfied with the Company's internal control procedures and the financial reporting disclosures.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

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

Hong Kong, 18 March 2008

Connected Transactions

(A) Connected transactions falling under Rule 14A.16(5) of the Listing Rules

(A)(1) Acquisition of China Overseas Insurance Limited ("COIL") and China Overseas Insurance Services Limited ("COISL")

On 20 July 2007, the Company (as the Purchaser) and China Overseas Holdings Limited ("COHL", as the Vendor) entered into a sale and purchase agreement (the "Hong Kong Agreement"). Pursuant to which the Company had agreed to purchase and COHL had agreed to sell the entire issued share capital of COIL and COISL (the "Hong Kong Acquisition").

COHL is interested in approximately 62.89% of the then issued share capital of the Company and is a connected person of the Company. The Hong Kong Acquisition constitute discloseable and connected transaction of the Company.

COIL is a company incorporated in Hong Kong and is engaged in the general insurance business in Hong Kong. COIL is principally engaged in the business of underwriting insurance policies on contractors' all risks, employees' compensation, property damage and general liability. COIL is authorised under the Insurance Companies Ordinance (Chapter 41 of The Laws of Hong Kong) to carry on general insurance business in or from Hong Kong.

COISL is a company incorporated in Hong Kong and is engaged in the provision of insurance brokerage services in Hong Kong.

The Group is insured against risks associated with construction projects (including third party liability), employees' compensation, and damage to vehicles, machinery and property. The bulk of the Group's insurance is maintained with COIL and the majority of COIL's and COISL's respective turnover are generated from sales to the Group. The Hong Kong Acquisition represents a consolidation of the construction and construction-related business of COHL under the Company and supplements the Company's business needs. The acquisition of COIL and COISL will have a synergistic effect with the existing business of the Group and will facilitate the Company's operations and open new revenue streams.

The aggregate consideration under the Hong Kong Acquisition was HK$393,000,000.

Details of the Hong Kong Agreement was disclosed in a circular dated 14 August 2007. The Hong Kong Agreement was duly approved by independent shareholder of the Company at an extraordinary general meeting held on 31 August 2007. The Hong Kong Acquisition was completed on 29 October 2007. Thereafter, COIL and COISL becomes wholly-owned subsidiaries of the Company.

(A)(2) Acquisition of Perfect Castle Limited ("Perfect Castle") and COHL (Macao) Commercial and Industrial Company Limited ("COHL (Macao)")

On 20 July 2007, the Company (as the Purchaser) and COHL (as the Vendor) entered into a sale and purchase agreement (the "Macau Agreement"). Pursuant to which the Company had agreed to purchase and COHL had agreed to sell the entire issued share capital of Perfect Castle and 79% issued share capital of COHL (Macao) (the "Macau Acquisition").

COHL is interested in approximately 62.89% of the then issued share capital of the Company and is a connected person of the Company. The Macau Acquisition constitute discloseable and connected transaction of the Company.

COHL (Macao) is an investment holding company. COHL (Macao) owns 30% equity interest in CPM – COMPANHIA DE PARQUES DE MACAU, S.A. ("CPM") and 15% equity interest in COMPANHIA DE CONSTRUCAO E INVESTMENTO PREDIAL SAN KIN WA LIMITADA ("SKW"). CPM is principally engaged in the operation of car parks in Macau while SKW is principally engaged in the business of property holding and development in Macau.

(A) Connected transactions falling under Rule 14A.16(5) of the Listing Rules *(continued)*

(A)(2) Acquisition of Perfect Castle Limited ("Perfect Castle") and COHL (Macao) Commercial and Industrial Company Limited ("COHL (Macao)") *(continued)*

The Macau Acquisition will allow the Company to apply the Group's resources in taking advantage of Macau's thriving economy and the increase in property value, and open up a steady revenue stream for the Company, increasing shareholders' value.

The aggregate consideration under the Macau Acquisition was HK$100,000,000.

Details of the Macau Agreement was disclosed in a circular dated 14 August 2007. The Macau Agreement was duly approved by independent shareholder of the Company at an extraordinary general meeting held on 31 August 2007. The Macau Acquisition was completed on 28 September 2007. Thereafter, Perfect Castle Limited and COHL (Macao) becomes wholly-owned subsidiaries of the Company.

(A)(3) Acquisition of 深圳中海建築有限公司 Shenzhen China Overseas Construction Limited ("SCOCL")

On 20 July 2007, the Company (as the Purchaser) and COHL (as the Vendor) entered into a sale and purchase agreement (the "PRC Agreement"). Pursuant to which the Company had agreed to purchase and COHL had agreed to sell the entire equity interests of SCOCL (the "PRC Acquisition").

COHL is interested in approximately 62.89% of the then issued share capital of the Company and is a connected person of the Company. The PRC Acquisition constitute discloseable and connected transaction of the Company.

SCOCL is principally engaged in acting as main contractor for building construction and contractor for civil engineering works, trading in building materials and investment holding in the PRC.

SCOCL have the necessary licences to undertake building construction, foundations engineering works and engineering consultancy services in the PRC. The PRC Acquisition presents a platform for the Company to enter the PRC market and to further the Company's plans to expand its business, by investing in construction related projects in the PRC. The PRC Acquisition will facilitate the Company's business development and open a gateway to opportunities in the PRC market.

The aggregate consideration under the PRC Acquisition was HK$17,000,000.

Details of the PRC Agreement was disclosed in a circular dated 14 August 2007. The PRC Agreement was duly approved by independent shareholder of the Company at an extraordinary general meeting held on 31 August 2007. The PRC Acquisition was completed on 27 September 2007. Thereafter, SCOCL becomes wholly-owned subsidiary of the Company.

(A)(4) Acquisition of China Overseas Public Utility Investment Limited (the "Target Company")

On 7 November 2007, the Company (as the Purchaser) and China Overseas Infrastructure Holdings Limited ("COIHL", as the Vendor) entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to which the Company had agreed to purchase and COIHL had agreed to sell the entire equity interests of and 10% shareholders' loan of the Target Company (the "Acquisition").

COIHL is an indirectly wholly owned subsidiary of China Overseas Land & Investment Ltd ("COLI"). COHL is interested in approximately 51.72% of the then issued share capital of COLI and in approximately 62.08% of the then issued share capital of the Company. The Acquisition constitute discloseable and connected transaction of the Company.

(A) Connected transactions falling under Rule 14A.16(5) of the Listing Rules *(continued)*

(A)(4) Acquisition of China Overseas Public Utility Investment Limited (the "Target Company")

(continued)

COIHL is an investment holding company which directly wholly owns the Target Company. The Target Company is the holding Company of Shenyang Huanggu Thermal Power Co. Ltd. ("Shenyang Huanggu Company"). The principal business of Shenyang Huanggu Company is production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, the capital city of the Liaoning Province, PRC.

Shenyang Huanggu Company provides a good investment opportunity for the Company taking into account the cash flow status of the Company and the investment will generate stable and longer term income to the Company. Shenyang Huanggu Company can further explore business opportunities for the Company since construction works are required for such kind of infrastructure project.

The aggregate consideration under the Acquisition was HK$400,000,000.

Details of the Sale and Purchase Agreement was disclosed in a circular dated 30 November 2007. The Sale & Purchase Agreement was duly approved by independent shareholder of the Company at an extraordinary general meeting held on 27 December 2007. The Acquisition was completed on 31 December 2007. Thereafter, the Target Company become wholly-owned subsidiary of the Company.

(A)(5) Subscription of share of Proud Sea International Limited (the "JV Co") (the "JV Share")

On 7 November 2007, the Company; COLI and JV Co entered into a shareholders' agreement (the "Shareholders' Agreement"). Pursuant to which the Company had agreed to subscribe one JV Share and pay the 10% shareholders' loan of JV Co, so that upon completion of the subscription, COLI and the Company will own JV Co in the proportion of 90% and 10% respectively.

The JV Co is formed for the purpose of investment holding with investment in the Chongqing Property and Zhuhai Property.

COHL is interested in approximately 51.72% of the then issued share capital of COLI and in approximately 62.08% of the then issued share capital of the Company. The entering into the Shareholders' Agreement constitute discloseable and connected transaction of the Company.

PRC property market provides a good investment opportunity for the Company taking into account the cash flow status of the Company and the general property market environment in the PRC. The Chongqing Property and the Zhuhai Property development can further explore business opportunities for the Company since construction works are required in the Chongqing Property and Zhuhai Property development.

The aggregate consideration under the Shareholders' Agreement was HK$7.8 and the Company has extended the shareholders' loan to the JV Co of HK$135,863,000 as at 31 December 2007.

Details of the Shareholders' Agreement was disclosed in a circular dated 30 November 2007. The Shareholders' Agreement was duly approved by independent shareholder of the Company at an extraordinary general meeting held on 27 December 2007. The subscription was completed on 31 December 2007.

(B) Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules

(B)(1) Materials Supplies Engagement Agreements

Before completion of PRC Acquisition, 深圳海龍建築製品有限公司 Shenzhen Hailong Construction Products Co., Ltd. ("Hailong") is a company in which each of SCOCL (100% owned by COHL) and the Group is interested in 50% and is therefore an associate of the Company.

Pursuant to the Listing Rules, the provision of construction materials from Hailong constitutes connected transactions of the Group. In order to allow Hailong to continue to participate in competitive tenders to bid for supply contracts and to provide construction materials to the Group upon successful tender on a recurring basis from time to time, the Company has entered into a Materials Supplies Engagement Agreement with Hailong on 9 June 2005 and subject to the annual cap amount of HK$30,000,000 for each of the three financial years ending 31 December 2007.

Enlisting Hailong, as one of the Group's suppliers, enables the Group to exert more effective control over the production and delivery of the materials required, and keeps the Group abreast with the latest market news and trend in construction materials, placing the Group in a competitively more advantageous position when accessing the Group's construction costs.

Owing to the increased application of pre-cast structures in housing projects and residential projects, the Directors expect that the annual cap amount under the Materials Supplies Engagement Agreement will be exceeded.

On 9 May 2006, the Company and Hailong entered into a Supplemental Material Supplies Engagement Agreement, pursuant to which the annual cap amount under the Supplemental Material Supplies Engagement Agreement be increased to HK$70,000,000 for each of the two financial years ending 31 December 2007.

The total contract value for the Supplemental Material Supplies Engagement Agreement exceed 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Supplemental Material Supplies Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 May 2006 containing details of the Supplemental Material Supplies Engagement Agreement has been dispatched to the shareholders of the Company. The Supplemental Material Supplies Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 June 2006.

Upon completion of the PRC Acquisition, SCOCL and Hailong become indirect wholly-owned subsidiary of the Company. The Materials Supplies Engagement Agreements do not constitute continuing connected transactions of the Company since then.

For the period from 1 January 2007 to 31 December 2007, the aggregate contract value paid or payable by the Group to Hailong under the Material Supplies Engagement Agreement and Supplemental Material Supplies Engagement Agreement amounted to HK$24,951,140.

(B) Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

(B)(2) Insurance Engagement Agreement

Before completion of Hong Kong Acquisition, COIL (a wholly-owned subsidiary of COHL) is authorised by the Office of the Commissioner of Insurance to carry on insurance business. The Group has purchased insurance from COIL as underwriter since 2002.

Insurances purchased by the Group are divided into two main categories (a) contractors' all risks (including third parties) and (b) employees' compensation. Other categories of insurances purchased by the Group include motor vehicles, property damage and public liability.

The Group will continue to purchase insurance from COIL as underwriter in respect of the Group's construction projects and other risks of the Group's business operations, in accordance with the Group's normal selection procedures and terms. In this connection, the Company has entered into an Insurance Engagement Agreement with COIL on 9 June 2005 and subject to the annual cap amount of HK$70,000,000, HK$75,000,000 and HK$80,000,000 for the three financial years ending 31 December 2007.

The Insurance Engagement Agreement allows the Group to insure with a more diverse base of insurers.

Upon completion of the Hong Kong Acquisition, COIL becomes a direct wholly-owned subsidiary of the Company. The Insurance Engagement Agreement does not constitute continuing connected transactions of the Company since then.

For the period from 1 January 2007 to 31 December 2007, the aggregate contract value paid or payable by the Group to COIL under the Insurance Engagement Agreement amounted to HK$30,872,099.

(B)(3) CSC Engagement Agreement

COLI and its subsidiaries, ("COLI Group") engages in property development and investment and engages contractors to construct its property projects in Hong Kong.

The COLI Group may invite the Group to participate in competitive tender for COLI Group's construction works from time to time in Hong Kong. Pursuant to the Listing Rules, the engagement by COLI Group of the Group as construction contractor for its construction works constitutes connected transaction of the Group. In this connection, the Company has entered into CSC Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded by the Group shall not exceed HK$900,000,000 for each of the three financial years ending 31 December 2008.

The CSC Engagement Agreement allows the Group to secure a more diverse base of customers for building construction in Hong Kong.

The total contract value for the CSC Engagement Agreement exceed 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the CSC Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 12 December 2005 containing details of the CSC Engagement Agreement has been dispatched to the shareholders of the Company. The CSC Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 December 2005.

There was no contract signed under the CSC Engagement Agreement for the year ended 31 December 2007.

(B) Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

(B)(4) CCEM Engagement Agreement

COLI Group engages in property development and engages contractors to construct its property projects in Macau.

The COLI Group may invite China Construction Engineering (Macau) Company ("CCEM") to participate in competitive tender for COLI Group's construction works from time to time in Macau. In this connection, CCEM has entered into CCEM Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded to CCEM shall not exceed HK$200,000,000 for each of the three financial years ending 31 December 2008.

The CCEM Engagement Agreement allows CCEM to secure a more diverse base of customers for building construction in Macau.

Upon completion of the acquisition of CCEM on 29 June 2006, CCEM becomes an indirect wholly-owned subsidiary of the Company. COLI Group, being an associate of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the CCEM Engagement Agreement constitutes a connected transaction for the Company.

The total contract value for the CCEM Engagement Agreement exceed 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the CCEM Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 May 2006 containing particulars of the CCEM Engagement Agreement has been dispatched to shareholders of the Company. The CCEM Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 June 2006.

There was no contract signed under the CCEM Engagement Agreement for the year ended 31 December 2007.

(B)(5) SCOCL Engagement Agreement

COLI Group engages in property development and engages contractors to construct its property projects in PRC.

The COLI Group may invite SCOCL to participate in competitive tender for COLI Group's construction works from time to time in PRC. In this connection, SCOCL has entered into SCOCL Engagement Agreement with COLI on 22 November 2005, provided that the total contract sum to be awarded to SCOCL shall not exceed HK$1,600 Million for each of the three financial years ending 31 December 2008.

The SCOCL Engagement Agreement allows SCOCL to secure a more diverse base of customers for building construction in PRC.

Upon the completion of the PRC Acquisition, SCOCL becomes an indirect wholly-owned subsidiary of the Company. COLI Group, being an associate of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the SCOCL Engagement Agreement constitutes a connected transaction for the Company.

The total contract value for the SCOCL Engagement Agreement exceed 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the SCOCL Engagement Agreement is subject to the reporting, announcement and independent shareholders' approval requirements.

A circular dated 14 August 2007 containing particulars of the SCOCL Engagement Agreement has been dispatched to shareholders of the Company. The SCOCL Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 31 August 2007.

There was no contract signed under the SCOCL Engagement Agreement for the year ended 31 December 2007.

(B) Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

(B)(6) Master Tenancy Agreement

On 15 May 2006, China State Construction Limited ("CSCL" (formerly known as "China Overseas (Hong Kong) Limited"), an indirect wholly-owned subsidiary of the Company) has entered into a Master Tenancy Agreement with On Success Development Limited ("On Success", a subsidiary of COLI) for the leases of the Group's office premises situated at Unit A, B, C & D on 26th Floor, 27th Floor, 28th Floor, 29th Floor and 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong. Pursuant to the Master Tenancy Agreement, the rent payable by CSCL will be HK$6,616,428, HK$8,635,704 and HK$8,972,250 for the three year ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

The rent payable for the above properties are determined by reference to a valuation report dated 11 May 2006 by DTZ Debenham Tie Leung Limited, an independent valuer, on the prevailing market conditions and the rental level of similar properties in the vicinity of the above properties.

The Company and its subsidiaries were previously located in the upper and lower floors of China Overseas Building. The Master Tenancy Agreement enables the Company and its subsidiaries to consolidate their operations from the 26th to 30th Floors of China Overseas Building and provide a more efficient working environment for the Company and its subsidiaries.

The total contract value for the transactions under the Master Tenancy Agreement is less than 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Master Tenancy Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Tenancy Agreement was made on 16 May 2006.

For the year ended 30 June 2007, the aggregate amount made by CSCL to On Success under the Master Tenancy Agreement amounted to HK$6,616,428.

(B)(7) Master Security Services Agreement

On 15 May 2006, the Company has entered into a Master Securities Services Agreement with China Overseas Security Services Limited ("COS", an indirectly wholly-owned subsidiary of COLI) provided that the annual cap amount for the provision of the security services under the Master Security Services Agreement for each of the three financial years ending 31 December 2008 will not exceed HK$30,000,000 per year.

Pursuant to the Master Securities Services Agreement, COS will provide security services to the worksites of the Company and/or its subsidiaries.

The total contract value for the transactions under the Master Securities Services Agreement is less than 2.5% of the applicable percentage ratios (other than the profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules. As such the Master Securities Services Agreement is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Securities Services Agreement was made on 16 May 2006.

For the year ended 31 December 2007, the aggregate amount paid or payable by the Group to COS under the Master Securities Services Agreement amounted to HK$11,285,520.

(B) Non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules *(continued)*

Pursuant to Rule 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the board of directors. The directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the continuing connected transactions contemplated under this section entered into by the Group for the year ended 31 December 2007 :-

(i) have received the approval of the board of directors;

(ii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iii) have not exceed the annual cap disclosed in the relevant announcements/circulars of the Company.

The Directors (including the independent non-executive directors) have reviewed and confirmed the continuing connected transactions contemplated under this section have been entered into:

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

(ii) on an arm's length basis;

(iii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iv) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 153 which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with the agreed terms of the engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 18 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000 (restated)
Revenue	7	**10,168,321**	11,094,546
Contract costs		**(9,089,599)**	(10,245,529)
Other operating costs		**(312,606)**	(307,651)
Gross profit		**766,116**	541,366
Net investment income	9	**99,700**	242,347
Other income	10	**30,167**	18,252
Administrative expenses		**(332,000)**	(281,230)
Distribution and selling expenses		**(10,719)**	(10,814)
Other expenses		**(29,919)**	(16,820)
Share of profits of associates		**8,788**	6,860
Finance costs	11	**(1,823)**	(4,786)
Profit before tax		**530,310**	495,175
Income tax expense	14	**(82,355)**	(63,545)
Profit for the year	15	**447,955**	431,630
Attributable to:			
Equity holders of the Company		**404,893**	410,493
Minority interests		**43,062**	21,137
		447,955	431,630
Dividends	16	**104,132**	88,580
Earnings per share	17		
Basic (HK cents)		**73.28**	80.03
Diluted (HK cents)		**68.78**	75.38

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000 (restated)
Non-current Assets			
Property, plant and equipment	18	**971,953**	898,147
Investment properties	19	**9,705**	10,065
Prepaid lease payments – non-current	20	**60,327**	24,307
Interests in associates	21	**35,071**	44,894
Available-for-sale investments	22	**111,295**	129,329
Amounts due from investee companies	23	**146,772**	10,909
		1,335,123	1,117,651
Current Assets			
Inventories	24	**54,486**	45,134
Properties held for sale		**20,408**	20,408
Amounts due from customers for contract work	25	**595,037**	238,577
Trade and other receivables	26	**3,339,204**	2,898,577
Deposits and prepayments		**228,566**	266,427
Amounts due from jointly controlled entities	27	**80,552**	83,720
Amounts due from the partners of jointly controlled entities	27	**193,761**	129,224
Amounts due from fellow subsidiaries	28	**159,653**	142,125
Tax recoverable		**31,146**	21,452
Prepaid lease payments – current	20	**1,612**	836
Deposits with financial institutions	29	**5,305**	535
Pledged bank deposits	29	**17,654**	42,319
Bank balances and cash	29	**1,545,000**	2,133,007
		6,272,384	6,022,341
Current Liabilities			
Amounts due to customers for contract work	25	**425,864**	356,004
Trade and other payables	30	**3,759,933**	3,975,701
Deposits received and receipt in advance		**601,960**	536,816
Amounts due to jointly controlled entities	27	**223,225**	168,868
Amounts due to the partners of jointly controlled entities	27	**73,257**	44,603
Amount due to ultimate holding company	28	**–**	31,036
Amount due to immediate holding company	28	**–**	511,137
Amounts due to fellow subsidiaries	28	**12,389**	474,552
Amount due to an associate	28	**16,474**	2,733
Tax liabilities		**101,520**	54,466
Borrowings	31	**29,729**	22,586
Obligations under finance leases	32	**175**	179
		5,244,526	6,178,681

	NOTES	2007 HK$'000	2006 HK$'000 (restated)
Net Current Assets (Liabilities)		**1,027,858**	(156,340)
Total Assets less Current Liabilities		**2,362,981**	961,311
Capital and Reserves			
Share capital	33	**60,821**	49,896
Share premium and reserves		**2,094,862**	629,227
Equity attributable to equity holders of the Company		**2,155,683**	679,123
Minority interests		**–**	85,091
		2,155,683	764,214
Non-current Liabilities			
Deferred income	34	**118,593**	91,515
Deferred tax liabilities	35	**67,437**	54,863
Borrowings	31	**21,165**	50,441
Obligations under finance leases	32	**103**	278
		207,298	197,097
		2,362,981	961,311

The consolidated financial statements on pages 86 to 153 were approved and authorised for issue by the board of directors on 18 March 2008 and are signed on its behalf by:

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (notes a & b)	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (note c)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006											
As previously stated	49,211	–	313,680	1,500	–	21	489	462,905	827,806	525	828,331
Effect of combinations under common control (note 1)	–	–	(442,494)	–	62,945	6,167	6,455	59,561	(307,366)	63,635	(243,731)
As restated	49,211	–	(128,814)	1,500	62,945	6,188	6,944	522,466	520,440	64,160	584,600
Gain on fair value changes of available-for-sale investments	–	–	–	–	6,954	–	–	–	6,954	–	6,954
Exchange differences arising on translation of foreign operations	–	–	–	–	–	22,140	–	–	22,140	–	22,140
Total income directly recognised to equity	–	–	–	–	6,954	22,140	–	–	29,094	–	29,094
Profit for the year (as restated)	–	–	–	–	–	–	–	410,493	410,493	21,137	431,630
Transfer to profit or loss on sales of available-for-sale investments	–	–	–	–	(61,377)	–	–	–	(61,377)	–	(61,377)
Total recognised income and expense for the year	–	–	–	–	(54,423)	22,140	–	410,493	378,210	21,137	399,347
Issue of ordinary shares upon exercise of share options	685	8,050	–	(1,678)	–	–	–	–	7,057	–	7,057
Recognition of equity-settled share based payments	–	–	–	4,779	–	–	–	–	4,779	–	4,779
2005 final dividend paid	–	–	–	–	–	–	–	(44,290)	(44,290)	–	(44,290)
2006 interim dividend paid	–	–	–	–	–	–	–	(44,290)	(44,290)	–	(44,290)
Transfer to statutory reserve	–	–	–	–	–	–	1,175	(1,175)	–	–	–
Distribution of profit (note b)	–	–	(155,564)	–	–	–	–	–	(155,564)	–	(155,564)
Dividend paid to minority shareholder	–	–	–	–	–	–	–	–	–	(83)	(83)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(123)	(123)
Contribution from ultimate holding company	–	–	12,781	–	–	–	–	–	12,781	–	12,781
At 31 December 2006 (restated)	49,896	8,050	(271,597)	4,601	8,522	28,328	8,119	843,204	679,123	85,091	764,214
Gain on fair value changes of available-for-sale investments	–	–	–	–	833	–	–	–	833	–	833
Exchange differences arising on translation of foreign operations	–	–	–	–	–	52,713	–	–	52,713	–	52,713
Total income directly recognised to equity	–	–	–	–	833	52,713	–	–	53,546	–	53,546
Profit for the year	–	–	–	–	–	–	–	404,893	404,893	43,062	447,955
Transfer to profit or loss on sales of available-for-sale investments	–	–	–	–	(6,823)	–	–	–	(6,823)	–	(6,823)
Total recognised income and expense for the year	–	–	–	–	(5,990)	52,713	–	404,893	451,616	43,062	494,678
Issue of ordinary shares upon open offer	9,997	989,671	–	–	–	–	–	–	999,668	–	999,668
Share issue expenses	–	(10,842)	–	–	–	–	–	–	(10,842)	–	(10,842)
Issue of ordinary shares upon exercise of share options	928	10,649	–	(2,273)	–	–	–	–	9,304	–	9,304
Recognition of equity-settled share based payments	–	–	–	2,793	–	–	–	–	2,793	–	2,793
2006 final dividend paid	–	–	–	–	–	–	–	(49,960)	(49,960)	–	(49,960)
2007 interim dividend paid	–	–	–	–	–	–	–	(54,172)	(54,172)	–	(54,172)
Transfer to statutory reserve	–	–	–	–	–	–	3,073	(3,073)	–	–	–
Transfer from minority interests (note d)	–	–	–	–	–	–	–	128,153	128,153	(128,153)	–
At 31 December 2007	60,821	997,528	(271,597)	5,121	2,532	81,041	11,192	1,269,045	2,155,683	–	2,155,683

Notes:

(a) Special reserve as at 1 January 2006 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 ("COIL"), China Overseas Insurance Services Limited ("COISL"), COHL (Macao) Commercial and Industrial Company Limited ("COHL Macao"), 深圳中海建築有限公司 ("SCOCL") and China Overseas Public Utility Investment Limited ("COPUIL") under common control.

(b) Decrease in special reserve during the year ended 31 December 2006 represented the distribution of reserve to the former shareholders of COIL before the Group reorganisation.

(c) Statutory reserves of the Group represents general and development fund reserve applicable to the overseas and PRC subsidiaries which was established in accordance with the relevant regulations.

(d) Upon the completion of group reorganisation, COPUIL became a wholly-owned subsidiary of the Company and the amount of retained profits attributable to the minority shareholder of China Overseas Land and Investment Limited ("COLI"), the former holding company of COPUIL, was transferred to the retained profits of the Group.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	530,310	495,175
Adjustments:		
Finance costs	1,823	4,786
Net investment income	(99,700)	(242,347)
Gain on disposal of property, plant and equipment	(11,863)	(114)
Share of profits of associates	(8,788)	(6,860)
Loss on disposal of a subsidiary	–	165
Depreciation	10,291	9,858
Deferred income	27,078	13,923
Amortisation of prepaid lease payments	874	426
Equity settled share-based payments expenses	2,793	4,779
Operating cash flows before movements in working capital	452,818	279,791
Increase in trade and other receivables, deposits and prepayments	(402,766)	(305,949)
Increase in inventories	(9,352)	(4,901)
(Increase) decrease in amounts due from customers for contract work	(278,394)	58,441
Increase (decrease) in amounts due to customers for contract work	69,860	(390,122)
(Decrease) increase in trade and other payables, deposits received and receipt in advance	(150,624)	555,143
(Increase) decrease in amounts due from fellow subsidiaries	(17,528)	7,835
(Decrease) increase in amounts due to fellow subsidiaries	(62,163)	412,866
Increase (decrease) in amount due to an associate	13,741	(3,226)
Cash (used in) from operations	(384,408)	609,878
Income taxes paid	(44,568)	(40,601)
Income taxes refunded	10,391	5,489
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(418,585)	574,766

	NOTE	2007 HK$'000	2006 HK$'000 (restated)
INVESTING ACTIVITIES			
Interest received		75,189	74,010
Purchase of property, plant and equipment		(124,584)	(156,981)
Proceeds from disposal of property, plant and equipment		31,011	7,406
Repayment from jointly controlled entities		3,168	6,122
Advance to the partners of jointly controlled entities		(64,537)	(57,671)
Increase in deposits with financial institutions		(4,770)	(535)
Decrease (increase) in pledged bank deposits		24,665	(8,412)
Dividends from associates		7,730	3,150
Dividends from available-for-sale investments		3,549	3,163
Acquisition of listed securities		(59,069)	(15,282)
Proceeds from disposal of listed securities		102,957	212,700
Payment for prepaid leases		(37,670)	–
Advance to investees companies		(135,863)	–
Net proceeds on disposal of a subsidiary	36	–	(363)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(178,224)	67,307
FINANCING ACTIVITIES			
Interest paid		(1,793)	(4,379)
Other financial expenses paid		(30)	(407)
Proceeds from issue of ordinary shares		1,008,972	7,057
Share issue expenses		(10,842)	–
Payment of obligations under finance leases		(179)	(157)
Dividend paid to equity holders of the Company		(104,132)	(88,580)
Dividend paid to minority interests		–	(83)
Advance from jointly controlled entities		54,357	129,817
Advance from (repayment to) the partners of jointly controlled entities		28,654	(967)
Distribution of reserves		–	(142,783)
Repayment to the fellow subsidiaries		(400,000)	–
Repayment to the holding companies		(542,173)	(333,706)
Repayment of other borrowings		(8,070)	(15,404)
Repayment of bank loans		(240)	(119,533)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		24,524	(569,125)

	2007 HK$'000	2006 HK$'000 (restated)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(572,285)**	72,948
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,118,731**	2,043,291
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,899)**	2,492
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,544,547**	2,118,731
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**1,545,000**	2,133,007
Bank overdrafts	**(453)**	(14,276)
	1,544,547	2,118,731

1. General

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 25 March 2004 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and its shares were listed on The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited ("COHL") (incorporated in Hong Kong) and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC") (established in the PRC). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

On 20 July 2007, three Sale and Purchase Agreements were entered into between the Company and COHL, whereby COHL agreed to transfer the entire paid up share capital of China Overseas Insurance Limited ("COIL") and China Overseas Insurance Services Limited ("COISL") at the consideration of HK$393,000,000, COHL (Macao) Commercial and Industrial Company Limited ("COHL Macao") at the consideration of HK$100,000,000 and 深圳中海建築有限公司 ("SCOCL") at the consideration of HK$17,000,000 to the Company and/or its nominees. On 7 November 2007, a Sales and Purchase Agreement was entered into between the Company and China Overseas Infrastructure Holdings Limited ("COIHL"), a wholly owned subsidiary of China Overseas Land & Investment Ltd., listed fellow subsidiary of the Company, whereby COIHL agreed to transfer the entire paid up share capital of China Overseas Public Utility Investment Limited ("COPUIL") at the consideration of HK$400,000,000 to the Company and/or its nominees. All the transfer were completed during the year.

The transfer of the entire interests in COIL, COISL, COHL Macao, SCOCL and COPUIL (the "Acquired Companies") as mentioned above is regarded as common control combinations. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the transfer of the controlling interests in Acquired Companies has been completed as at 1 January 2006. Accordingly, the comparative figures of the consolidated financial statements have been restated.

1. General *(continued)*

The effects of the combination of Acquired Companies on the result of the Group for the year ended 31 December 2006 and the financial position of the Group at 31 December 2006 are summarised below:

	For the year ended 31 December 2006 (previously stated) HK$'000	Combination of Acquired Companies HK$'000	Combination adjustments (note) HK$'000	For the year ended 31 December 2006 (restated) HK$'000
Revenue	10,294,826	898,221	(98,501)	11,094,546
Contract costs	(9,799,760)	(544,270)	98,501	(10,245,529)
Other operating costs	(36,016)	(271,635)		(307,651)
Gross profit	459,050	82,316		541,366
Other income and expenses	(188,006)	141,815		(46,191)
Profit before tax	271,044	224,131		495,175
Income tax expense	(49,181)	(14,364)		(63,545)
Profit for the year	221,863	209,767		431,630
Attributable to:				
Equity holders of the Company	222,182	188,311		410,493
Minority interests	(319)	21,456		21,137
	221,863	209,767		431,630

1. General *(continued)*

	At 31 December 2006 (previously stated) HK$'000	Combination of Acquired Companies HK$'000	Combination adjustments (note) HK$'000	At 31 December 2006 (restated) HK$'000
Non-current assets	187,800	929,851		1,117,651
Current assets				
Trade and other receivables	2,682,688	215,889		2,898,577
Bank balances and cash	1,701,104	431,903		2,133,007
Amounts due from fellow subsidiaries	43,151	120,263	(21,289)	142,125
Other current assets	793,397	55,235		848,632
	5,220,340	823,290		6,022,341
Current liabilities				
Amounts due to customers for contract work	329,983	26,021		356,004
Trade and other payables	3,440,233	535,468		3,975,701
Amounts due to fellow subsidiaries	7,952	405,997	60,603	474,552
Amount due to immediate holding company	–	1,137	510,000	511,137
Other current liabilities	655,493	205,794		861,287
	4,433,661	1,174,417		6,178,681
Net current assets (liabilities)	786,679	(351,127)		(156,340)
Total assets less current liabilities	974,479	578,724		961,311
Total capital and minority interests	974,201	381,905	(591,892)	764,214
Non-current liabilities	278	196,819		197,097
	974,479	578,724		961,311

Note: The combination adjustments represent the elimination of the intercompanies transactions and balances and the excess of the consideration paid over the share capital of the Acquired Companies.

1. General *(continued)*

The effect of the combination of Acquired Companies on the Group's equity at 1 January 2006 are summarised below:

	At 1 January 2006 (previously stated) HK$'000	Combination of Acquired Companies HK$'000	At 1 January 2006 (restated) HK$'000
Share capital	49,211	–	49,211
Special reserve	313,680	(442,494)	(128,814)
Share options reserve	1,500	–	1,500
Investment revaluation reserve	–	62,945	62,945
Translation reserve	21	6,167	6,188
Statutory reserve	489	6,455	6,944
Retained profits	462,905	59,561	522,466
Minority interests	525	63,635	64,160
	828,331	(243,731)	584,600

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

The principal activities of the Company and its subsidiaries (the "Group") are the construction business, project consultancy services, insurance business, generation and supply of heat and electricity and trading of building materials. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 42, 21 and 27.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29: Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(continued)*

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Principal Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year, except for those acquisitions which are regarded as common control combinations, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Principal Accounting Policies *(continued)*

Basis of consolidation *(continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Common control combinations

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' 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 comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations other than common control combinations

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 ''Business Combinations'' are recognised at their fair values at the acquisition date, which are recognised and measured at fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purpose, other then construction in progress are stated at cost less subsequent accumulated depreciation and any identified impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. Principal Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in associate are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3. Principal Accounting Policies *(continued)*

Investments in associates *(continued)*

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the items. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Jointly controlled entities

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

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amounts due from investee companies, trade and other receivables, amounts due from jointly controlled entities, the partners of jointly controlled entities and fellow subsidiaries, deposits with financial institutions, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity/debts investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to jointly controlled entities, the partners of jointly controlled entities, ultimate holding company, immediate holding company, fellow subsidiaries and an associate, obligation under finance leases, bank overdrafts, bank loans and other loans) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 marketing, selling and distribution.

Properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

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 balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to 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 they have been agreed with the customer.

3. Principal Accounting Policies *(continued)*

Construction contracts *(continued)*

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 revenues 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 balance sheet, as a liability, as deposits received and receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 as expense and included in finance costs in consolidated income statement in the year in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. Principal Accounting Policies *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.

Deferred income

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

Leasing

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.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the terms of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

3. Principal Accounting Policies *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company after 7 November 2002 and vest on or after 1 January 2005

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 each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate during the vesting period, if any, is recognised in income statement with a corresponding adjustment to share option reserve.

At the time 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 or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received. The fair values of the services received are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3. Principal Accounting Policies *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

Construction contracts

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

When the outcome of a cost-plus construction contract 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.

Project management contracts

Income from project management contract is recognised when project management services are provided.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Lease of machinery

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

Supply of heat and electricity

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

3. Principal Accounting Policies *(continued)*

Revenue recognition *(continued)*

Connection service income

Connection service income received and receivable, to the extent which is attributable to the initial pipeline construction and connection of transmission of heat and steam, is recognised upon the completion of services provided for the relevant connection works and the corresponding costs incurred can be measured reliably. Connection service attributable to the continuing heat and steam transmission is recorded as deferred income and amortised (included in sale of heat and steam) 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.

Sales of goods

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

Insurance income

Revenue from insurance service is recognised when the services are rendered.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management makes various estimates (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements within the next financial year are disclosed below:

(a) Percentage of completion of construction works

The Group recognises the revenue according to the percentage of completion of the individual contract of construction works. The percentage of completion of construction works is determined by the aggregated cost for the individual contract incurred at the balance sheet date compared with the estimated budgeted cost. Managements' estimation of the cost incurred to date and the budgeted cost is primarily based on payment application submitted by the subcontractors and suppliers, where applicable. Corresponding revenue from contract work is also estimated by management, with reference to the work progresses and architect certificates issued by the employers. 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.

(b) Estimation of foreseeable losses in respect of construction works

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

4. Key Sources of Estimation Uncertainty *(continued)*

(c) Impairment of properties held for sale

Included in the consolidated balance sheet at 31 December 2007 are properties held for sale with an aggregate carrying amount of HK$20,408,000. Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyse of current market price of properties of a comparable standard and location and a forecast of future sales. If the actual net realisable values of the underlying properties are less than expected as a result of an adverse change in market condition or an escalation of cost, material impairment loss may result.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the obligations under finance leases and borrowings disclosed in notes 32 and 31 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

6a. Categories of financial instruments

	2007 HK$'000	2006 HK$'000
Financial assets		
Loan and receivable (including cash and cash equivalents)	**5,487,901**	5,440,416
Available-for-sale investments	**111,295**	129,329
Financial liabilities		
Financial liabilities at amortised cost	**4,136,450**	5,282,114

6b. Financial risk management objectives

The Group's major financial instruments include equity investments, borrowings, trade and other receivables, trade and other payables and bank balances. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risk relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives *(continued)*

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

i) *Market risk*

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in equity price.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and borrowings (see note 31 for details of the variable rate borrowings) which carry at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to fixed rate borrowings (see note 31 for details of these fixed rate borrowings). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by HK$3,771,000 (2006: increase/decrease by HK$5,035,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposit and fixed and variable-rate borrowings.

Price risk

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

6. Financial Instruments *(continued)*

6b. Financial risk management objectives *(continued)*

i) *Market risk (continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower, the investment valuation reserve would increase/decrease by HK$6,425,000 (2006: increase/decrease by HK$9,390,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to price risk from its available-for-sale investments has not changed significantly from the prior year.

ii) *Credit risk*

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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 trade debt at each balance sheet date 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 bank in PRC.

Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives *(continued)*

iii) *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

	Weighted average effective interest rate %	Less than 6 month HK$'000	6 – 12 months HK$'000	1 – 2 year HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2007 HK$'000
2007								
Non-interest bearing	N/A	3,595,039	142,812	258,522	87,953	952	4,085,278	4,085,278
Fixed-rate interest rate instruments	1.26	–	29,822	21,807	–	–	51,629	50,719
Variable interest rate instruments	1.26	467	–	–	–	–	467	453
		3,595,506	172,634	280,329	87,953	952	4,137,374	4,136,450
2006								
Non-interest bearing	N/A	4,573,345	63,946	430,367	139,479	1,493	5,208,630	5,208,630
Fixed-rate interest rate instruments	1.26	–	8,353	30,304	21,975	–	60,632	58,968
Variable interest rate instruments	1.26	14,645	–	–	–	–	14,645	14,516
		4,587,990	72,299	460,671	161,454	1,493	5,283,907	5,282,114

iv) *Fair value*

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions and dealer quote for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue

The amount represents the revenue arising on construction contracts, project management service income, revenue from supply of heat and electricity, revenue from provision of connection services, net amounts received and receivable for precast structures and building materials sold by the Group to outside customers, less returns and allowances and revenue from machinery leasing and insurance contracts. An analysis of the Group's revenue for the year is as follows:

	2007 HK$'000	2006 HK$'000 (restated)
Revenue from construction contracts	9,393,364	10,634,356
Project management service income	345,708	84,631
Revenue from supply of heat and electricity	221,097	178,693
Revenue from provision of connection services	81,325	51,901
Sales of precast structures and building materials	97,788	110,507
Other income (note)	29,039	34,458
	10,168,321	11,094,546

Note: Other income mainly comprises of revenue from machinery leasing and insurance contracts.

8. Geographical and Business Information

The Group is principally engaged in the construction activities, generation and supply of heat and electricity, provision of connection services and other activities are insignificant.

Geographical segments

For management purposes, the Group is currently organised into five geographical segments – Hong Kong, Regions in the PRC other than Hong Kong and Macau, Macau, Dubai and India. These segments are the basis on which the Group reports its primary segment information.

Segment information about these geographical segments by location of assets is presented below.

For the year ended 31 December 2007

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	5,501,408	663,262	1,586,782	2,065,445	351,424	10,168,321	–	10,168,321
Inter-segment sales	26,179	38,586	–	–	–	64,765	(64,765)	–
Total revenue	5,527,587	701,848	1,586,782	2,065,445	351,424	10,233,086	(64,765)	10,168,321

Inter-segment sales are charged at prevailing market rates.

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
RESULT								
Segment gross profit	179,397	234,343	274,070	52,791	25,515	766,116	–	766,116
Segment results	155,728	168,725	255,874	11,543	30,710	622,580	–	622,580
Inter-segment result	9,500	–	–	–	–	9,500	(9,500)	–
	165,228	168,725	255,874	11,543	30,710	632,080	(9,500)	622,580
Unallocated corporate expenses								(99,235)
Share of profits of associates								8,788
Finance costs								(1,823)
Profit before tax								530,310
Income tax expense								(82,355)
Profit for the year								447,955

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

As at 31 December 2007

BALANCE SHEET

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Total HK$'000
ASSETS						
Segment assets	3,471,863	1,591,078	1,169,174	1,086,521	75,882	7,394,518
Interests in associates						35,071
Amounts due from investee companies						146,772
Tax recoverable						31,146
Consolidated total assets						7,607,507
LIABILITIES						
Segment liabilities	3,002,696	617,395	856,202	730,274	25,128	5,231,695
Tax liabilities and deferred tax liabilities						168,957
Obligations under finance leases						278
Borrowings						50,894
Consolidated total liabilities						5,451,824

OTHER INFORMATION

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Total HK$'000
Capital additions	28,142	72,348	2,375	21,133	586	124,584
Depreciation and amortisation	17,994	47,546	2,554	13,286	7,851	89,231
Equity-settled share-based payments	2,793	–	–	–	–	2,793

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

For the year ended 31 December 2006 (restated)

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	7,449,136	845,162	1,551,600	794,504	454,144	11,094,546	–	11,094,546
Inter-segment sales	15,492	–	–	–	–	15,492	(15,492)	–
Total revenue	7,464,628	845,162	1,551,600	794,504	454,144	11,110,038	(15,492)	11,094,546

Inter-segment sales are charged at prevailing market rates.

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
RESULT								
Segment gross profit	348,376	68,894	109,172	6,731	8,193	541,366	–	541,366
Segment results	481,654	33,254	80,857	(17,630)	13,172	591,307	–	591,307
Inter-segment result	16,051	–	(7,506)	–	–	8,545	(8,545)	–
	497,705	33,254	73,351	(17,630)	13,172	599,852	(8,545)	591,307
Unallocated corporate expenses								(98,206)
Share of profits of associates								6,860
Finance costs								(4,786)
Profit before tax								495,175
Income tax expense								(63,545)
Profit for the year								431,630

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

As at 31 December 2006 (restated)

BALANCE SHEET

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Total HK$'000
ASSETS						
Segment assets	3,936,955	1,362,163	831,640	519,800	412,179	7,062,737
Interests in associates						44,894
Amounts due from investee companies						10,909
Tax recoverable						21,452
Consolidated total assets						7,139,992
LIABILITIES						
Segment liabilities	3,545,627	1,074,879	860,725	372,636	339,098	6,192,965
Tax liabilities and deferred tax liabilities						109,329
Obligations under finance leases						457
Borrowings						73,027
Consolidated total liabilities						6,375,778

OTHER INFORMATION

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	Dubai HK$'000	India HK$'000	Total HK$'000
Capital additions	19,268	85,011	2,602	42,055	8,187	157,123
Depreciation and amortisation	26,554	50,437	2,179	9,020	4,438	92,628
Equity-settled share-based payment	4,779	–	–	–	–	4,779

8. Geographical and Business Information *(continued)*

Business segments

The Group's five geographical segments operate in three principal business activities – construction activities, supply of heat and electricity, provision of connection services and others. The following table provides an analysis of the Group's revenue by business activities.

	Revenue from external customers	
	2007	2006
	HK$'000	HK$'000
		(restated)
Construction activities	**9,739,072**	10,718,987
Supply of heat and electricity and provision of connection service	**302,422**	230,594
Others	**126,827**	144,965
	10,168,321	11,094,546

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by business activities.

	Carry amount of segment assets		**Additions to property, plant and equipment**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Construction activities	**5,658,718**	5,441,211	**36,250**	75,617
Supply of heat and electricity and provision of connection service	**1,164,013**	933,574	**64,292**	73,100
Others	**571,787**	687,952	**24,042**	8,406
	7,394,518	7,062,737	**124,584**	157,123

9. Net Investment Income

	2007 HK$'000	2006 HK$'000 (restated)
Interest income on:		
Bank deposits	59,946	58,490
Debt securities	5,439	12,604
Other receivable	–	34
Deposits with financial institutions	9,804	2,882
Total interest income	75,189	74,010
Dividend income from available-for-sale investments	3,549	3,163
Gain on disposal of unlisted available-for-sale investments	–	5,048
Gain on disposal of listed available-for-sale investments	14,139	98,749
Recycling of gain from equity on disposal of investments classified as available-for-sale	6,823	61,377
	99,700	242,347

10. Other Income

	2007 HK$'000	2006 HK$'000 (restated)
Included in other income are:		
Rental of properties	5,261	5,419
Property management service income	1,992	1,026
Management fee income	900	1,409
Gain on disposal of property, plant and equipment	11,863	114
Exchange gain	631	2,522
Others	9,520	7,762
	30,167	18,252

11. Finance Costs

	2007 HK$'000	2006 HK$'000 (restated)
Interest on bank loans wholly repayable within five years	**146**	3,667
Interest on other loans wholly repayable within five years	**1,647**	712
Finance charges on obligations under finance leases	**17**	17
Other financial expenses	**13**	390
Total finance costs	**1,823**	4,786

During the year, no borrowing costs on the general borrowing pool was capitalised.

12. Directors' Emoluments

The emoluments paid or payable to each of the ten (2006: ten) directors were as follows:

For the year end 31 December 2007

	Kong Qingping HK$'000	Zhou Yong HK$'000	Yip Chung Nam HK$'000	Fu He HK$'000	Zhou Hancheng HK$'000	Cheong Chit Sun HK$'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 2007 HK$'000
Fees	**1,000**	**–**	**–**	**–**	**–**	**–**	**360**	**250**	**250**	**250**	**2,110**
Other emoluments											
Salaries and other benefits	**68**	**5,720**	**2,579**	**1,553**	**1,556**	**2,263**	**11**	**11**	**11**	**11**	**13,783**
Contributions to retirement benefit schemes	**–**	**12**	**12**	**12**	**12**	**12**	**–**	**–**	**–**	**–**	**60**
Total emoluments	**1,068**	**5,732**	**2,591**	**1,565**	**1,568**	**2,275**	**371**	**261**	**261**	**261**	**15,953**

For the year end 31 December 2006

	Kong Qingping HK$'000	Zhou Yong HK$'000	Yip Chung Nam HK$'000	Fu He HK$'000	Zhou Hancheng HK$'000	Cheong Chit Sun HK$'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 2006 HK$'000
Fees	1,000	–	–	–	–	–	360	250	250	250	2,110
Other emoluments											
Salaries and other benefits	120	4,864	2,917	1,785	1,252	2,218	20	20	20	20	13,236
Contributions to retirement benefit schemes	–	12	12	12	12	12	–	–	–	–	60
Total emoluments	1,120	4,876	2,929	1,797	1,264	2,230	380	270	270	270	15,406

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2006: four) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two (2006: one) individual was as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**3,688**	1,776
Contributions to retirement benefits schemes	**24**	12
	3,712	1,788

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
HK$1,500,001 to HK$2,000,000	**2**	1

14. Income Tax Expense

	2007 HK$'000	2006 HK$'000 (restated)
Current tax:		
Hong Kong	**30,970**	43,762
Other jurisdictions	**42,309**	15,405
	73,279	59,167
Overprovision in prior years:		
Hong Kong	**(1,742)**	(459)
Deferred tax:		
Current year (note 35)	**8,532**	4,837
Attributable to a change in tax rate	**2,286**	–
	10,818	4,837
Income tax expense for the year	**82,355**	63,545

14. Income Tax Expense *(continued)*

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate for certain subsidiaries from 1 January 2008 to 25%. The deferred tax balance has been adjusted to reflect the tax rates that are expected to be apply to the respective period when the assets is realized or the liability is settled.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. These PRC subsidiaries will subject to income tax of 12% until 2008 and will change the tax rate to 25% since then.

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

	2007 HK$'000	2006 HK$'000 (restated)
Profit before tax	**530,310**	495,175
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**92,804**	86,656
Tax effect of share of profits of associates	**(1,538)**	(1,201)
Tax effect of expenses not deductible for tax purpose	**23,947**	28,442
Tax effect of income not taxable for tax purpose	**(30,118)**	(49,486)
Overprovision in respect of prior years	**(1,742)**	(459)
Tax effect of tax losses/deductible temporary differences not recognised	**15,980**	4,620
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised	**(5,972)**	(11,552)
Effect of different tax rates of profit arising from other jurisdictions	**(8,820)**	13,816
Income tax on concessionary rate	**(4,981)**	(3,456)
Change in opening deferred tax liabilities resulting from a change in tax rate	**2,286**	–
Others	**509**	(3,835)
Tax charge for the year	**82,355**	63,545

15. Profit for the Year

	2007 HK$'000	2006 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	4,690	3,760
Depreciation for property, plant and equipment and investment properties	88,357	92,202
Less: Amounts capitalised on contracts in progress	(78,066)	(82,344)
	10,291	9,858
Loss on disposal of a subsidiary	–	165
Gross rental income from investment properties	(4,285)	(5,419)
Less: Direct expenses from investment properties that generated rental income during the year	360	620
	(3,925)	(4,799)
Employee benefits expense:		
Staff costs	1,069,320	785,438
Contributions to retirement benefits plans	22,591	19,796
Equity-settled share-based payments	2,793	4,779
Less: Amount capitalised on contracts in progress	(847,602)	(600,523)
	247,102	209,490
Amortisation of prepaid lease payments included in administrative expenses	874	426
Share of tax of associates (included in share of profits of associates)	1,031	799
Operating lease rentals in respect of:		
Plant and machinery	156,294	248,840
Land and buildings	19,767	30,437
Office premises	34,065	11,699
	210,126	290,976
Less: Amounts capitalised on contracts in progress	(187,064)	(281,368)
	23,062	9,608
Cost of inventories recognised as an expense	247,414	213,857

16. Dividends

	2007 HK$'000	2006 HK$'000
Dividends recognised as distributions during the year:		
2006 Final, paid – HK10 cents (2005: HK9 cents) per share	**49,960**	44,290
2007 Interim, paid – HK9 cents (2006: HK9 cents) per share	**54,172**	44,290
	104,132	88,580

The final dividend of HK18 cents (2006: HK10 cents) per ordinary share of HK$0.10 each in the issued share capital of the Company has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

17. Earnings Per Share

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

Earnings

	2007 HK$'000	2006 HK$'000 (restated)
Earnings for the purposes of basic earnings and diluted earnings per share	**404,893**	410,493

Number of shares

	2007 '000	2006 '000 (restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**552,533**	512,934
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**36,156**	31,598
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**588,689**	544,532

The weighted average number of ordinary shares used in the calculation of earnings per share for the year ended 31 December 2006 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed on 10 September 2007. The corresponding number of ordinary shares of 2006 has been retrospectively adjusted to reflect the said open offer.

17. Earnings Per Share *(continued)*

The following table summarises the impact on both basic and diluted earnings per share of 2006 as a result of combination of the Acquired Companies:

	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents
Reported figures before combination	45.05	42.43
Adjustments arising from transfer of controlling interests in the Acquired Companies (see note 1)	38.18	35.97
Adjustment arising from open offer	(3.20)	(3.02)
Restated	80.03	75.38

18. Property, Plant and Equipment

	Buildings	Heat and electricity supply facilities	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1 January 2006 (restated)	201,155	540,158	455,243	55,502	38,225	53,312	1,343,595
Exchange adjustments	8,116	27,526	711	747	667	1,496	39,263
Additions	9,419	4,886	38,904	30,490	10,656	62,768	157,123
Transfer from construction in progress	2,138	50,574	2	3,719	–	(56,433)	–
Disposals	(397)	(1,735)	(16,632)	(4,323)	(9,314)	–	(32,401)
At 31 December 2006	220,431	621,409	478,228	86,135	40,234	61,143	1,507,580
Exchange adjustments	14,731	43,081	1,419	1,925	1,146	4,726	67,028
Additions	509	–	43,325	6,869	5,274	68,607	124,584
Transfer from construction in progress	9,524	39,948	1,721	–	–	(51,193)	–
Disposals	(4,359)	(15,563)	(36,751)	(18,465)	(4,296)	–	(79,434)
At 31 December 2007	240,836	688,875	487,942	76,464	42,358	83,283	1,619,758
DEPRECIATION							
At 1 January 2006 (restated)	16,236	52,493	415,709	33,255	20,099	–	537,792
Exchange adjustments	915	3,474	311	176	246	–	5,122
Provided for the year	9,563	35,097	23,490	17,734	5,744	–	91,628
Eliminated on disposals	(211)	(995)	(14,304)	(3,933)	(5,666)	–	(25,109)
At 31 December 2006	26,503	90,069	425,206	47,232	20,423	–	609,433
Exchange adjustments	1,945	7,122	659	622	503	–	10,851
Provided for the year	9,740	29,779	23,634	18,594	6,060	–	87,807
Eliminated on disposals	(1,484)	(1,786)	(36,423)	(17,033)	(3,560)	–	(60,286)
At 31 December 2007	36,704	125,184	413,076	49,415	23,426	–	647,805
CARRYING VALUES							
At 31 December 2007	**204,132**	**563,691**	**74,866**	**27,049**	**18,932**	**83,283**	**971,953**
At 31 December 2006	193,928	531,340	53,022	38,903	19,811	61,143	898,147

The carrying value of property, plant and equipment includes an amount of HK$407,330 (2006: HK$546,022) in respect of motor vehicles held under finance leases.

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

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Buildings	Over the shorter of the term of the relevant lease or 50 years
Heat and electricity supply facilities	20 years
Plant and machinery	3 to 10 years
Other assets	3 to 8 years

19. Investment Properties

	HK$'000
COST	
At 1 January 2006	14,300
Exchange adjustment	153
At 31 December 2006	14,453
Exchange adjustment	338
At 31 December 2007	14,791
DEPRECIATION	
At 1 January 2006	3,766
Exchange adjustments	48
Provided for the year	574
At 31 December 2006	4,388
Exchange adjustments	148
Provided for the year	550
At 31 December 2007	5,086
CARRYING VALUE	
At 31 December 2007	**9,705**
At 31 December 2006	10,065

19. Investment Properties *(continued)*

The carrying value of investment properties held under medium-term leases shown above comprises:

	2007 HK$'000	2006 HK$'000
In Macau	**6,847**	6,997
In the PRC	**2,858**	3,068
	9,705	10,065

The fair value of the Group's investment properties at 31 December 2007 is HK$37,343,000 (2006: HK$33,305,000). The fair value of the investment properties located in Macau has been arrived at based on a valuation carried out on that date by DTZ Debenham Tie Leung Limited. The fair value of the investment properties located in the PRC has been arrived at based on a valuation carried out on that date by 珠海立信合伙會計師事務所. DTZ Debenham Tie Leung Limited and 珠海立信合伙會計師事務所 are independent firms of professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards and PRC Valuation Standards respectively, was arrived at by reference to market evidence of transaction prices for similar properties.

20. Prepaid Lease Payments

	2007 HK$'000	2006 HK$'000 (restated)
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong under medium-term leases	**61,939**	25,143
Analysed for reporting purposes as:		
Non-current asset	**60,327**	24,307
Current asset	**1,612**	836
	61,939	25,143

21. Interests in Associates

	2007 HK$'000	2006 HK$'000 (restated)
Unlisted company		
Cost of investments in associates	22,607	25,520
Share of post– acquisition profits, net of dividends received	12,464	19,374
	35,071	44,894

Included in the cost of investments in associates is goodwill of HK$494,000 (2006: HK$494,000) arising on acquisitions of associates in prior years.

At 31 December 2007 and 2006, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation and operation	Class of share held	Proportion of nominal value of issued capital held by the Group 2007 %	2006 %	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

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

	2007 HK$'000	2006 HK$'000 (restated)
Total assets	185,336	216,120
Total liabilities	(67,743)	(65,540)
Net assets	117,593	150,580
Group's share of net assets of associates	34,577	44,400

21. Interests in Associates *(continued)*

	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000 (restated)
Revenue	**266,655**	333,780
Profit for the year	**28,661**	22,635
Group's share of profits of associates for the year	**8,788**	6,860

22. Available-for-sale Investments

Available-for-sale investments comprise:

	2007 HK$'000	2006 HK$'000 (restated)
Listed securities (note a):		
– Equity securities listed in Hong Kong	**10,132**	9,755
– Debt securities listed in Hong Kong with fixed interest of 5.375 – 5.75% and maturity date in 2012-2015	**47,483**	46,098
– Debt securities listed overseas with fixed interest of 3.75 – 5.375% and maturity date in 2009-2015	**15,697**	60,865
– Debt securities listed overseas with floating interest and maturity date in 2049	**14,491**	–
	87,803	116,718
Unlisted securities:		
– Equity securities stated at cost (note b)	**23,492**	12,611
Total	**111,295**	129,329

(a) The fair values of listed equity and debt securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC and Macau. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities above is the Group's investment in CPM-Companhia De Parques De Macau, S.A. ("CPM"), a private entity incorporated in Macau and engaged in the operation of car parks in Macau. The investment represents a 30% holding of the ordinary shares of CPM. CPM is not regarded as an associate of the Group because the Group has only one-seventh of the board representation of CPM under arrangements with other investors.

The Group holds 15% of the ordinary share capital of Companhia De Construcao E Investimento Predial San Kin Wa Limitada, a private entity incorporated in Macau and engaged in the business of property holding and development.

The Group holds 10% of the ordinary share capital of 中聯實業有限公司 whose principal activities is investment holding, 中聯實業有限公司 is a private entity incorporated in Macau.

23. Amounts Due From Investee Companies

The amounts due from investee companies are unsecured and interest free. No repayment will be demanded within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

24. Inventories

	2007 HK$'000	2006 HK$'000 (restated)
Raw materials and consumables	38,556	37,692
Work in progress	966	1,306
Finished goods	14,964	6,136
	54,486	45,134

25. Amounts Due From (To) Customers for Contract Work

	2007 HK$'000	2006 HK$'000 (restated)
Contracts in progress at the balance sheet date		
Contract costs incurred	18,314,553	12,938,922
Recognised profits less recognised losses	93,084	76,753
	18,407,637	13,015,675
Less: progress billings	(18,238,464)	(13,133,102)
	169,173	(117,427)
Analysed for reporting purposes as:		
Amounts due from contract customers	595,037	238,577
Amounts due to contract customers	(425,864)	(356,004)
	169,173	(117,427)

At 31 December 2007, retentions held by customers for contract work amounted to HK$817,415,000 (2006: HK$841,003,000) have been included in trade and other receivables under current assets. Advances received from customers for contract work amounted to HK$336,783,000 (2006: HK$342,597,000), have been included in deposits received and receipt in advance under current liabilities.

26. Trade and Other Receivables

Except for the proceeds from income from construction contracts which are payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days to its trade customers.

The following is an aged analysis of trade and other receivables at the balance sheet date:

	2007 HK$'000	2006 HK$'000 (restated)
0 – 30 days	1,751,982	1,454,983
31 to 90 days	603,086	407,999
Over 90 days	166,721	194,592
	2,521,789	2,057,574
Retention receivables	817,415	841,003
	3,339,204	2,898,577
Retention receivables		
– due within one year	370,733	266,961
– due more than one year	446,682	574,042
	817,415	841,003

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts.

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

	2007 HK$'000	2006 HK$'000 (restated)
91 to 180 days	132,798	180,358
181 to 365 days	12,576	2,100
Over 365 days	21,347	12,134
Total	166,721	194,592

The Group allows an average credit period of 90 days to its customers. No impairment has been made to trade and other receivables.

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

26. Trade and Other Receivables *(continued)*

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$166,721,000 (2006: HK$194,592,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

27. Amounts Due From (to) Jointly Controlled Entities/the Partners of Jointly Controlled Entities

Jointly controlled entities

The amounts due from and due to jointly controlled entities and amounts due from and to the partners of jointly controlled entities are unsecured, interest free and are repayable on demand.

At 31 December 2007 and 2006, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of registration and operation	Percentage of ownership interest		Nature of business
			2007 %	2006 %	
ATAL/Waterleau/CCEM	Unincorporated	Macau	**48.45**	48.45	Civil engineering works and operation of pump station
ATAL/Waterleau/CSCE	Unincorporated	Macau	**39.23**	39.23	Civil engineering works and operation of pump station
China Overseas – Samsung Joint Venture	Unincorporated	Hong Kong	**70 (note a)**	70 (note a)	Inactive
China Overseas – Young's Mechanical & Electrical Engineering Limited	Incorporated	Hong Kong	**49**	49	Mechanical and electrical engineering works
China State – China Railway Joint Venture	Unincorporated	Hong Kong	**60 (note a)**	60 (note a)	Civil engineering works
China State – China Resources Construction Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
China State – Samsung Joint Venture	Unincorporated	Hong Kong	**65 (note a)**	65 (note a)	Building construction
COMEEL – ATAL Joint Venture	Unincorporated	Hong Kong	**50**	50	Mechanical and electrical engineering works

27. Amounts Due From (to) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Jointly controlled entities *(continued)*

Name of entity	Form of business structure	Place of registration and operation	Percentage of ownership interest 2007 %	Percentage of ownership interest 2006 %	Nature of business
Consorcio De Krueger – China State	Unincorporated	Macau	55 (note a)	55 (note a)	Mechanical and electrical engineering works
CSCHK – SOMA Joint Venture	Unincorporated	India	50	50	Road construction
Hip Hing – China State Joint Venture	Unincorporated	Hong Kong	50	50	Building construction
Hoi Hing Building Materials Co., Limited	Incorporated	Hong Kong	50	50	Trading of building materials
Jardine – China Overseas Joint Venture	Unincorporated	Hong Kong	50	50	Mechanical and electrical engineering works
Leighton – China State – John Holland Joint Venture	Unincorporated	Macau	30	30	Building construction
Leighton – China State Joint Venture	Unincorporated	Macau	50	50	Building construction
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	45	45	Civil engineering works
Long Faith Engineering Limited	Incorporated	Hong Kong	50	50	Engineering works
Macau Iron and Steel Works Limited	Incorporated	Macau	50	50	Inactive
Shimizu – China State Joint Venture	Unincorporated	Hong Kong	45 – 50 (note b)	45 – 50 (note b)	Building construction

Notes:

(a) The Group holds the majority equity interests in these jointly controlled entities. However, under the joint venture agreements, all operating and financial decisions have to be jointly approved by the Group and the joint venture partners. Therefore, these entities are classified as jointly controlled entities of the Group.

(b) The Group, through Shimizu-China State Joint Venture, holds 45% in two construction projects and 50% in another construction project.

27. Amounts Due From (to) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Jointly controlled entities *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2007 HK$'000	2006 HK$'000 (restated)
Current assets	849,695	807,991
Non-current assets	4,888	1,854
Current liabilities	537,084	604,043
Non-current liabilities	–	278

	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000
Income	1,333,454	1,622,419
Expenses	1,221,645	1,527,152

27. Amounts Due From (to) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Jointly controlled operations

In additional to the construction and engineering projects undertaken by the certain jointly controlled entities as listed above, the Group has also established joint ventures with outsider contractors to undertake construction projects in the form of jointly controlled operations. Particulars regarding the joint ventures as at 31 December 2007 and 2006 are as follows:

Name of joint venture	Place and date of establishment	Percentage of interest held by the Group	
		2007 %	2006 %
China State – ATAL Joint Venture	Hong Kong 23 May 2001	55	55
China State – ATAL Joint Venture	Hong Kong 21 January 2005	39.6	39.6
China State Joint Venture	Hong Kong 16 June 2003	70	70
Chit Cheung – China Overseas-ATAL Joint Venture	Hong Kong 28 June 2004	13	13

At 31 December 2007, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operations are as follows:

	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000
Income	89,097	309,119
Expenses	38,105	255,043

	2007 HK$'000	2006 HK$'000
Assets	44,292	57,169
Liabilities	43,974	56,813

28. Amounts Due From (To) Fellow Subsidiaries/Immediate Holding Company/ Ultimate Holding Company/an Associate

The amounts due from (to) fellow subsidiaries/ultimate holding company/immediate holding company/an associate are unsecured, interest free and repayable on demand.

29. Bank Balances/Pledged Bank Deposits/Deposits With Financial Institutions

(a) Bank balances

Bank balances, excluding bank current account, carry interest at market rates which range from 2.0% to 5.7%.

(b) Pledged bank deposits

The pledged deposits carrying fixed interest rates which range from 2.5% to 5.0%. At 31 December, 2007, bank deposits amounting to HK$17,654,000 (2006: HK$42,319,000) were pledged for the issuance of surety bonds in respect of a construction project which was operated by a jointly controlled entity and for the guarantee of employment for workers from foreign countries in Dubai. The pledged bank deposits will be released upon the completion of relevant construction projects in next year and are therefore classified as current assets.

(c) Deposits with financial institutions

Deposits with financial institutions comprise deposits with maturity dates ranging from 1 to 6 months carried at fixed rate of 0.32% to 5.4%.

30. Trade and Other Payables

The following is an aged analysis of trade and other payable at the balance sheet date:

	2007 HK$'000	2006 HK$'000 (restated)
Trade and other payables:		
0-30 days	**2,328,386**	2,300,831
31-90 days	**408,024**	524,091
over 90 days	**275,449**	338,953
	3,011,859	3,163,875
Retention payables	**748,074**	811,826
	3,759,933	3,975,701
Retention payables		
– due within one year	**400,090**	252,085
– due more than one year	**347,984**	559,741
	748,074	811,826

The average credit period on trade and construction cost payable is 60 days. The Group has financial risk management polices in place to ensure that all payables are paid within the credit time-frame.

31. Borrowings

	2007 HK$'000	2006 HK$'000 (restated)
Bank overdrafts, unsecured (note a)	453	14,276
Bank loans, unsecured (note b)	–	240
	453	14,516
Other loans, unsecured (note c)	50,441	58,511
	50,894	73,027
Carrying amount repayable:		
On demand of within one year	29,729	22,586
More than one year but not more than two years	21,165	29,276
More than two years but not more than five years	–	21,165
	50,894	73,027
Less: Amount due within one year shown under current liabilities	(29,729)	(22,586)
Amount due after one year	21,165	50,441

The Group's bank overdrafts are denominated in Hong Kong Dollars, bank loans and the other loans are denominated in Renminbi.

Notes:

(a) Bear interest at market rate which range from 7.0% to 8.0% per annum.

(b) Bear interest at market rate of 4.75% per annum.

(c) Bear interest at fixed rate of 1.26% per annum.

32. Obligations Under Finance Leases

It is the Group's policy to lease certain motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 12% to 16%. These leases have no terms of renewal or purchase options and escalation clause. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Amounts payable under finance leases:				
Within one year	**217**	205	**175**	179
In more than one year but not more than two years	**111**	319	**103**	278
	328	524	**278**	457
Less: future finance charges	**(50)**	(67)	**N/A**	N/A
Present value of lease obligations	**278**	457	**278**	457
Less: Amount due within one year shown under current liabilities			**(175)**	(179)
Amount due after one year			**103**	278

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximates to their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Finance lease obligations are denominated in Hong Kong dollars.

33. Share Capital

	Number of shares		Share Capital	
	2007	2006	2007 HK$'000	2006 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	15,000,000,000	15,000,000,000	1,500,000	1,500,000
Issued and fully paid:				
At 1 January	498,960,002	492,108,002	49,896	49,211
New issue of shares from open offer	99,966,800	–	9,997	–
Exercise of share options	9,277,640	6,852,000	928	685
At 31 December	608,204,442	498,960,002	60,821	49,896

The Company was incorporated with an authorised share capital of HK$1,500,000,000 divided into 15,000,000,000 shares of HK$0.10 each.

On 10 September 2007, the Company completed an open offer of one offer share for every five shares held by members on the register of members, at an issue price of HK$10.00 per offer share, resulting in the issue of 99,966,800 ordinary shares of HK$0.10 each for a total cash consideration, before expenses of HK$10,842,000, of HK$999,668,000. The net cash proceeds were credited to share capital and share premium account of HK$9,996,680 and HK$978,829,000, respectively. The new shares rank pari passu with the existing shares in all respects.

34. Deferred Income

	2007 HK$'000	2006 HK$'000
Deferred income arose from the following:		
Connection service	123,783	95,093

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

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

	2007 HK$'000	2006 HK$'000
Deferred income due within one year included in trade and other payables in current liabilities	5,190	3,578
Deferred income due after one year	118,593	91,515
	123,783	95,093

35. Deferred Tax Liabilities

The following are the major deferred tax representing other temporary difference arising from deferred income during the current and prior year:

	2007 HK$'000	2006 HK$'000 (restated)
At 1 January	**54,863**	49,298
Exchange adjustment	**1,756**	728
Charged to income statement	**8,532**	4,837
Effect of change in tax rate	**2,286**	–
Balance at 31 December	**67,437**	54,863

At the balance sheet date, the Group has the following deductible temporary differences and unutilised tax losses not recognised in the financial statements:

	2007 HK$'000	2006 HK$'000 (restated)
Unutilised tax losses (note a)	**230,487**	155,473
Excess of depreciation charged in the financial statements over tax depreciation allowances (note b)	**10,461**	28,311
	240,948	183,784

Notes:

(a) No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$80,575,000 (2006: HK$70,737,000) 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.

36. Disposal of a Subsidiary

In 2006, the Group disposed of its subsidiary, Kam IP Construction Company Limited ("Kam IP") of which the Group held 71% equity interest. The net assets of Kam IP at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Trade and other receivables	8
Bank balances and cash	503
Trade and other payables	(83)
	428
Net assets attributable to minority interest	(123)
Net assets disposed of attributable to the Group	305
Loss on disposal of a subsidiary	(165)
Total consideration satisfied by cash	140
Net cash outflow arising on disposal:	
Cash consideration	140
Bank balances and cash disposed of	(503)
	(363)

Kam IP did not have significant contributions to the Group's results and cash flows in prior periods.

37. Major Non Cash Transactions

The Group entered into finance lease arrangements in respect of the acquisition of motor vehicles with a total capital value at the inception of the leases of approximately HK$142,000 for the year ended 31 December 2006.

38. Share-based Payments

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2005 for the primary purpose of providing incentives to directors, eligible employees, officers and suppliers of goods and services of the Group, and may be terminated by resolution in general meeting. Under the Scheme, the Board of Directors of the Company may grant options to qualifying grantees, including employees, officers, directors or contractors of the Group.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 33,636,120 (2006: 41,878,000), representing approximately 5.5% (2006: 8.4%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer. An aggregate of HK$1.00 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the option period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the Board in its absolute discretion at the time of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options of 49,200,000 were granted on 14 September 2005 at the exercise price of HK$1.03.

Details are as follows:

Number of options	Vesting period	Exercise period
9,840,000	14 September 2005 to 13 September 2006	14 September 2006 to 13 September 2015
9,840,000	14 September 2005 to 13 September 2007	14 September 2007 to 13 September 2015
9,840,000	14 September 2005 to 13 September 2008	14 September 2008 to 13 September 2015
9,840,000	14 September 2005 to 13 September 2009	14 September 2009 to 13 September 2015
9,840,000	14 September 2005 to 13 September 2010	14 September 2010 to 13 September 2015

38. Share-based Payments *(continued)*

As the result of the open offer issue of the Company in September 2007, the number of options and the exercise prices have also been adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.

The adjusted exercise price was HK$0.99 per share. The adjusted number of share options was increased by 1,553,000 options.

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

	Outstanding at 1.1.2006	Exercise during the year	Forfeited during the year	Outstanding at 1.1.2007	Adjustment in respect of the open offer	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2007
	'000	'000	'000	'000	'000	'000	'000	'000
Directors	5,700	(650)	–	5,050	199	(1,254)	–	3,995
Employees	20,430	(1,882)	(320)	18,228	706	(2,701)	(517)	15,716
Consultants	23,070	(4,320)	(150)	18,600	648	(5,323)	–	13,925
	49,200	(6,852)	(470)	41,878	1,553	(9,278)	(517)	33,636

38. Share-based Payments *(continued)*

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

2007

Option type	Outstanding at 1.1.2006 '000	Exercise during the year '000	Forfeited during the year '000	Outstanding at 1.1.2007 '000	Adjustment in respect of the open offer in September 2007 '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31.12.2007 '000
Granted on 14 September 2005								
– with vesting period of 14 September 2005 to 13 September 2006	9,840	(6,132)	(94)	3,614	85	(1,833)	(21)	1,845
– with vesting period of 14 September 2005 to 13 September 2007	9,840	(180)	(94)	9,566	367	(6,305)	(124)	3,504
– with vesting period of 14 September 2005 to 13 September 2008	9,840	(180)	(94)	9,566	367	(380)	(124)	9,429
– with vesting period of 14 September 2005 to 13 September 2009	9,840	(180)	(94)	9,566	367	(380)	(124)	9,429
– with vesting period of 14 September 2005 to 13 September 2010	9,840	(180)	(94)	9,566	367	(380)	(124)	9,429
	49,200	(6,852)	(470)	41,878	1,553	(9,278)	(517)	33,636
Exercisable at the end of the year				3,614				5,349

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$8.59 (2006: HK$2.93).

The weighted average fair value of the options granted on 14 September 2005 are HK$0.245.

Share options granted to consultants are measured at the fair values of the services received. As the fair value of the services cannot be estimated reliability, the Black-Scholoes Metron pricing model/the binominal model has been used to estimate the fair value of the options.

38. Share-based Payments *(continued)*

These fair values were calculated using The Black-Scholes Metron pricing model/the binominal model. The inputs into the model were as follows:

Grant date share price	HK$1.69
Exercise price (before adjustment)	HK$1.03
Expected volatility	13.88%
Expected life	2 – 10 years
Risk-free rate	4.0 – 4.2%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the share price of other similar companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of HK$2,793,000 (2006: HK$4,779,000) for the year ended 31 December 2007 in relation to share options granted by the Company.

39. Operating Lease Arrangements

The Group as lessee

At 31 December 2007, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2007 HK$'000	2006 HK$'000 (restated)
Within one year	14,226	15,379
In the second to fifth year inclusive	10,748	16,417
	24,974	31,796

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 non-cancellable operating leases of plant and machinery.

The Group as lessor

At the balance sheet date, investment properties with carrying amounts of HK$9,705,000 (2006: HK$10,065,000) were let out under operating leases.

Property rental income earned during the year is HK$4,285,000 (2006: HK$5,419,000) was derived from the letting of investment and other properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

39. Operating Lease Arrangements *(continued)*

The Group as lessor *(continued)*

At 31 December 2007, the Group had contracted with tenants for the following future minimum lease payments:

	2007 HK$'000	2006 HK$'000
Within one year	2,722	747
In the second to fifth year inclusive	801	222
	3,523	969

40. Capital Commitments

At 31 December 2007, the Group had the following commitments but not provided for in the consolidated financial statements.

	2007 HK$'000	2006 HK$'000 (restated)
Contracted but not provided for		
– Other properties	4,200	4,740
– Land development	692,000	–
– Loans advance to investee companies	362,000	–

41. Related Party Transactions

Apart from the balances due from or to related parties set out in notes 27 and 28, the Group had the following transactions with related parties during the years:

(a) The Group had the following transactions with its immediate holding company, fellow subsidiaries, an associate, jointly controlled entities and other state owned entities during the year:

Transaction	**Year ended 31.12.2007 HK$'000**	Year ended 31.12.2006 HK$'000 (restated)
Immediate holding company		
Underwriting fee expenses included in share issue expenses	**9,275**	–
Fellow subsidiaries		
Rental expenses	**9,255**	7,419
Security service fee	**6,872**	3,478
Construction fee income	**259,431**	153,048
Project management fee income	**66,937**	17,522
Construction costs	**3,624**	23,644
Sales of materials	**404**	–
Management fee	**–**	60,860
An associate		
Purchase of construction materials	**82,961**	146,226
Services fee expenses	**–**	319
Dividend income	**7,730**	3,150
Jointly controlled entities		
Construction fee income	**88,950**	4,357
Construction cost	**7,189**	3,361
Rental income from lease of machinery	**2,626**	500
Purchase of materials	**16,799**	13,286
Sales of building materials	**1,603**	88
Project management fee	**1,455**	1,453
Insurance premium income	**763**	4,810
Other state-owned entities		
Construction income	**15,182**	22,681
Subcontracting fees	**–**	38,062

(b) COHL, the immediate holding Company of the Company, provided a guarantee to an employer for the due performance of the construction project undertaken by a jointly controlled entity of the Group. Such guarantee is free of charge.

41. Related Party Transactions *(continued)*

(c) Compensation of key management personnel

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

	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000
Short-term benefits	**29,659**	25,574
Post-employment benefits	**180**	168
Share-based payments	**538**	904
	30,377	26,646

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

42. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2007 and 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2007 %	Attributable equity interest held 2006 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$1 each	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each and 844,430,810 non-voting deferred shares of HK$ 1 each	**100**	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands	1 ordinary share of US$1 each	**100**	100	Investment holding
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Lease of machinery

42. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2007 %	Attributable equity interest held 2006 %	Principal activities
Directly held by the Company: *(continued)*					
Zetson Enterprises Ltd	British Virgin Islands	1 ordinary share of US$1 each	100	100	Investment holding
Indirectly held by the Company:					
Barkgate Enterprises Limited	British Virgin Islands	200 ordinary shares of US$1 each	100	100	Investment holding
China Construction Engineering (Macau) Company Limited	Macau	MOP 200,000	100	100	Building construction, civil engineering works, properties holding and investment holding
China Overseas Building Construction Limited	Hong Kong	4,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Building construction, project management and investment holding
China Overseas Civil Engineering Limited (name has been changed to China State Civil Engineering Limited on 11 January 2008)	Hong Kong	1,019,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Civil engineering works, project management and investment holding
China Overseas Foundation Engineering Limited (name has been changed to China State Foundation Engineering Limited on 11 January 2008)	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100	100	Foundation engineering works and project management
China Overseas Installation Works Limited	Hong Kong	100 ordinary shares of HK$10 each	65	65	Inactive
China Overseas (Hong Kong) Limited (name has been changed to China State Construction Limited on 11 January 2008)	Hong Kong	5,000,000 ordinary shares of HK$10 each	100	100	Investment holding, building construction, project management and provision of management services

42. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2007 %	Attributable equity interest held 2006 %	Principal activities
Indirectly held by the Company: *(continued)*					
China Overseas Machinery Limited (name has been changed to China State Machinery Limited on 11 January 2008)	Hong Kong	2 ordinary shares of HK$1 each	100	100	Lease of plant and machinery
China Overseas Mechanical & Electrical Engineering Limited (name has been changed to China State Mechanical & Electrical Engineering Limited on 11 January 2008)	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	100	Mechanical and electrical engineering works, project management and investment holding
China Overseas Public Utility Investment Limited	British Virgin Islands	1 ordinary share of US$1 each	100	100	Investment holding
Citycharm Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100	100	Investment holding
COHL (Macao) Commercial and Industrial Limited	Macau	MOP 200,000	100	100	Investment holding
CSFE Engineering (Macau) Limited	Macau	MOP 200,000	100	–	Foundation engineering works
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED 1,000 each	100	100	Building construction and road construction
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Holding of trade marks
CSME (Macau) Limited	Macau	MOP 200,000	100	–	Mechanical and electrical engineering works
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Ever Power Group Limited	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding

42. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2007 %	Attributable equity interest held 2006 %	Principal activities
Indirectly held by the Company: *(continued)*					
Magnifield Industries Limited	British Virgin Islands	1 bearer share of US$1 each	100	100	Investment holding
Perfect Castle Limited	British Virgin Islands	1 ordinary share of US$1 each	100	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Building construction
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Weedon International Limited	British Virgin Islands	1 ordinary share of US$1 each	100	100	Investment holding
新會中建建築工程有限公司 (i)	PRC	HK$6,000,000	100	100	Property holding and development
中建(珠海)有限公司 (i)	PRC	HK$10,700,000	100	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	PRC	RMB210,000,000	100	100	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司 (ii)	PRC	RMB8,000,000	100	100	Manufacturing and sales of coal products
深圳中海建築有限公司 (i)	PRC	RMB50,000,000	100	100	Building construction and investment holding
深圳中海工程顧問有限公司 (ii)	PRC	RMB10,000,000	100	100	Provision of project consultancy
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

(i) Registered as foreign owned enterprise.

(ii) Limited liability company registered in PRC.

None of the subsidiaries had issued any debt securities outstanding at the end of the year.

43. Post Balance Sheet Event

On 26 February 2008, the Company raised long-term equity funding through a bonus issue of 1 warrant for every 7 shares held. The Warrants entitle the holders to subscribe in cash for shares of the Company at a subscription price of HK$15.00 per share for a term of one year from 28 February 2008, which was the date the warrants first traded in SEHK.

Five Year Financial Summary

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2003 HK$'000 (Restated)	2004 HK$'000 (Restated)	2005 HK$'000 (Restated)	2006 HK$'000 (Restated)	**2007** **HK$'000**
Continuing operations					
Revenue	8,342,830	9,400,781	8,666,223	11,094,546	**10,168,321**
Operating profit	244,648	318,729	278,212	493,101	**523,345**
Share of profit (loss) of associates	(9,259)	6,047	9,284	6,860	**8,788**
Finance costs	(17,373)	(17,297)	(19,455)	(4,786)	**(1,823)**
Profit before tax	218,016	307,479	268,041	495,175	**530,310**
Income tax expense	(33,610)	(59,753)	(42,680)	(63,545)	**(82,355)**
Profit for the year from continuing operations	184,406	247,726	225,361	431,630	**447,955**
Profit (loss) from discontinued operations	18,728	(575)	–	–	**–**
Profit for the year	203,134	247,151	225,361	431,630	**447,955**
Attributable to:					
Equity holders of the Company	178,223	189,714	193,366	410,493	**404,893**
Minority interests	24,911	57,437	31,995	21,137	**43,062**
	203,134	247,151	225,361	431,630	**447,955**

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2003	2004	2005	2006	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Restated)	(Restated)	(Restated)	(Restated)	
NON-CURRENT ASSETS					
Property, plant and equipment	683,656	747,265	829,889	898,147	**971,953**
Investment properties	320,150	11,098	10,534	10,065	**9,705**
Prepaid lease payments – non-current	9,483	9,012	24,188	24,307	**60,327**
Interests in associates	42,806	44,244	45,242	44,894	**35,071**
Available-for-sale investments	–	99,022	214,776	129,329	**111,295**
Amount due from investee companies	49,618	11,440	10,909	10,909	**146,772**
Deferred tax assets	10,909	–	–	–	**–**
	1,116,622	922,081	1,135,538	1,117,651	**1,335,123**
CURRENT ASSETS	5,562,336	5,927,317	5,549,008	6,022,341	**6,272,384**
TOTAL ASSETS	6,678,958	6,849,398	6,684,546	7,139,992	**7,607,507**
NON-CURRENT LIABILITIES					
Deferred income	(142,636)	(64,794)	(77,593)	(91,515)	**(118,593)**
Deferred tax liabilities	(35,907)	(64,774)	(49,298)	(54,863)	**(67,437)**
Borrowings	–	(266,869)	(73,915)	(50,441)	**(21,165)**
Obligations under finance lease	–	–	(338)	(278)	**(103)**
	(178,543)	(396,437)	(201,144)	(197,097)	**(207,298)**
CURRENT LIABILITIES	(5,690,448)	(5,439,458)	(5,898,802)	(6,178,681)	**(5,244,526)**
TOTAL LIABILITIES	(5,868,991)	(5,835,895)	(6,099,946)	(6,375,778)	**(5,451,824)**
NET ASSETS	809,967	1,013,503	584,600	764,214	**2,155,683**

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	Medium-term lease	15,672	100
(b)	1st, 2nd, 3rd, 22nd and 23rd Floors, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, China	Commercial	Medium-term lease	39,057	100
(c)	No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbai District, Zhuhai, Gangdong Province, China	Commercial	Medium-term lease	1,057	100
(d)	Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road South Gongbai District, Zhuhai Guangdong Province, China	Commercial	Medium-term lease	1,134	100

This report is printed on environmentally friendly paper

Design and printing: iOne Financial Press Limited

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

www.csci.com.hk