THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your licenced securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in the Company (as defined herein), you should at once hand this Prospectus and the accompanying PAL (as defined herein) and EAF (as defined herein) to the purchaser(s) or transferee(s) or to the bank, licenced securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of each of the Prospectus Documents (as defined herein), together with the written consent given by Deloitte Touche Tohmatsu, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). The Registrar of Companies in Hong Kong, the SFC (as defined herein) and the Stock Exchange (as defined herein) take no responsibility as to the contents of any of those documents.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (as defined herein) in both nil-paid and fully-paid forms on the Stock Exchange and compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS (as defined herein) with effect from their respective commencement dates of dealings on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK$2.79 PER RIGHTS SHARE

Financial Adviser

建银国际
CCB International

Underwriter

中國海外金融投資有限公司
CHINA OVERSEAS FINANCE INVESTMENT LIMITED

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 24 August 2009. The procedures for acceptance and payment is set out on pages 15 to 17 of this Prospectus.

The Shares (as defined herein) have been dealt in on an ex-rights basis from Monday, 3 August 2009. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive). Any Shareholder or other person dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which COFIL's right of termination of the Underwriting Agreement (as defined herein) ceases) and any person dealing in the nil-paid Rights Shares during the period from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders contemplating any dealings in the Shares are recommended to consult with their own professional adviser if they are in any doubt.

The Underwriting Agreement contains provisions entitling the Underwriter (as defined herein) by written notice to the Company served prior to 4:00 p.m. on Thursday, 27 August 2009 or such other time or date as the Company and the Underwriter may agree in writing to terminate the Underwriting Agreement on the occurrence of certain events including force majeure as set out in the section headed "Termination of the Underwriting Agreement" on pages 8 to 10 of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Rights Issue will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional adviser.

7 August 2009

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In this document, the following expressions have the following meanings unless the context otherwise requires:

"Acceptance Date"	the last business day on which acceptance of and payment for the Rights Shares can be made under the Rights Issue, which shall be 24 August 2009 (or such later date as may be agreed in writing between the Company and COFIL);
"Announcement"	the announcement dated 16 July 2009 issued by the Company in relation to the Rights Issue;
"Board"	the board of Directors;
"business day"	a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are generally open for business;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"COFIL" or "Underwriter"	China Overseas Finance Investment Limited, a wholly owned subsidiary of COHL, whose ordinary course of business does not include underwriting;
"COHL"	China Overseas Holdings Limited, the controlling shareholder of the Company;
"COLI"	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong);
"Company"	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"CSCEC"	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate holding company of the Company and COLI;

"CSCECL"	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on The Shanghai Stock Exchange) which holds the entire equity interest of COHL and is held as to 52.64% by CSCEC;
"Director(s)"	the director(s) of the Company;
"EAF(s)"	the excess application form(s) for additional Rights Shares proposed to be issued to the Qualifying Shareholders;
"Existing Shares"	the Shares which are in issue on the Record Date;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Irrevocable Undertaking"	the irrevocable undertaking dated 16 July 2009 given by COHL in favour of the Company to, among other things, subscribe for 307,618,890 Rights Shares;
"Last Closing Price"	the closing price of HK$3.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
"Last Trading Day"	16 July 2009;
"Latest Practicable Date"	4 August 2009, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus;
"Latest Time for Termination"	4:00 p.m. on 27 August 2009;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	the Macao Special Administrative Region of the PRC;
"Non-Qualifying Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions obtained by the Company, consider it necessary or expedient not to offer Rights Shares on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;

"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is/are outside Hong Kong;
"PAL(s)"	the renounceable provisional allotment letter(s) representing the Rights Shares proposed to be issued to the Qualifying Shareholders under the Rights Issue;
"PRC"	the People's Republic of China, which for the purpose of this Prospectus excludes Hong Kong, Macau and Taiwan;
"Prospectus"	this prospectus issued by the Company in relation to the Rights Issue;
"Prospectus Documents"	the Prospectus, the PAL and the EAF;
"Prospectus Posting Date"	the business day on which the Prospectus Documents will be despatched to Qualifying Shareholders, namely 7 August 2009;
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date;
"Record Date"	the record date by reference to which entitlements to the Rights Issue will be determined, namely 7 August 2009;
"Registrar"	the branch share registrar of the Company in Hong Kong, being Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong;
"Rights Issue"	the issue by way of rights of one Rights Share for every five Existing Shares at the Subscription Price, payable in full on acceptance;
"Rights Share(s)"	489,639,491 Shares, being the new Share(s) to be allotted and issued by way of rights to the Qualifying Shareholders under the Rights Issue;
"RMB"	Renminbi, the lawful currency of the PRC;
"Settlement Date"	27 August 2009;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);

"Share(s)"	ordinary share(s) of HK$0.025 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Share Option(s)"	the share option(s) granted by the Company pursuant to the Share Option Scheme;
"Share Option Scheme"	the share option scheme of the Company adopted on 9 June 2005;
"Silver Lot"	Silver Lot Development Limited, a wholly owned subsidiary of COHL;
"Storm Warning"	a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Price"	HK$2.79 per Rights Share;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Underwriting Agreement"	the underwriting agreement dated 16 July 2009 entered into between the Company and COFIL in relation to the underwriting and certain other arrangements in respect of the Rights Issue; and
"%"	per cent.

* *The number of Rights Shares attributable to a particular Shareholder set out in this Prospectus is for illustration purpose only and the actual number may change due to the Shares being held by different nominees and as a result of rounding resulting from fractional entitlements.*

English names of the companies/entities established in the PRC included in this Prospectus are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

For illustration purposes in this Prospectus, the amounts in RMB are translated to HK$ at the rate of RMB0.88 = HK$1.00. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

The following information is derived from, and should be read in conjunction with and subject to, the full text of this Prospectus:

Basis of the Rights Issue	:	One Rights Share for every five Existing Shares
Number of Shares in issue	:	2,448,197,456 Shares as at the Latest Practicable Date
Number of Rights Shares to be issued	:	489,639,491 Rights Shares
Subscription Price	:	HK$2.79 per Rights Share payable in full on acceptance
Latest time for acceptance and payment	:	4:00 p.m. on Monday, 24 August 2009
Amount to be raised	:	Not less than approximately HK$1,366,094,180 before expenses (based on 489,639,491 Rights Shares to be issued)
Excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments
Underwriter	:	COFIL

The expected timetable for the Rights Issue is set out below:

	2009
Last day of dealings in Shares on a cum-rights basis	Friday 31 July
First day of dealings in Shares on an ex-rights basis	Monday 3 August
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday 4 August
Register of members closes (both dates inclusive)	Wednesday 5 August — Friday 7 August
Record Date	Friday 7 August
Prospectus Documents expected to be despatched on	Friday 7 August
Register of members re-opens	Monday 10 August
First day of dealings in nil-paid rights	Tuesday 11 August
Latest time for splitting of nil-paid rights	4:30 p.m. on Friday 14 August
Last day of dealings in nil-paid rights	Wednesday 19 August
Latest time for acceptance of and payment for Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Monday 24 August
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Thursday 27 August
Publication of the announcement of results of acceptance and excess application of Rights Issue	Friday 28 August
Refund cheques in respect of unsuccessful or partially successful application for excess Rights Shares expected to be despatched on or before	Tuesday 1 September
Certificates for Rights Shares expected to be despatched on or before	Tuesday 1 September
Expected commencement of dealings in Rights Shares	Thursday 3 September

All dates and times referred to in this Prospectus are Hong Kong dates and times. Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by agreement between the Company and COFIL. Further announcement will be made in the event that there is any change to the expected timetable for the Rights Issue.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a Storm Warning in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Monday, 24 August 2009. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have a Storm Warning in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place at 4:00 p.m. on Monday, 24 August 2009, the dates mentioned in this section may be affected. Further announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

COFIL may terminate the arrangements set out in the Underwriting Agreement by written notice to the Company at any time prior to the Latest Time for Termination if:

(a) there comes to the notice of COFIL or it shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any material respect; or

(b) there comes to the notice of COFIL or it shall have reasonable cause to believe or it is aware of the fact that any of the undertakings or other obligations expressed to be assumed by or imposed on COHL under the Irrevocable Undertaking have not been complied with in any respect; or

(c) there comes to the notice of COFIL or it shall have reasonable cause to believe that (i) any of the representations or warranties given by the Company under the Underwriting Agreement was or is untrue, incorrect, incomplete or misleading in any material respect, or (ii) any event has occurred or matter has arisen, which, if it had occurred or arisen before the date of the Underwriting Agreement or before the dates or before any time on which the representations, warranties and undertakings are deemed to be given would render any of those representations, warranties or undertakings untrue, incorrect, incomplete or misleading in any material respect; or

(d) (i) the Prospectus Documents, when published, would contain information which would be untrue, inaccurate, incomplete or misleading in any material respect, (ii) matters have arisen or been discovered which would, if the Prospectus Documents were to be issued at the time, render any information contained therein to be untrue, inaccurate, incomplete or misleading in any material respect, (iii) matters have arisen or been discovered which would, if the Prospectus Documents were to be issued at the time, constitute a material omission therefrom, or (iv) there is any adverse change in the business or in the financial or trading position or prospects of the Group which in the reasonable opinion of COFIL is material in the context of the issue of the Rights Shares; or

(e) there develops, occurs, exists or comes into effect any events, including:

    (i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or the Cayman Islands; or

    (ii) any adverse change or deterioration (whether or not permanent) in local, national or international economic, financial, political or military conditions or any event beyond the control of the Company; or

    (iii) any adverse change or deterioration (whether or not permanent) in local, national or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any suspension in the trading of Shares on the Stock Exchange for a continuous period of ten (10) business days (other than any suspension for the purpose of obtaining clearance from the Stock Exchange for the publication of the Announcement or any other announcements relating to the Rights Issue),

and in the reasonable opinion of COFIL (a) the success of the Rights Issue or the business or financial condition or prospects of the Group would be materially and adversely affected; or (b) which makes it inadvisable or inexpedient to proceed with the Rights Issue; or (c) which would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms.

Upon the giving of notice of termination, all the liabilities of COFIL and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (other than antecedent breaches). If COFIL exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

As mentioned, the Rights Issue is conditional upon several conditions, details of which are set out in the section headed "Underwriting Arrangements — Conditions of the Rights Issue" in the Letter from the Board as contained in this Prospectus. The obligation of COFIL to underwrite the relevant Rights Shares is also conditional on (i) the satisfaction (or waiver) of, among other things, the conditions referred to in the section headed "Underwriting Arrangements — Conditions of the Rights Issue" in the Letter from the Board as contained in this Prospectus, and (ii) the Underwriting Agreement not being terminated by COFIL in accordance with its terms. If the conditions are not fulfilled (or waived) or the Underwriting Agreement is terminated pursuant to its terms, the Rights Issue will not proceed.

The Shares have been dealt in on an ex-rights basis from Monday, 3 August 2009. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled (or waived), the Underwriting Agreement will terminate and the Rights Issue will not proceed. If the Underwriting Agreement is terminated by COFIL, the Rights Issue also will not proceed.

TERMINATION OF THE UNDERWRITING AGREEMENT

Any Shareholder or other person contemplating selling or purchasing Shares or the Rights Shares in their nil-paid form and who is in any doubt about his position, is recommended to consult his professional adviser. Any Shareholder or other person dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which COFIL's right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 3311)

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
Dr. Raymond Leung Hai Ming
Mr. Lee Shing See

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

Principal place of business in Hong Kong:
28th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

7 August 2009

To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders

Dear Sir or Madam

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK$2.79 PER RIGHTS SHARE

INTRODUCTION

As announced in the Announcement, the Company proposes to raise not less than approximately HK$1,366,094,180 before expenses by way of rights issue of 489,639,491 Rights Shares at a price of HK$2.79 per Rights Share on the basis of one Rights Share for every five Existing Shares.

The purpose of this Prospectus is to provide you with further information regarding the Rights Issue, including information on procedures for acceptance and payment and certain financial information and other information in respect of the Group.

TERMS OF THE RIGHTS ISSUE

Basis of the Rights Issue	:	One Rights Share for every five Existing Shares
Number of Shares in issue	:	2,448,197,456 Shares as at the Latest Practicable Date
Number of outstanding Share Options	:	The Company has 104,427,680 outstanding Share Options as at the Latest Practicable Date, but none of them was exercisable on or before the Record Date. Other than the Share Options, none of the members of the Group has any outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares as at the Latest Practicable Date
Number of Rights Shares to be issued	:	489,639,491 Rights Shares
Subscription price	:	HK$2.79 per Rights Share payable in full on acceptance
Enlarged issued share capital upon completion of the Rights Issue	:	HK$73,445,923.68 comprising 2,937,836,947 Shares
Underwriter	:	COFIL

The 489,639,491 nil-paid Rights Shares proposed to be provisionally allotted represent: (a) approximately 20.00% of the Company's existing issued share capital as at the Latest Practicable Date; and (b) approximately 16.67% of the Company's enlarged issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be: (i) registered as a member of the Company at the close of business on the Record Date; and (ii) a Qualifying Shareholder.

The Company will send the Prospectus Documents to the Qualifying Shareholders.

Closure of register of members

The register of members of the Company was closed from Wednesday, 5 August 2009 to Friday, 7 August 2009 (both dates inclusive) during which period no transfer of Shares would have been registered. In order to be registered as a member of the Company at the close of business on the Record Date so as to qualify for the Rights Issue, any transfer of Shares must have been lodged with the Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 4 August 2009.

Subscription Price

The subscription price for the Rights Shares is HK$2.79 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The Subscription Price represents:

(i) a discount of approximately 10.00% to the Last Closing Price;

(ii) a discount of approximately 8.52% to the theoretical ex-rights price of HK$3.05 per Share, which is calculated on the basis of the Last Closing Price;

(iii) a discount of approximately 11.15% to the average of the closing prices per Share for the five trading days ended on the Last Trading Day of approximately HK$3.14; and

(iv) a discount of approximately 6.38% to the average of the closing prices per Share for the ten trading days ended on the Last Trading Day of approximately HK$2.98.

The Subscription Price was arrived at with reference to the then market environment and the prevailing Share prices. After taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for the Rights Issue and use of proceeds" below, the Directors consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above) and in the context of the Company's long-term business strategy, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every five Existing Shares held, being 489,639,491 Rights Shares at a price of HK$2.79 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for. No odd lot matching services will be provided. Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefits and interests of the Company and more particularly described in the section headed "Application for excess Rights Shares" below.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Tuesday, 1 September 2009 to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on Tuesday, 1 September 2009 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue such that holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions the record dates of which are on or after the date of allotment of the Rights Shares.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under applicable securities legislation of any jurisdiction other than Hong Kong. If as at the Record Date, a Shareholder's address as shown in the register of members of the Company was outside Hong Kong and was a Non-Qualifying Shareholder, such Shareholder would not be eligible to take part in the Rights Issue. Accordingly, the Rights Shares (in both nil-paid and fully-paid forms) will not be offered to the Non-Qualifying Shareholders and no application for the Rights Shares will be accepted from the Non-Qualifying Shareholders.

Based on the register of members of the Company as at the Record Date, there were a total of 7 Overseas Shareholders, whose registered addresses as shown in the register of members of the Company were outside Hong Kong, namely in Canada, Malaysia and the PRC.

After making enquiries with the Company's overseas legal advisers regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the abovementioned places to offer the Rights Shares (in nil-paid and fully-paid forms) to such Overseas Shareholders in accordance with Rule 13.36(2)(a) of the Listing Rules, the Directors are advised by the legal advisers in the relevant jurisdictions that the Company would need to comply with certain requirements or procedures of the regulatory bodies for offering the Rights Shares to Overseas Shareholders resident in Canada and Malaysia, but there is no onerous restriction on extending the Rights Issue to the Overseas Shareholders in the PRC. Accordingly, Overseas Shareholders in the PRC are also Qualifying Shareholders.

After considering the legal costs for compliance with the relevant requirements or procedures of the regulatory bodies in Canada and Malaysia and the minimal size of shareholdings of the Overseas Shareholders resident in such places, the Directors are of the opinion that it would be necessary or expedient not to offer the Rights Shares to such Overseas Shareholders resident in Canada and Malaysia (ie. Non-Qualifying Shareholders). Accordingly, the Rights Shares will not be offered to the Non-Qualifying Shareholders and no application for Rights Shares will be accepted from the Non-Qualifying Shareholders. The Company will send copies of this Prospectus to the Non-Qualifying Shareholders resident in Canada for their information only, but will not send the PAL and the EAF to them. The Company, having considered the legal restrictions and requirements in Malaysia, will not send the Prospectus nor the PAL and the EAF to the Non-Qualifying Shareholder(s) resident in Malaysia.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold for their benefit as soon as practicable after dealings in nil-paid rights commence on the Stock Exchange and in any event before the Acceptance Date at a net premium in excess of all expenses of sale. The aggregate net proceeds of such sale will be distributed to the Non-Qualifying Shareholders pro-rata to their shareholdings on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK$100, such sum will be retained by the Company for its own benefit.

Procedures for acceptance or transfer

For each Qualifying Shareholder, a PAL is enclosed with the Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualifying Shareholder(s) wish(es) to exercise his/their right to subscribe for all the Rights Shares provisionally allotted to him/them as specified in the PAL, he/they must lodge the PAL in accordance with the instructions printed thereon, together with a cheque or banker's cashier order for the full amount payable on acceptance, with the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 24 August 2009. All payments must be made in Hong Kong dollars and cheques or banker's cashier orders must be drawn on a bank account in Hong Kong and made payable to "**China State Construction International Holdings Limited — Rights Issue Account**" and crossed "**Account Payee Only**".

It should be noted that unless the PAL, together with the appropriate cheque or banker's cashier order, has been lodged with the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:00 p.m. on Monday, 24 August 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

If a Qualifying Shareholder wishes to accept only part of his provisional allotment or transfer a part of his rights to subscribe for the Rights Shares provisionally allotted to him under the PAL or to transfer his rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 14 August 2009 to the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest and by means of cheques despatched by ordinary post at the risk of such persons on Tuesday, 1 September 2009.

Application for excess Rights Shares

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his provisional allotment, he must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate cheque or banker's cashier order for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 24 August 2009. All payments must be made in Hong Kong dollars and cheques or banker's cashier orders must be drawn on a bank account in Hong Kong and made payable to "**China State Construction International Holdings Limited — Excess Application Account**" and crossed "**Account Payee Only**". The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the discretion of the Directors on a fair and equitable basis in proportion to the number of excess Rights Shares being applied for under each application.

However, no preference will be given to topping-up odd lots to whole board lots.

Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. Any Rights Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

Investors with their Shares held by a nominee (or CCASS) should note that the Board will regard the nominee (including CCASS) as a single Shareholder according to the register of members of the Company.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned to that Qualifying Shareholder in full by ordinary mail and at his own risk on Tuesday, 1 September 2009. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies are also expected to be returned to him by ordinary mail and at his own risk on Tuesday, 1 September 2009.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary post at the risk of such persons on Tuesday, 1 September 2009.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Listing and dealing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

No part of the existing share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. The nil-paid Rights Shares shall have the board lot size of 2,000 nil-paid Rights Shares in one board lot, same as the existing board lot size of the Shares, namely, 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Irrevocable Undertaking from COHL

As at the Latest Practicable Date, COHL (the controlling shareholder of the Company), together with Silver Lot (COHL's wholly owned subsidiary), are interested in an aggregate of 1,538,094,448 Shares, representing approximately 62.82% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, COHL has, among other things, irrevocably undertaken to the Company that it will, and will procure Silver Lot to, take up the Rights Shares, representing their full entitlements to the new Shares under the Rights Issue.

UNDERWRITING ARRANGEMENTS

The Underwriting Agreement

Date	:	16 July 2009
Parties	:	The Company and COFIL as the underwriter
Number of Rights Shares underwritten	:	182,020,601 Rights Shares, being the difference between the total number of Rights Shares and the aggregate of 307,618,890 Rights Shares undertaken to be taken up by COHL and Silver Lot (COHL's wholly owned subsidiary) pursuant to the Irrevocable Undertaking
Underwriter's commission	:	2.5% of the aggregate Subscription Price in respect of the 182,020,601 Rights Shares being underwritten. The Directors (including the independent non-executive Directors) are of the view that the rate of commission is fair and reasonable.

COFIL has conditionally agreed to fully underwrite the difference between the total number of Rights Shares and the aggregate of 307,618,890 Rights Shares undertaken to be taken up by COHL and Silver Lot (COHL's wholly owned subsidiary) pursuant to the Irrevocable Undertaking. The number of Rights Shares to be underwritten by COFIL will be 182,020,601 Rights Shares, representing approximately 6.20% of the issued share capital of the Company as enlarged by the issue of the said Rights Shares.

Connected transaction

COFIL is a wholly owned subsidiary of COHL, the controlling shareholder of the Company, and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the above connected transaction is exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional, among other things, upon fulfillment (or waiver, if permitted by the terms of the Underwriting Agreement) of the following conditions:

(a) the issue by the Stock Exchange of a certificate of authorisation of registration in respect of, and the registration of one duly signed copy of, each of the Prospectus Documents (and all other documents required by Section 342C of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong prior to the Prospectus Posting Date;

(b) the posting on the Prospectus Posting Date of copies of the Prospectus Documents to Qualifying Shareholders;

(c) the Listing Committee of the Stock Exchange granting or agreeing to grant, in writing, listing of and permission to deal in the Rights Shares in nil-paid and fully-paid forms (subject only to allotment and despatch of the appropriate documents of title) at or prior to 9:30 a.m. on 27 August 2009 or the first trading day of the Rights Shares in nil-paid form if earlier, and such grant or agreement to grant not being withdrawn or revoked prior to the Settlement Date;

(d) compliance with and performance of all obligations of COHL under the Irrevocable Undertaking; and

(e) the Underwriting Agreement not having terminated in accordance with its terms.

If the conditions of the Rights Issue are not fulfilled (or waived, if permitted by the terms of the Underwriting Agreement, in whole or in part by COFIL) by the Latest Time for Termination (or such later date or time as COFIL may agree in writing with the Company pursuant to the Underwriting Agreement), the obligations of the parties arising from the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party (except in respect of any antecedent breach) and the Rights Issue will not proceed.

Termination of the Underwriting Agreement

COFIL may terminate the arrangements set out in the Underwriting Agreement by written notice to the Company at any time prior to the Latest Time for Termination if:

(a) there comes to the notice of COFIL or it shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any material respect; or

(b) there comes to the notice of COFIL or it shall have reasonable cause to believe or it is aware of the fact that any of the undertakings or other obligations expressed to be assumed by or imposed on COHL under the Irrevocable Undertaking have not been complied with in any respect; or

(c) there comes to the notice of COFIL or it shall have reasonable cause to believe that (i) any of the representations or warranties given by the Company under the Underwriting Agreement was or is untrue, incorrect, incomplete or misleading in any material respect, or (ii) any event has occurred or matter has arisen, which, if it had occurred or arisen before the date of the Underwriting Agreement or before the dates or before any time on which the representations, warranties and undertakings are deemed to be given would render any of those representations, warranties or undertakings untrue, incorrect, incomplete or misleading in any material respect; or

(d) (i) the Prospectus Documents, when published, would contain information which would be untrue, inaccurate, incomplete or misleading in any material respect, (ii) matters have arisen or been discovered which would, if the Prospectus Documents were to be issued at the time, render any information contained therein to be untrue, inaccurate, incomplete or misleading in any material respect, (iii) matters have arisen or been discovered which would, if the Prospectus Documents were to be issued at the time, constitute a material omission therefrom, or (iv) there is any adverse change in the business or in the financial or trading position or prospects of the Group which in the reasonable opinion of COFIL is material in the context of the issue of the Rights Shares; or

(e) there develops, occurs, exists or comes into effect any events, including:

(i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or the Cayman Islands; or

(ii) any adverse change or deterioration (whether or not permanent) in local, national or international economic, financial, political or military conditions or any event beyond the control of the Company; or

(iii) any adverse change or deterioration (whether or not permanent) in local, national or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any suspension in the trading of Shares on the Stock Exchange for a continuous period of ten (10) business days (other than any suspension for the purpose of obtaining clearance from the Stock Exchange for the publication of the Announcement or any other announcements relating to the Rights Issue),

and in the reasonable opinion of COFIL (a) the success of the Rights Issue or the business or financial condition or prospects of the Group would be materially and adversely affected; or (b) which makes it inadvisable or inexpedient to proceed with the Rights Issue; or (c) which would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms.

Upon the giving of notice of termination, all the liabilities of COFIL and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (other than antecedent breaches). If COFIL exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

As mentioned, the Rights Issue is conditional upon several conditions, set out in the section headed "Underwriting Arrangements — Conditions of the Rights Issue" above. The obligation of COFIL to underwrite the relevant Rights Shares is also conditional on (i) the satisfaction (or waiver) of, among other things, the conditions referred to in the section headed "Underwriting Arrangements — Conditions of the Rights Issue" above, and (ii) the Underwriting Agreement not being terminated by COFIL in accordance with its terms. If the conditions are not fulfilled (or waived) or the Underwriting Agreement is terminated pursuant to its terms, the Rights Issue will not proceed.

The Shares have been dealt in on an ex-rights basis from Monday, 3 August 2009. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled (or waived), the Underwriting Agreement will terminate and the Rights Issue will not proceed. If the Underwriting Agreement is terminated by COFIL, the Rights Issue also will not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares or the Rights Shares in their nil-paid form and who is in any doubt about his position, is recommended to consult his professional adviser. Any Shareholder or other person dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which COFIL's right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Tuesday, 11 August 2009 to Wednesday, 19 August 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

SHAREHOLDINGS IN THE COMPANY

	Existing shareholding as at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares will be taken up by Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares will be taken up by Qualifying Shareholders other than COHL and Silver Lot pursuant to the Irrevocable Undertaking and COFIL will take up all unsubscribed Rights Shares pursuant to the Underwriting Agreement)	
	No. of Shares	**Approximate %**	**No. of Shares**	**Approximate %**	**No. of Shares**	**Approximate %**
COHL and Silver Lot	1,538,094,448	62.82	1,845,713,338	62.82	1,845,713,338	62.82
COFIL	Nil	Nil	Nil	Nil	182,020,601	6.20
Sub-total	1,538,094,448	62.82	1,845,713,338	62.82	2,027,733,939	69.02
Public Shareholders						
Directors	12,627,464	0.52	15,152,957	0.52	12,627,464	0.43
Other Shareholders	897,475,544	36.66	1,076,970,652	36.66	897,475,544	30.55
Total	2,448,197,456	100.00	2,937,836,947	100.00	2,937,836,947	100.00

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses.

COHL has offered its support to the Group for raising fund through the proposed Rights Issue. Also, in view of the recent plan of the PRC government to formulate measures to further increase domestic demand and promote economic growth, which includes the proposed investment in the amount of RMB4 trillion in different aspects, which mainly include infrastructure projects, it is expected that such investment from the PRC government will give rise to more investment opportunities of infrastructure projects in the PRC and the Directors believe that the fund raising can augment the financial position of the Group to enable it to capture such opportunities. The proposed Rights Issue can also enlarge the capital base of the Company. The Directors also believe that it would be in the interests of the Company and the Shareholders to raise long-term equity funding via the proposed Rights Issue to strengthen the Company's financial position and increase its general working capital for its future business development, whilst allowing all the Qualifying Shareholders the equitable opportunity to increase their investment in the Company and participate in the Company's prospects. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Rights Issue will expand the Company's funding capability to enhance the Group's business. On this basis, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The estimated net proceeds of the Rights Issue will not be less than approximately HK$1,351.53 million and are intended to be used for further investment in the PRC infrastructure projects and for general working capital of the Group.

The estimated expenses of the Rights Issue (including professional fees and other related expenses) amount to approximately HK$14.56 million and will be borne by the Company.

ADJUSTMENTS IN RELATION TO THE EXERCISE PRICE AND/OR NUMBER OF SHARE OPTIONS

The Rights Issue, if it becomes unconditional, may lead to adjustments to the exercise price and/or the number of new Shares to be issued upon exercise of the outstanding Share Options. Pursuant to the terms of the Share Option Scheme, the Company will consult its auditor for the required adjustments and the holders of the Share Options will be informed of the required adjustments (if any) as soon as practicable. Further announcement will be made for adjustments to exercise price and/or number of the Share Option, if and when required and in accordance with the Listing Rules.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The Company has not undertaken any equity fund raising exercise in the past 12 months ending on the Latest Practicable Date.

BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Business Review

The principal business of the Group is building construction, civil engineering works, infrastructure investment and project consultancy businesses. The Group is currently operated in five geographical segments - Hong Kong, PRC, Macau, United Arab Emirates ("UAE") and India. Hong Kong construction market is still the major source of revenue of the Group. With the government's ten major construction plans and numerous small scale projects to be launched in succession will also help to rejuvenate the construction market in Hong Kong. The Board is confident that the Group can maintain its position as one of the largest construction contractors in Hong Kong.

The Group will continue to implement the development strategy of "Cross-region Operation" to take full advantage of its experience as an international contractor. The focus of overseas business is on the UAE, and prudent strategies will remain to control the pace of exploration in the Dubai market. The Group successfully entered in the construction market of Abu Dhabi (the capital of the UAE).

Through the acquisition of infrastructure assets from its parent company and fellow companies under the parent company in 2007 and 2008, the Group diversified its business risk.

In April and July 2009, the Group entered into joint venture agreements with CSCECL and its subsidiary in relation to the establishment of joint ventures to participate in infrastructure construction projects and build-transfer projects in the PRC.

Financial Management

The Group continues to adopt centralized finance management and adhered to the principle of prudent financial management. This Rights Issue when completed will raise HK$1.35 billion shareholders funds to the Company. This will strengthen the capital base of the Company and enhance the financial capability for the Group to capture the investment opportunities in infrastructure projects in the PRC.

Trading Prospects

The global financial crisis has started with increasing signs of a simultaneous recession in the major economies in the world. The PRC Government has been implementing economic stimulus plans including the proposed RMB4 trillion market-rescuing plan. To catch these business opportunities, the Group will leverage upon its own strengths and the resources available from the parent company to seek investment opportunities by exploring in large-scale infrastructure construction projects and build-transfer projects in the PRC. The Board is confident about the future prospect of the Group.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the Appendices to this Prospectus.

Yours faithfully,
By order of the Board
China State Construction International Holdings Limited
Kong Qingping
Chairman and Non-executive Director

FINANCIAL INFORMATION SUMMARY

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008, as extracted from the 2008 annual report of the Company which are not subject to any qualified opinion.

Results of the Group

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	*(Restated)*	*(Audited)*
Revenue	1,161,971	10,232,882	11,021,405
Operating profit	560,500	587,895	581,285
Share of profit of associates	6,860	8,788	9,445
Finance costs	(4,786)	(1,823)	(20,065)
Profit before tax	562,574	594,860	570,665
Income tax expense	(63,545)	(82,355)	(66,276)
Profit for the year	499,029	512,505	504,389
Profit attributable to :			
Equity holders of the Company	461,045	453,664	489,321
Minority interests	37,984	58,841	15,068
	499,029	512,505	504,389

Financial position

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	*(Restated)*	*(Audited)*
Total Assets	7,673,386	8,130,696	8,983,664
Total Liabilities	(6,889,648)	(5,890,939)	(6,460,407)
Net Assets	783,738	2,239,757	2,523,257

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2008

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2008:

Consolidated Income Statement
For the year ended 31 December 2008

	NOTES	**2008** *HK$'000*	**2007** *HK$'000* *(restated)*
Revenue	7	11,021,405	10,232,882
Contract costs		(9,877,768)	(9,089,599)
Other costs of sales		(234,244)	(312,606)
Gross profit		909,393	830,677
Investment income	9	33,469	99,700
Other income	10	44,518	30,167
Administrative expenses		(394,032)	(332,011)
Distribution and selling expenses		(17,796)	(10,719)
Other expenses		(2,847)	(29,919)
Reversal of impairment loss of properties held for sales		18,292	—
Impairment loss of investment properties		(2,977)	—
Impairment loss of available-for-sale investments		(6,735)	—
Share of profits of associates		9,445	8,788
Finance costs	11	(20,065)	(1,823)
Profit before tax		570,665	594,860
Income tax expense	14	(66,276)	(82,355)
Profit for the year	15	504,389	512,505
Attributable to:			
Equity holders of the Company		489,321	453,664
Minority interests		15,068	58,841
		504,389	512,505
Dividends	16	199,875	104,132
Earnings per share	17		
Basic (HK cents)		20.06	20.53
Diluted (HK cents)		19.20	19.27

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000 (restated)
Non-current Assets			
Property, plant and equipment	18	1,107,275	971,953
Investment properties	19	44,692	9,705
Investment in lands consolidation	20	49,814	—
Interests in infrastructure project investment	21	466,876	482,658
Prepaid lease payments	22	78,536	60,327
Interests in associates	23	41,258	35,071
Available-for-sale investments	24	98,169	111,295
Amounts due from investee companies	25	181,940	146,773
		2,068,560	1,817,782
Current Assets			
Interests in infrastructure project investment	21	15,782	15,837
Prepaid lease payments	22	2,238	1,612
Inventories	26	55,509	54,486
Properties held for sale		9,309	20,408
Amounts due from customers for contract work	27	506,385	595,037
Trade and other receivables	28	3,703,163	3,363,897
Deposits and prepayments		232,690	228,566
Amounts due from jointly controlled entities	29	67,951	80,552
Amounts due from the partners of jointly controlled entities	29	292,098	193,761
Amounts due from fellow subsidiaries	30	108,291	159,653
Amount due from immediate holding company	30	2,238	—
Tax recoverable		2,414	31,146
Pledged bank deposits	31	16,690	17,654
Deposits with financial institutions	31	177	5,305
Bank balances and cash	31	1,900,169	1,545,000
		6,915,104	6,312,914

	NOTES	2008 HK$'000	2007 HK$'000 (restated)
Current Liabilities			
Amounts due to customers for contract work	27	301,089	425,864
Trade and other payables	32	3,690,426	3,759,933
Deposits received and receipt in advance		623,762	601,960
Amounts due to jointly controlled entities	29	308,820	223,225
Amounts due to the partners of jointly controlled entities	29	46,879	73,257
Amount due to intermediate holding company	30	86,583	—
Amounts due to fellow subsidiaries	30	4,270	451,504
Amount due to an associate	30	10,139	16,474
Tax liabilities		114,622	101,520
Borrowings	33	37,128	29,729
Obligations under finance leases	34	162	175
		5,223,880	5,683,641
Net Current Assets		1,691,224	629,273
Total Assets less Current Liabilities		3,759,784	2,447,055
Capital and Reserves			
Share capital	35	61,119	60,821
Share premium and reserves		2,462,138	2,092,550
Equity attributable to equity holders of the Company		2,523,257	2,153,371
Minority interests		—	86,386
		2,523,257	2,239,757
Non-current Liabilities			
Deferred income	37	165,320	118,593
Deferred tax liabilities	38	71,133	67,437
Borrowings	33	1,000,000	21,165
Obligations under finance leases	34	74	103
		1,236,527	207,298
		3,759,784	2,447,055

Consolidated Statement of Changes In Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(note a & b)*	Capital redemption reserve *HK$'000*	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 2007												
As previously stated	49,896	8,050	(271,597)	—	4,601	8,522	28,328	8,119	843,204	679,123	85,091	764,214
Effect of combinations under common control (note 1)	—	—	(183,826)	—	—	—	—	—	132,743	(51,083)	70,607	19,524
As restated	49,896	8,050	(455,423)	—	4,601	8,522	28,328	8,119	975,947	628,040	155,698	783,738
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 (as restated)	—	—	—	—	—	—	—	—	453,664	453,664	58,841	512,505
Transfer to profit or loss on sale of available-for-sale investments	—	—	—	—	—	(6,823)	—	—	—	(6,823)	—	(6,823)
Total recognised income and expense for the year	—	—	—	—	—	(5,990)	52,713	—	453,664	500,387	58,841	559,228
Issue of ordinary shares upon public 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 interest (note d)	—	—	—	—	—	—	—	—	128,153	128,153	(128,153)	—
At 31 December 2007 (restated)	60,821	997,528	(455,423)	—	5,121	2,532	81,041	11,192	1,450,559	2,153,371	86,386	2,239,757

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000* *(note a & b)*	**Capital redemption reserve** *HK$'000*	**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*
Loss on fair value changes of available-for-sale investments	—	—	—	—	—	(21,398)	—	—	—	(21,398)	—	(21,398)
Exchange differences arising on Translation of foreign operations	—	—	—	—	—	—	40,665	—	—	40,665	—	40,665
Total income directly recognised to equity	—	—	—	—	—	(21,398)	40,665	—	—	19,267	—	19,267
Profit for the year	—	—	—	—	—	—	—	—	489,321	489,321	15,068	504,389
Impairment of available-for-sale investments	—	—	—	—	—	6,735	—	—	—	6,735	—	6,735
Total recognised income and expenses for the year	—	—	—	—	—	(14,663)	40,665	—	489,321	515,323	15,068	530,391
Issue of ordinary shares upon exercise of share options and warrants	635	7,320	—	—	(1,557)	—	—	—	—	6,398	—	6,398
Share buy-back after share sub-division (note e)	(337)	—	—	337	—	—	—	—	(15,748)	(15,748)	—	(15,748)
Recognition of equity-settled share based payments	—	—	—	—	1,688	—	—	—	—	1,688	—	1,688
2007 final dividend paid	—	—	—	—	—	—	—	—	(109,726)	(109,726)	—	(109,726)
2008 interim dividend paid									(90,149)	(90,149)	—	(90,149)
Distribution of profit (note b)	—	—	(39,354)	—	—	—	—	—	—	(39,354)	—	(39,354)
Transfer to statutory reserve	—	—	—	—	—	—	—	364	(364)	—	—	—
Transfer from minority interest (note d)	—	—	—	—	—	—	—	—	101,454	101,454	(101,454)	—
At 31 December 2008	61,119	1,004,848	(494,777)	337	5,252	(12,131)	121,706	11,556	1,825,347	2,523,257	—	2,523,257

Notes:

(a) Special reserve as at 1 January 2007 arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiaries, China Overseas Public Utility Investment Limited ("COPUIL") and its subsidiaries, Fuller Sky Enterprises Limited ("Fuller Sky") and Value Idea Investments Limited ("Value Idea") under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders.

(b) Decrease in special reserve during the year ended 31 December 2008 represented the distribution of reserve to the former shareholder of Fuller Sky before the common control combinations by transferring the entire interests of Fuller Sky.

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

(d) Upon the completion of common control combinations by transferring the entire interests of COPUIL in 2007 and Value Idea in 2008, COPUIL and Value Idea became the wholly-owned subsidiaries of the Company and the amount of retained profits attributable to the minority shareholders of China Overseas Land & Investment Ltd. ("COLI"), the former holding company of COPUIL and Value Idea, was transferred to the retained profits of the Group in 2007 and 2008 respectively.

(e) The ordinary shares of the Company are repurchased out of the Company's retained profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares repurchased was transferred to the capital redemption reserve. The movement of share capital during the year is set out in note 35.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
		(restated)
OPERATING ACTIVITIES		
Profit before tax	570,665	594,860
Adjustments for:		
Finance costs	20,065	1,823
Investment income	(33,469)	(99,700)
Gain on disposal of property, plant and equipment	(9,314)	(11,863)
Impairment loss of investment properties	2,977	—
Impairment loss of available-for-sale investments	6,735	—
Allowance for doubtful debts on trade and other receivables	8,096	—
Reversal of impairment loss of properties held for sales	(18,292)	—
Share of profits of associates	(9,445)	(8,788)
Depreciation for property, plant and equipment	11,219	9,741
Depreciation for investment properties	913	550
Amortisation of prepaid lease payments	2,235	874
Share-based payment expenses	1,688	2,793
Operating cash flows before movements in working capital	554,073	490,290
Decrease in interests in infrastructure project investment	15,837	10,204
Increase in trade and other receivables, deposits and prepayments	(351,486)	(402,766)
Increase in inventories	(10,332)	(9,352)
Decrease (increase) in amounts due from customers for contract work	88,652	(278,394)
(Decrease) increase in amounts due to customers for contract work	(4,555)	69,860
Decrease in trade and other payables, deposits received and receipt in advance	(49,375)	(152,236)
Decrease (increase) in amounts due from fellow subsidiaries	51,362	(17,528)
Increase (decrease) in amounts due to fellow subsidiaries	7,766	(156,917)
(Decrease) increase in amount due to an associate	(6,335)	13,741
Increase in deferred income	28,281	28,690
Cash generated from (used in) operations	323,888	(404,408)
Income taxes paid	(66,256)	(44,568)
Income taxes refunded	43,793	10,391
NET CASH FROM (USED IN) OPERATING ACTIVITIES	301,425	(438,585)

	2008	2007
	HK$'000	*HK$'000*
		(restated)
INVESTING ACTIVITIES		
Interest received	25,033	75,189
Purchase of property, plant and equipment	(215,120)	(124,584)
Proceeds from disposal of property, plant and equipment	12,836	31,011
Repayment from jointly controlled entities	12,601	3,168
Advance to the partners of jointly controlled entities	(98,337)	(64,537)
Advance to immediate holding company	(2,238)	—
Net decrease in pledged bank deposits	964	24,665
Decrease (increase) in deposits with financial institutions	5,128	(4,770)
Dividends received from associates	3,258	7,730
Dividends received from unlisted available-for-sale investments	3,177	3,267
Dividends received from listed available-for-sale investments	470	282
Acquisition of listed available-for-sale investments	(3,891)	(59,069)
Proceeds from disposal of listed available-for-sale investments	4,311	102,957
Increase in prepaid lease payments	(17,279)	(37,670)
Increase in investment in lands consolidation	(49,814)	—
Advance to investee companies	(39,070)	(135,863)
NET CASH USED IN INVESTING ACTIVITIES	(357,971)	(178,224)
FINANCING ACTIVITIES		
Finance cost paid	(20,065)	(1,823)
Proceeds from issue of ordinary shares	6,398	1,008,972
Share issue expenses	—	(10,842)
Dividend paid to equity holders of the Company	(199,875)	(104,132)
Advance from jointly controlled entities	85,595	54,357
(Repayment to) advance from the partners of jointly controlled entities	(26,378)	28,654
Distribution of reserve to a former shareholder	(39,354)	—
Payment to fellow subsidiaries pursuant to common control combination	(455,000)	(400,000)
Payment to intermediate holding company pursuant to common control combination	—	(510,000)
Advance from (repayment to) intermediate holding company	86,583	(12,173)
Repayment of other borrowings	(13,313)	(8,070)
Repayment of bank loans	—	(240)
Payment of share buy-back	(15,748)	—
Repayment of finance lease	(247)	(179)
New bank loan raised	1,000,000	—
NET CASH FROM FINANCING ACTIVITIES	408,596	44,524

	2008 *HK$'000*	2007 *HK$'000* *(restated)*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,050	(572,285)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,544,547	2,118,731
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,572	(1,899)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,900,169	1,544,547
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,900,169	1,545,000
Bank overdrafts	—	(453)
	1,900,169	1,544,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 are 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 6 October 2008, Ever Power Group Limited ("Ever Power"), an indirect wholly-owned subsidiary of the Company, has entered into two Sale and Purchase Agreements, with Massive Information Enterprises Limited ("Massive Information"), an indirect wholly-owned subsidiary of COHL, and China Overseas Road & Bridge Holdings Limited ("CORB"), an indirect wholly-owned subsidiary of China Overseas Land & Investment Ltd. ("COLI"), a listed fellow subsidiary of the Company respectively, whereby Ever Power shall acquire the entire issued share capital and the loan amount of Fuller Sky and Value Idea at the consideration of HK$235,000,000 and HK$220,000,000, respectively. All the transfers were completed during the year.

The transfer of the entire interests in Fuller Sky and Value Idea (the "Acquired Companies") as mentioned above are common control combinations and the Group and the Acquired Companies are regarded as continuing entities. 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 2007. Accordingly, the comparative figures of the consolidated financial statements have been restated.

The effects of the combination of Acquired Companies on the result of the Group for the year ended 31 December 2007 and the financial position of the Group at 31 December 2007 are summarised below:

	For the year ended 31 December 2007 (previously stated)	Combination of Acquired Companies	Combination adjustments	For the year ended 31 December 2007 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	10,168,321	64,561		10,232,882
Contract costs	(9,089,599)	—		(9,089,599)
Other costs of sales	(312,606)	—		(312,606)
Gross profit	766,116	64,561		830,677
Other income and expenses	(235,806)	(11)		(235,817)
Profit before tax	530,310	64,550		594,860
Income tax expense	(82,355)	—		(82,355)
Profit for the year	447,955	64,550		512,505

	For the year ended 31 December 2007 (previously stated)	Combination of Acquired Companies	Combination adjustments	For the year ended 31 December 2007 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Attributable to:				
Equity holders of the Company	404,893	48,771		453,664
Minority interests	43,062	15,779		58,841
	447,955	64,550		512,505

	At 31 December 2007 (previously stated)	Combination of Acquired Companies	Combination adjustments	As 31 December 2007 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	971,953	—		971,953
Interests in infrastructure project investment	—	482,658		482,658
Other non-current assets	363,170	1		363,171
	1,335,123	482,659		1,817,782
Current assets				
Interests in infrastructure project investment	—	15,837		15,837
Trade and other receivables	3,339,204	24,693		3,363,897
Bank balances and cash	1,545,000	—		1,545,000
Other current assets	1,388,180	—		1,388,180
	6,272,384	40,530		6,312,914
Current liabilities				
Amounts due to customers for contract work	425,864	—		425,864
Trade and other payables	3,759,933	—		3,759,933
Amounts due to fellow subsidiaries	12,389	286,791	152,324	451,504
Other current liabilities	1,046,340	—		1,046,340
	5,244,526	286,791		5,683,641
Net current assets (liabilities)	1,027,858	(246,261)		629,273
Total assets less current liabilities	2,362,981	236,398		2,447,055

	At 31 December 2007 (previously stated)	Combination of Acquired Companies	Combination adjustments	As 31 December 2007 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total capital and minority interests	2,155,683	236,398	(152,324)	2,239,757
Non-current liabilities	207,298	—		207,298
	2,362,981	236,398		2,447,055

Note: The combination adjustments represent the elimination of the excess of the consideration paid over the share capital and the loans amounting to HK$302,674,000 due to former shareholders of the Acquired Companies.

The effect of the combination of Acquired Companies on the Group's equity at 1 January 2007 are summarised below:

	At 1 January 2007 (previously stated)	Combination of Acquired Companies	At 1 January 2007 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Share capital	49,896	—	49,896
Share premium	8,050	—	8,050
Special reserve	(271,597)	(183,826)	(455,423)
Share options reserve	4,601	—	4,601
Investment revaluation reserve	8,522	—	8,522
Translation reserve	28,328	—	28,328
Statutory reserve	8,119	—	8,119
Retained profits	843,204	132,743	975,947
Minority interests	85,091	70,607	155,698
	764,214	19,524	783,738

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, trading of building materials and infrastructure project investment. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 44, 23 and 29, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have been effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending on or after 30 June 2009

5 Effective for annual periods beginning on or after 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Company's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

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 party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

The 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 than construction in progress are stated at cost less subsequent 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.

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.

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 on 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.

Properties held for sale are transferred to investment properties at the carrying amount of properties held for sale on date of transfer when it is evidenced by the commencement of an operating lease to another party.

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.

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 that the group entity controls and the liabilities that it incurs arising from those jointly controlled operations are recognised in the consolidated balance sheet and classified according to the nature of the items. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement 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 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 market place.

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.

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 investment in lands consolidation, interests in infrastructure project investment, amounts due from investee companies, trade and other receivables, amounts due from jointly controlled entities, the partners of jointly controlled entities, fellow subsidiaries and immediate holding company, pledged bank deposits, deposits with financial institutions 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 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.

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 amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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, intermediate holding company, fellow subsidiaries and an associate, bank overdrafts and borrowings) 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.

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.

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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 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.

Investment in lands consolidation

Investment in lands consolidation is classified as loans and receivable in accordance with HKAS 39 and are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

Interests in infrastructure project investment

Interests in infrastructure project investment represent investments in joint ventures whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements and the venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts and in respect of which the Group is not entitled to any share of the assets at the end of the investment periods.

The Group's interests in the infrastructure project investment, classified as loans and receivables in accordance with HKAS 39, are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

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 the 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 the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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 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. Nonmonetary 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.

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 relation 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.

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 options 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 options reserve.

At the time when the share options are exercised, the amount previously recognised in share options 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 options 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 options 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.

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.

Revenue from sale of properties

Revenue from sale of properties is recognised upon the execution of a binding sales agreement or upon the issuance of completion certificate by the relevant authority, whichever is the later and when following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transactions will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from sales of properties are carried in the balance sheet under current liabilities.

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.

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.

Income from infrastructure project investment

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

Services income

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

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 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 construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the percentage of completion and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

(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.

(c) Estimated impairment of available-for-sale investments

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessments about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, the impairment losses recognised for available-for-sale investments amounted to HK$6,735,000 (2007: nil).

(d) **Estimated impairment of investment properties**

Fair value of investment properties are assessed annually by independent qualified valuers by making reference to comparables as available in the relevant market or by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties if the comparable data is not available. Impairment loss on individual property will be recognised when the carrying amount of the properties is above their fair value. At 31 December 2008, the impairment losses recognised amounted to HK$2,977,000 (2007: nil).

(e) **Estimated impairment of trade and other receivables**

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

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 34 and 33 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure periodically. As 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 buybacks as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	6,805,189	6,011,090
Available-for-sale investments	98,169	111,295
Financial liabilities		
Financial liabilities at amortised cost	5,177,385	4,570,097

6b. **Financial risk management objectives**

The Group's major financial instruments include equity and debt securities, 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 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.

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 price.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on variable-rate borrowings (see note 33 for details of these borrowings) which carry at prevailing market interest rates.

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 2008 would decrease/increase by HK$5,000,000 (2007: decrease/increase by HK$2,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Price risk

The Group is exposed to 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.

Sensitivity analysis

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

If the prices of the respective listed equity securities had been 10% higher, the investment valuation reserve would increase by HK$333,000 (2007: increase by HK$1,013,000) or if the prices had been 10% lower, the profit for the year ended 31 December 2008 and 2007 would decrease by the same amounts as a result of the impairment of the listed equity securities.

If the prices of respective listed debt securities had been 10% higher, the investment valuation reserve would increase by HK$6,307,000 (2007: increase by HK$7,767,000) or if the prices had been 10% lower, the profit for the year ended 31 December 2008 would decrease by HK$18,438,000 (2007: decrease by HK$5,235,000) for the Group assuming that debt securities are impaired and the decline in the fair values of the debt securities below their costs is recognised in the profit or loss.

ii) *Credit risk*

As at 31 December 2008, 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 banks in the PRC.

The credit risk on investment in lands consolidation and interests in infrastructure project investment are limited because the counterparties are owned by PRC local government authorities.

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

Other than concentration of credit risk on liquid funds, investment in lands consolidation, interests in infrastructure project investment and amounts due from investee companies, the Group does not have any other significant concentration of credit risk. Trade receivables, amounts due from jointly controlled entities, partners of jointly controlled entities and fellow subsidiaries consist of a large number of parties, spread across diverse industries and geographical areas.

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 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at year end date
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Non-interest bearing	N/A	3,694,011	127,127	215,887	96,852	6,380	4,140,257	4,140,257
Fixed interest rate instruments	1.26	18,770	18,623	—	—	—	37,393	37,128
Variable interest rate instruments	3.00	15,000	15,000	30,000	1,002,877	—	1,062,877	1,000,000
		3,727,781	160,750	245,887	1,099,729	6,380	5,240,527	5,177,385
2007 (Restated)								
Non-interest bearing	N/A	4,028,686	142,533	259,079	87,953	952	4,519,203	4,519,203
Fixed interest rate instruments	1.26	—	29,645	21,432	—	—	51,077	50,441
Variable interest rate instruments	7.50	467	—	—	—	—	467	453
		4,029,153	172,178	280,511	87,953	952	4,570,747	4,570,097

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**

Revenue represents the revenue arising on construction contracts, project management service income, revenue from supply of heat and electricity, revenue from provision of connection services, revenue from infrastructure project investment, net amount 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 income and insurance contracts.

An analysis of the Group's revenue for the year is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Revenue from construction contracts	10,126,907	9,393,364
Project management service income	354,953	345,708
Revenue from supply of heat and electricity	291,350	221,097
Revenue from provision of connection services	84,859	81,325
Sales of precast structures and building materials	75,710	97,788
Revenue from infrastructure project investment	63,253	64,561
Other income (Note)	24,373	29,039
	11,021,405	10,232,882

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, infrastructure project investment 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, United Arab Emirates ("UAE") 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 2008

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Sub-total	Inter-segment eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	6,191,507	881,959	2,078,190	1,797,302	72,447	11,021,405	—	11,021,405
Inter-segment sales	4,134	170,184	—	—	—	174,318	(174,318)	—
Total revenue	6,195,641	1,052,143	2,078,190	1,797,302	72,447	11,195,723	(174,318)	11,021,405
Inter-segment sales are charged at prevailing market rates.								
RESULT								
Segment gross profit	228,263	337,923	282,302	56,910	3,995	909,393	—	909,393
Segment results	130,853	273,166	261,817	1,664	8,362	675,862	—	675,862
Inter-segment result	19,562	—	—	—	—	19,562	(19,562)	—
	150,415	273,166	261,817	1,664	8,362	695,424	(19,562)	675,862
Unallocated corporate expenses								(121,282)
Investment and other income								18,125
Impairment loss of investment properties and available-for-sale investments								(9,712)
Reversal of impairment loss of properties held for sales								18,292
Share of profits of associates	9,371	—	74	—	—	9,445	—	9,445
Finance costs								(20,065)
Profit before tax								570,665
Income tax expense								(66,276)
Profit for the year								504,389

BALANCE SHEET

At 31 December 2008

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	3,379,587	2,593,813	1,271,018	1,317,787	43,677	8,605,882
Investment properties						44,692
Interests in associates	36,011	—	5,247	—	—	41,258
Available-for-sale investments						98,169
Amounts due from investee companies						181,940
Properties held for sale						9,309
Tax recoverable						2,414
Consolidated total assets						8,983,664
LIABILITIES						
Segment liabilities	2,912,524	748,345	748,527	821,509	6,383	5,237,288
Tax liabilities and deferred tax liabilities						185,755
Obligations under finance leases						236
Borrowings						1,037,128
Consolidated total liabilities						6,460,407

OTHER INFORMATION

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	47,748	157,005	947	26,818	86	232,604
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	36,335	78,668	2,033	16,617	21	133,674
Gain (loss) on disposal of property, plant and equipment	9,242	67	73	(68)	—	9,314

For the year ended 31 December 2007 (restated)

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Sub-total	Inter-segment eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	5,501,408	727,823	1,586,782	2,065,445	351,424	10,232,882	—	10,232,882
Inter-segment sales	26,179	38,586	—	—	—	64,765	(64,765)	—
Total revenue	5,527,587	766,409	1,586,782	2,065,445	351,424	10,297,647	(64,765)	10,232,882
Inter-segment sales are charged at prevailing market rates.								
RESULT								
Segment gross profit	179,397	298,904	274,070	52,791	25,515	830,677	—	830,677
Segment results	119,241	233,275	249,232	11,543	30,710	644,001	—	644,001
Inter-segment result	9,500	—	—	—	—	9,500	(9,500)	—
	128,741	233,275	249,232	11,543	30,710	653,501	(9,500)	644,001
Unallocated corporate expenses								(99,785)
Investment and other income								43,679
Share of profits of associates	3,478	—	5,310	—	—	8,788	—	8,788
Finance costs								(1,823)
Profit before tax								594,860
Income tax expense								(82,355)
Profit for the year								512,505

BALANCE SHEET

At 31 December 2007 (restated)

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	3,384,060	2,114,267	1,115,568	1,086,521	75,882	7,776,298
Investment properties						9,705
Interests in associates	29,790	—	5,281	—	—	35,071
Available-for-sale investments						111,295
Amounts due from investee companies						146,773
Properties held for sale						20,408
Tax recoverable						31,146
Consolidated total assets						8,130,696
LIABILITIES						
Segment liabilities	3,002,696	1,056,510	856,202	730,274	25,128	5,670,810
Tax liabilities and deferred tax liabilities						168,957
Obligations under finance leases						278
Borrowings						50,894
Consolidated total liabilities						5,890,939

OTHER INFORMATION

	Hong Kong	Regions in the PRC other than Hong Kong and Macau	Macau	UAE	India	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	28,142	72,348	2,375	21,133	586	124,584
Depreciation of property, plant and equipment and amortisation and prepaid lease payments	17,994	47,546	2,004	13,286	7,851	88,681
Gain on disposal of property, plant and equipment	8,195	1,109	1,290	—	1,269	11,863

Business segments

The Group's five geographical segments operate in four principal business activities — construction activities, supply of heat and electricity and provision of connection services, infrastructure project investment and others including insurance business and manufacturing and sale of precast structures. The following table provides an analysis of the Group's revenue by business activities.

Revenue from external customers

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Construction activities	10,481,860	9,739,072
Supply of heat and electricity and provision of connection service	376,209	302,422
Infrastructure project investment	63,253	64,561
Others	100,083	126,827
	11,021,405	10,232,882

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

	Carrying amount of segment assets		**Additions to property, plant and equipment and prepaid lease payment**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		*(restated)*
Construction activities	6,221,853	5,658,717	55,790	36,250
Supply of heat and electricity and provision of connection service	1,380,943	1,173,555	149,418	64,292
Infrastructure project investment	498,740	498,495	—	—
Others	504,346	445,531	27,396	24,042
	8,605,882	7,776,298	232,604	124,584

9. INVESTMENT INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits	20,455	59,946
Debt securities	4,535	5,439
Deposits with financial institutions	43	9,804
Imputed interest on amount due from an investee company	4,369	—
	29,402	75,189
Dividend income from listed available-for-sale investments	470	282
Dividend income from unlisted available-for-sale investments	3,177	3,267
Gain on disposal of listed available-for-sale investments	420	14,139
Recycling of gain from equity on disposal of investments classified as available-for-sale	—	6,823
	33,469	99,700

10. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Consultancy service income	6,000	—
Commission income	6,886	—
Technical service income	4,162	—
Rental of properties	5,630	4,285
Property management service income	464	1,992
Management service income	2,840	900
Gain on disposal of property, plant and equipment	9,314	11,863
Exchange gain	1,203	631
Others	8,019	10,496
	44,518	30,167

11. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	13,585	146
Interest on other loans wholly repayable within five years	597	1,647
Finance charges on obligations under finance leases	24	17
Other financial expenses	5,859	13
	20,065	1,823

During the year, no borrowing costs on the general borrowing pool was capitalised (2007: nil).

12. DIRECTORS' EMOLUMENTS

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

For the year ended 31 December 2008

	Kong Qingping	Zhou Yong	Yip Chung Nam	Fu He	Zhou Hancheng	Cheong Chit Sun	Raymond Ho Chung Tai	Adrian David Li Man Kiu	Raymond Leung Hai Ming	Lee Shing See	Total 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	1,000	—	—	—	—	—	360	250	250	250	2,110
Other emoluments											
Salaries	—	2,562	1,957	1,200	1,056	1,697	—	—	—	—	8,472
Share-based payments	41	36	26	26	24	15	7	7	7	7	196
Contributions to retirement benefit schemes	—	12	12	12	12	12	—	—	—	—	60
Performance related incentive payments	—	3,500	700	600	600	400	—	—	—	—	5,800
Total emoluments	1,041	6,110	2,695	1,838	1,692	2,124	367	257	257	257	16,638

For the year ended 31 December 2007

	Kong Qingping	Zhou Yong	Yip Chung Nam	Fu He	Zhou Hancheng	Cheong Chit Sun	Raymond Ho Chung Tai	Adrian David Li Man Kiu	Raymond Leung Hai Ming	Lee Shing See	Total 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	1,000	—	—	—	—	—	360	250	250	250	2,110
Other emoluments											
Salaries	—	2,160	1,867	961	516	1,617	—	—	—	—	7,121
Share-based payments	68	60	42	42	40	26	11	11	11	11	322
Contributions to retirement benefit schemes	—	12	12	12	12	12	—	—	—	—	60
Performance related incentive payments	—	3,500	670	550	1,000	620	—	—	—	—	6,340
Total emoluments	1,068	5,732	2,591	1,565	1,568	2,275	371	261	261	261	15,953

No directors waived any emoluments in the current year and prior year.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	3,940	3,640
Share-based payments	21	48
Contributions to retirement benefit schemes	24	24
	3,985	3,712

The emoluments of these two individuals were within the band of HK$1,500,001 to HK$2,000,000 for current year and prior year.

14. INCOME TAX EXPENSE

	2008	**2007**
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	6,237	30,970
Other jurisdictions	66,920	42,309
	73,157	73,279
Overprovision in prior years:		
Hong Kong	(174)	(1,742)
Other jurisdictions	(8,476)	—
	(8,650)	(1,742)
Deferred tax:		
Current year (note 38)	1,769	10,818
Income tax expense for the year	66,276	82,355

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 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 jurisdiction.

According to a joint circular of the Ministry of Finance and State Administration of Taxation—Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax and which is withheld by the PRC entity. Deferred tax of HK$14,223,000 on the undistributed earnings has been charged to the consolidated income statement for the year ended 31 December 2008 (note 38).

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was generally reduced from 33% to 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the new tax rate was progressively increasing to 25% over five years as grandfathering provision.

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.

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

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Profit before tax	570,665	594,860
Tax at domestic income tax rate of 16.5% (2007: 17.5%)	94,160	104,101
Tax effect of share of profits of associates	(1,558)	(1,538)
Tax effect of expenses not deductible for tax purpose	8,448	23,947
Tax effect of income not taxable for tax purpose	(16,721)	(41,415)
Overprovision in prior years	(8,650)	(1,742)
Tax effect of tax losses/deductible temporary differences not recognised	28,954	15,980
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised	(18,180)	(5,972)
Effect of different tax rates of profit arising from other jurisdictions	(20,806)	(8,820)
Income taxed at concessionary rate	(13,824)	(4,981)
Change in opening deferred tax liabilities resulting from a change in tax rate *(note 38)*	—	2,286
Deferred taxation on undistributed earnings of PRC subsidiaries *(note 38)*	14,223	—
Others	230	509
Tax charge for the year	66,276	82,355

15. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
— current year	5,571	4,665
— underprovided in prior year	815	25
	6,386	4,690
Depreciation of property, plant and equipment	131,439	87,807
Less: Amounts capitalised in contracts in progress	(120,220)	(78,066)
	11,219	9,741
Gross rental income from investment properties	(5,630)	(4,285)
Less: Direct expenses from investment properties that generated rental income during the year	519	360
	(5,111)	(3,925)
Employee benefits expense:		
Staff costs	1,265,965	1,069,319
Contributions to retirement benefit plans	24,411	22,591
Equity-settled share-based payments	1,492	2,471
Less: Amounts capitalised in contracts in progress	(990,770)	(847,602)
	301,098	246,779
Depreciation of investment properties	913	550
Amortisation of prepaid lease payments	2,235	874
Allowance for doubtful debts on trade and other receivables	8,096	—
Share of tax of associates (included in share of profits of associates)	1,995	1,031
Operating lease rentals in respect of:		
Plant and machinery	150,356	156,294
Land and buildings	57,023	53,832
	207,379	210,126
Less: Amounts capitalised in contracts in progress	(177,336)	(187,064)
	30,043	23,062
Cost of inventories recognised as an expense	469,007	247,414

16. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2007 Final, paid — HK4.50 cents (2007: HK2.50 cents for 2006) per share	109,726	49,960
2008 Interim, paid — HK3.70 cents (2007: HK2.25 cents for 2007) per share	90,149	54,172
	199,875	104,132

The final dividend of HK3.30 cents (2007: HK4.50 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

Adjustments were made to the amount of dividend per share due to the share sub-division during the year. Each share of the Company of HK$0.1 per share was subdivided into 4 shares of HK$0.025 per share with effect from 13 June 2008 as detailed in note 35.

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

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Earnings for the purposes of basic and diluted earnings per share	489,321	453,664

Number of shares

	2008	2007
	'000	**'000**
		(restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,438,796	2,210,132
Effect of dilutive potential ordinary shares in respect of share options	110,383	144,624
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,549,179	2,354,756

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the year ended 31 December 2008 has accounted for the share sub-division which was effective from 13 June 2008. The corresponding number of ordinary shares of 2007 has been retrospectively adjusted to reflect the said share sub-division and open offer on 10 September 2007.

The computation of diluted earnings per share has not been included the effect of the exercise of the outstanding warrants of the Company because the exercise price of the Company's warrants was higher than the average market price of the Company's share for the year ended 31 December 2008.

The following table summarises the impact on both basic and diluted earnings per share of 2007 as a result of combination of the Acquired Companies:

	Impact on basic earnings per share	**Impact on diluted earnings per share**
	HK cents	*HK cents*
Reported figures before combination	18.32	17.20
Adjustments arising from transfer of controlling interests in the Acquired Companies *(see note 1)*	2.21	2.07
Restated	20.53	19.27

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*
COST							
At 1 January 2007	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
Exchange adjustments	14,559	43,420	1,387	1,229	1,199	5,440	67,234
Additions	5,072	19,880	50,841	7,930	11,618	119,984	215,325
Transfer from construction in progress	891	72,931	836	310	—	(74,968)	—
Disposals	(1,741)	(423)	(20,959)	(4,956)	(5,834)	—	(33,913)
At 31 December 2008	259,617	824,683	520,047	80,977	49,341	133,739	1,868,404
DEPRECIATION							
At 1 January 2007	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
Exchange adjustments	2,297	8,266	692	358	663	—	12,276
Provided for the year	10,629	58,166	40,998	12,542	9,104	—	131,439
Eliminated on disposals	(771)	(402)	(19,981)	(4,701)	(4,536)	—	(30,391)
At 31 December 2008	48,859	191,214	434,785	57,614	28,657	—	761,129
CARRYING VALUES							
At 31 December 2008	210,758	633,469	85,262	23,363	20,684	133,739	1,107,275
At 31 December 2007	204,132	563,691	74,866	27,049	18,932	83,283	971,953

The carrying value of property, plant and equipment includes an amount of HK$388,000 (2007: HK$407,000) in respect of motor vehicles held under finance leases.

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
Furniture, fixtures and equipment and motor vehicles	3 to 8 years

19. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2007	14,453
Exchange adjustments	338
At 31 December 2007	14,791
Exchange adjustments	343
Transferred from properties held for sale	38,700
At 31 December 2008	53,834
DEPRECIATION AND IMPAIRMENT	
At 1 January 2007	4,388
Exchange adjustments	148
Provided for the year	550
At 31 December 2007	5,086
Exchange adjustments	166
Provided for the year	913
Impairment loss recognised in profit or loss	2,977
At 31 December 2008	9,142
CARRYING VALUES	
At 31 December 2008	44,692
At 31 December 2007	9,705

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

	2008	2007
	HK$'000	*HK$'000*
Land in Macau:		
Freehold land	22,798	6,847
Medium-term lease	19,300	—
Land in the PRC under medium-term lease	2,594	2,858
	44,692	9,705

The above investment properties are depreciated on a straight-line basis as follows:

Buildings on freehold land	50 years
Land and buildings on land under medium-term lease	Over the term of the relevant lease

No depreciation is provided in respect of freehold land. The fair value of the Group's investment properties at 31 December 2008 is HK$71,823,000 (2007: HK$37,343,000).

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, independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuations were arrived at using the approach of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties and by making reference to comparables as available in the relevant market. Impairment loss was recognised when the carrying amount of an individual property is above its fair value which is based on independent valuation report.

The allocation of lease payments between the land and buildings elements cannot be made reliably, and the entire lease is treated as a finance lease and accounted for as investment properties.

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

20. INVESTMENT IN LANDS CONSOLIDATION

	2008	2007
	HK$'000	*HK$'000*
Cost incurred for investment in lands consolidation	49,814	—

On 30 November 2007, the Group entered into a co-operation contract with a local partner for the co-operation and investment through the formation of a PRC domestic joint venture company to engage in the consolidation and rehabilitation of certain pieces of land in the PRC on behalf of the local government. According to the terms of contract, the Group will be repaid fully the cost incurred plus interest based on prevailing interest rate of the People's Bank of China and specific percentage of the excess of the land proceeds from the land auction by the local government authority over the costs incurred. The carrying amount of the investment is determined based on effective interest rate of 3% which is based on the Hong Kong Interbank Offering Rate ("HIBOR") plus 0.68% per annum on the cost incurred.

The management considered that the fair value of embedded derivative, which relates to the contractual right to the land proceeds described above, at initial recognition and at year end date based on independent valuation report are minimal.

On 17 February 2009, both parties agreed to suspend the contract and agreed that the investment cost incurred and interest based on prevailing interest rate of People's Bank of China will be fully repaid by the local partner before 31 December 2009.

21. INTERESTS IN INFRASTRUCTURE PROJECT INVESTMENT

	2008	2007
	HK$'000	*HK$'000*
Interests in infrastructure project investment	482,658	498,495
Less: Portion due within one year included in current assets	(15,782)	(15,837)
Portion due after one year	466,876	482,658

The effective interest rates on the infrastructure project investments range from 11.7% to 13.9% per annum, the receivables are repayable based on the predetermined amounts stated at the relevant agreement for a period up to 2025.

The Directors reviewed the infrastructure projects' operations and financial positions as at 31 December 2008 based on the present values of estimated future cash flows from those investments, discounted at the original effective interest rates. No impairment loss against the interests in infrastructure project investment was recognised in current year and prior year.

22. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong under medium-term leases	80,774	61,939
Analysed for reporting purposes as:		
Non-current assets	78,536	60,327
Current assets	2,238	1,612
	80,774	61,939

23. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	*HK$'000*
Unlisted company		
Cost of investments in associates	22,607	22,607
Share of post-acquisition profits, net of dividends received	18,651	12,464
	41,258	35,071

Included in the cost of investments in associates is goodwill of HK$494,000 (2007: HK$494,000) arising on acquisitions of associates in prior years.

At 31 December 2008 and 2007, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation and operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group 2008 & 2007 %	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	31.5	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	40.0	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	20.0	Operation of slaughterhouse

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

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	210,408	185,336
Total liabilities	(73,897)	(67,743)
Net assets	136,511	117,593
Group's share of net assets of associates	40,764	34,577

	Year ended 31.12.2008	**Year ended 31.12.2007**
	HK$'000	*HK$'000*
Revenue	342,003	266,655
Profit for the year	29,178	28,661
Group's share of profits of associates for the year	9,445	8,788

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008	**2007**
	HK$'000	*HK$'000*
Listed securities (note a):		
— Equity securities listed in Hong Kong	3,303	10,046
— Equity securities listed overseas	26	86
— Debt securities listed in Hong Kong with fixed interest of 3.75-5.75% and maturity date in 2009-2015 (note d)	54,617	63,180
— Debt securities listed overseas with floating interest and maturity date in 2049	8,459	14,491
	66,405	87,803
Unlisted securities:		
— Equity securities stated at cost (notes b and c)	31,764	23,492
Total	98,169	111,295

For the impairment assessment of equity securities, as there were significant decline in the fair values of the equity securities below their costs, impairment loss amounting to HK$6,735,000 (2007: nil) was recognised in the profit and loss.

No impairment loss on debt securities is recognised as the issuers of the securities are with high credit ratings and no default interest payment was noted in the past records.

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

(b) The unlisted securities 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 voting power in director's meeting 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 ("SKW"), 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 ("中聯實業") whose principal activity is investment holding, 中聯實業 is a private entity incorporated in Macau.

The Group holds 10% of the issued capital of Proud Sea International Limited, a private entity incorporated in the British Virgin Islands and whose principal activity is investment holding.

(c) At 31 December 2008, an amount of HK$18,466,000 (2007: nil), included in the cost of unlisted equity securities, represents the deemed contribution arising from fair value adjustment on interest-free loan advanced to investee companies.

(d) At 31 December 2008, an amount of HK$20,624,000 (2007: HK$23,937,000), included in the carrying amount of debt securities listed in Hong Kong, represents the debentures issued by a subsidiary of COLI.

25. AMOUNTS DUE FROM INVESTEE COMPANIES

The amounts due from investee companies are unsecured, interest-free and have no fixed repayment terms. No repayment is expected within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current. The investee companies are engaged in property development and investment in the PRC and Macau.

The fair values of these amounts are determined based on effective interest rate of 3% (2007: nil) which is based on the HIBOR plus 0.68% per annum on initial recognition. The difference between the principal amounts of approximately HK$18,466,000, has been included in the cost of the available-for-sale investments as deemed contribution to the investee companies.

26. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials and consumables	47,791	38,556
Work in progress	893	966
Finished goods	6,825	14,964
	55,509	54,486

27. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2008	2007
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date		
Contract costs incurred	20,468,896	18,314,553
Recognised profits less recognised losses	464,371	93,084
	20,933,267	18,407,637
Less: progress billings	(20,727,971)	(18,238,464)
	205,296	169,173
Analysed for reporting purposes as:		
Amounts due from contract customers	506,385	595,037
Amounts due to contract customers	(301,089)	(425,864)
	205,296	169,173

At 31 December 2008, retentions held by customers for contract work amounted to HK$1,082,053,000 (2007: HK$817,415,000) have been included in trade and other receivables under current assets. Advances received from customers for contract work amounted to HK$275,523,000 (2007: HK$336,783,000), have been included in deposits received and receipt in advance under current liabilities.

28. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Trade receivables	3,652,233	3,286,861
Less: Allowance for doubtful debts	(6,674)	—
	3,645,559	3,286,861
Other receivables	59,026	77,036
Less: Allowance for doubtful debts	(1,422)	—
	57,604	77,036
Trade and other receivables	3,703,163	3,363,897

Except for the proceeds from income from construction contracts which are payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period of not exceeding 90 days to its trade customers and the retention receivables are repayable approximately one year after the defect liability period of construction projects.

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet dates:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
0-30 days	1,647,022	1,736,926
31-90 days	754,664	597,253
Over 90 days	161,820	135,267
	2,563,506	2,469,446
Retention receivables	1,082,053	817,415
	3,645,559	3,286,861
Retention receivables		
— due within one year	458,527	370,733
— due more than one year	623,526	446,682
	1,082,053	817,415

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 receivables balances (net of allowance for doubtful debts) which are past due but not impaired is presented as follows:

	2008	2007
	HK$'000	*HK$'000*
91-180 days	125,980	111,479
181-365 days	23,003	10,484
Over 365 days	12,837	13,304
Total	161,820	135,267

The Group does not hold any collateral over the above balances.

The Group allows an average credit period of 90 days to its customers. Except for the amount of HK$6,674,000 (2007: nil) was provided for doubtful debts for the year ended 31 December 2008, no allowance for doubtful debt is being provided for past due trade receivables because the directors considered that there is close business relationship with continuous business transactions and assessed the collectability by evaluating the credit worthiness and the past collection history of those 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.

29. 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.

The amounts due from jointly controlled entities and the partners of jointly controlled entities are expected to be repaid within twelve months after balance sheet date.

At 31 December 2008 and 2007, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of registration and operations	Percentage of ownership interest 2008	2007	Nature of business
			%	%	
ATAL/Waterleau/CCEM	Unincorporated	Macau	48.45	48.45	Civil engineering works and operation of pump stations

Name of entity	Form of business structure	Place of registration and operations	Percentage of ownership interest 2008 %	2007 %	Nature of business
ATAL/Waterleau/CSCE	Unincorporated	Macau	39.23	39.23	Civil engineering works and operation of pump stations
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	Inactive
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 — Leighton Joint Venture	Unincorporated	Hong Kong	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	Inactive
Consorcio De Krueger — China State	Unincorporated	Macau	55 *(note a)*	55 *(note a)*	Mechanical and electrical engineering works
Consorcio De Krueger — CSME	Unincorporated	Macau	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

Name of entity	Form of business structure	Place of registration and operations	Percentage of ownership interest 2008 %	2007 %	Nature of business
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.

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:

	2008	**2007**
	HK$'000	*HK$'000*
Current assets	1,087,285	849,695
Non-current assets	4,130	4,888
Current liabilities	597,434	537,084
Non-current liabilities	74	—

	Year ended 31.12.2008	**Year ended 31.12.2007**
	HK$'000	*HK$'000*
Income	1,540,185	1,333,454
Expenses	1,352,707	1,221,645

In additional to the construction and engineering projects undertaken by 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 2008 and 2007 are as follows:

Name of joint venture	**Place and date of establishment**	**Percentage of interest held by the Group 2008 & 2007**
		%
Chit Cheung — China Overseas — ATAL Joint Venture	Hong Kong 28 June 2004	13
China State — ATAL Joint Venture	Hong Kong 23 May 2001	55
China State — ATAL Joint Venture	Hong Kong 21 January 2005	39.6
China State Joint Venture	Hong Kong 16 June 2003	70

At 31 December 2008, 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:

	2008	2007
	HK$'000	*HK$'000*
Assets	51,767	44,292
Liabilities	51,915	43,974

	Year ended 31.12.2008	Year ended 31.12.2007
	HK$'000	*HK$'000*
Income	59,182	89,097
Expenses	33,569	38,105

30. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY/AN ASSOCIATE

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

The amounts due from fellow subsidiaries and immediate holding company are expected to be repaid within twelve months after balance sheet date.

31. PLEDGED BANK DEPOSITS/DEPOSITS WITH FINANCIAL INSTITUTIONS/BANK BALANCES

(a) Pledged bank deposits

At 31 December 2008, bank deposits amounting to HK$16,690,000 (2007: HK$17,654,000) were pledged for the guarantee of employment for workers from foreign countries in the UAE. The pledged bank deposits will be released upon the completion of relevant construction projects in next year and therefore classified as current assets. The pledged deposits carry fixed interest rates which range from 0.36% to 0.72% (2007: 2.5% to 5.0%) per annum.

(b) Deposits with financial institutions

Deposits with financial institutions comprise deposits with maturity dates ranging from 1 to 6 months carried at fixed rate of 0.10% to 4.52% (2007: 0.32% to 5.40%) per annum.

(c) Bank balances

Bank balances, excluding bank current account, carry interest at market rates which range from 0.01% to 3.05% (2007: 2.0% to 5.7%).

32. TRADE AND OTHER PAYABLES

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

	2008	**2007**
	HK$'000	*HK$'000*
Trade and other payables:		
0-30 days	1,848,774	2,328,386
31-90 days	870,359	408,024
Over 90 days	202,334	275,449
	2,921,467	3,011,859
Retention payables	768,959	748,074
	3,690,426	3,759,933
Retention payables		
— due within one year	449,840	400,090
— due more than one year	319,119	347,984
	768,959	748,074

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.

33. BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Bank loans, unsecured (note a)	1,000,000	—
Bank overdrafts, unsecured (note b)	—	453
	1,000,000	453
Other loans, unsecured (note c)	37,128	50,441
	1,037,128	50,894
Carrying amount repayable:		
On demand or within one year	37,128	29,729
More than one year but not exceeding two years	—	21,165
More than two years but not more than five years	1,000,000	—
	1,037,128	50,894
Less: Amount due within one year shown under current liabilities	(37,128)	(29,729)
Amount due after one year	1,000,000	21,165

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

Notes:

(a) Bear effective interest rate at 3.0% per annum which is based on the market rate of HIBOR plus 0.68% per annum and mature in February 2011.

The financial covenants for the bank loan are as follows:

- the consolidated tangible net worth not less than HK$2,000,000,000;
- the consolidated net borrowings not exceed 100% of the consolidated tangible net worth;
- the consolidated total secured borrowings not exceed 20% of the consolidated tangible net worth; and
- the consolidated total net borrowings (excluding contingent liabilities) not exceed 50% of the consolidated tangible net worth.

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

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

34. 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 the respective contract dates ranging from 12% to 16% per annum. 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	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	185	217	162	175
In more than one years but not more than two years	77	111	74	103
	262	328	236	278
Less: future finance charges	(26)	(50)	—	—
Present value of lease obligations	236	278	236	278
Less: Amount due within one year shown under current liabilities			(162)	(175)
Amount due after one year			74	103

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 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.

35. SHARE CAPITAL

	Number of ordinary shares at HK$0.10 per share	Number of ordinary shares at HK$0.025 per share	Amount HK$'000
Authorised:			
Balance at 1 January 2007 and 31 December 2007	15,000,000,000	—	1,500,000
Effect of share sub-division to HK$0.025 each (note b)	(15,000,000,000)	60,000,000,000	—
Balance at 31 December 2008	—	60,000,000,000	1,500,000
Issued and paid up:			
Balance at 1 January 2007	498,960,002	—	49,896
Issue of ordinary shares upon open offer (note a)	99,966,800	—	9,997
Issue of ordinary shares upon exercise of share options	9,277,640	—	928
Balance at 31 December 2007	608,204,442	—	60,821
Issue of ordinary shares upon exercise of share options and warrants before share sub-division	1,384,785	—	138
Effect of share sub-division (note b)	(609,589,227)	2,438,356,908	—
Issue of ordinary shares upon exercise of share options and warrants after share sub-division	—	19,902,856	497
Share buy-back after share sub-division	—	(13,492,000)	(337)
Balance at 31 December 2008	—	2,444,767,764	61,119

Notes:

(a) 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$9,997,000 and HK$978,829,000, respectively. The new shares rank pari passu with the existing shares in all respects.

(b) On 12 June 2008, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the existing issued and unissued shares of share capital of the Company of HK$0.1 per share was subdivided into 4 shares of HK$0.025 each with effect from 13 June 2008.

(c) During the year, the Company repurchased its own ordinary shares on SEHK as follows:

Date	**Number of shares repurchased**	**Prices paid per share Highest**	**Prices paid per share Lowest**	**Aggregate prices paid**
		HK$	*HK$*	*HK$'000*
18 July 2008	4,784,000	2.00	1.86	9,429
23 October 2008	3,392,000	0.75	0.70	2,478
24 October 2008	5,316,000	0.74	0.70	3,841
				15,748

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$337,000 was transferred from retained profits to the capital redemption reserve. The consideration paid on the repurchase of the shares of HK$15,748,000 was charged to retained profits.

36. WARRANTS

	Number of warrants at subscription price of HK$15.00 per share	**Number of warrants at subscription price of HK$3.75 per share**	**Amount**
			HK$'000
Issued on 26 February 2008	87,042,394	—	1,305,636
Exercise during the period before share sub-division	(4,865)	—	(73)
Effect of share sub-division	(87,037,529)	348,150,116	—
Exercise during the period after share sub-division	—	(9,256)	(34)
	—	348,140,860	1,305,529

A bonus issue of warrants on the basis of one warrant for every seven shares held was proposed by the Board of Directors of the Company on 8 January 2008. The condition of the issue of the bonus warrants was fulfilled and 87,042,394 warrants were issued on 26 February 2008.

The warrant holders were entitled to subscribe in cash for one fully paid share of HK$0.1 per share at an initial subscription price of HK$15.00 per share, subject to certain anti-dilution adjustment, from the date of 28 February 2008 to 27 February 2009.

Since 13 June 2008 (the share sub-division date), the warrant holders are entitled to subscribe in cash for one fully paid share of HK$0.025 per share at an adjusted subscription price of HK$3.75 per share, subject to adjustment, at any time up to 27 February 2009.

During the year ended 31 December 2008, 4,865 warrants were exercised at an initial subscription price of HK$15.00 per share while 9,256 warrants were exercised at an adjusted subscription price of HK$3.75 per share subsequent to the share sub-division. Accordingly, 348,141,000 warrants were outstanding at 31 December 2008, of which 16,000 warrants were exercised after the year ended date and the remaining 348,125,000 warrants expired on 27 February 2009.

37. DEFERRED INCOME

	2008	**2007**
	HK$'000	*HK$'000*
Deferred income arose from the following:		
Connection service	172,180	123,783

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

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

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

	2008	**2007**
	HK$'000	*HK$'000*
Deferred income due within one year included in trade and other payables in current liabilities	6,860	5,190
Deferred income due after one year	165,320	118,593
	172,180	123,783

38. DEFERRED TAX LIABILITIES

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation	Deferred income	Undistributed earnings of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	—	54,863	—	54,863
Exchange adjustment	—	1,756	—	1,756
Charge to consolidated income statement	—	8,532	—	8,532
Effect of change in tax rate	—	2,286	—	2,286
At 31 December 2007	—	67,437	—	67,437
Exchange adjustment	—	1,927	—	1,927
Charge (credit) to consolidated income statement	2,467	(14,921)	14,223	1,769
At 31 December 2008	2,467	54,443	14,223	71,133

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

	2008	2007
	HK$'000	*HK$'000*
Unused tax losses (note a)	293,866	230,487
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (note b)	12,388	10,461
	306,254	240,948

Notes:

(a) No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$64,065,000 (2007: HK$80,575,000) that will expire within five years. Other losses may be carried forward indefinitely.

(b) No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, the Group entered into finance lease arrangements in respect of the acquisition of motor vehicles with a total capital value at the inception of leases of approximately HK$205,000 (2007: nil).

40. SHARE-BASED PAYMENTS

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

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 108,058,000 (after share sub-division) (2007: 33,636,120 before share sub-division), representing approximately 4.4% (2007: 5.5%) 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 amount of HK$1.00 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the option period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the Board in its absolute discretion at the time of grant. The exercise price is determined by the directors of the Company, and will not be less than the 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 were granted on 14 September 2005 at an initial exercise price of HK$1.03.

Details of the share options granted on 14 September 2005 are as follows:

Exercise price per share after share sub-division	**Vesting period**	**Exercisable period**
HK$0.2475	14 September 2005 to 13 September 2006	14 September 2006 to 13 September 2015
HK$0.2475	14 September 2005 to 13 September 2007	14 September 2007 to 13 September 2015
HK$0.2475	14 September 2005 to 13 September 2008	14 September 2008 to 13 September 2015
HK$0.2475	14 September 2005 to 13 September 2009	14 September 2009 to 13 September 2015
HK$0.2475	14 September 2005 to 13 September 2010	14 September 2010 to 13 September 2015

As a result of the open offer 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 SEHK. The adjusted exercise price was HK$0.99 per share. The number of share options was increased by 1,553,000.

As a result of the share sub-division of the Company in June 2008, the number of options has also been adjusted in accordance with the Scheme. The exercise price was further adjusted to HK$0.2475 per share. The number of share options was increased by 96,769,000 options.

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

	Outstanding at 1.1.2007	Adjustment in respect of the open offer in September 2007	Exercised during the year	Forfeited during the year	Outstanding at 1.1.2008	Exercised before share sub-division	Adjustment in respect of the share sub-division in June 2008	Exercised after share sub-division	Forfeited during the year	Outstanding at 31.12.2008
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Directors	5,050	199	(1,254)	—	3,995	—	11,984	(2,126)	—	13,853
Employees	18,228	706	(2,701)	(517)	15,716	(362)	46,063	(6,582)	(1,074)	53,761
Consultants	18,600	648	(5,323)	—	13,925	(1,018)	38,722	(11,185)	—	40,444
	41,878	1,553	(9,278)	(517)	33,636	(1,380)	96,769	(19,893)	(1,074)	108,058

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

Option type	Outstanding at 1.1.2007	Adjustment in respect of the open offer in September 2007	Exercised during the year	Forfeited during the year	Outstanding at 1.1.2008	Exercised before share sub-division	Adjustment in respect of the share sub-division in June 2008	Exercised after share sub-division	Forfeited at the year	Outstanding at 31.12.2008
Granted on 14 September 2005:										
—with vesting period of 14 September 2005 to 13 September 2006	3,614	85	(1,833)	(21)	1,845	(31)	5,441	(533)	—	6,722
— with vesting period of 14 September 2005 to 13 September 2007	9,566	367	(6,305)	(124)	3,504	(569)	8,810	(1,708)	—	10,037
— with vesting period of 14 September 2005 to 13 September 2008	9,566	367	(380)	(124)	9,429	(260)	27,506	(17,652)	(358)	18,665
— with vesting period of 14 September 2005 to 13 September 2009	9,566	367	(380)	(124)	9,429	(260)	27,506	—	(358)	36,317
— with vesting period of 14 September 2005 to 13 September 2010	9,566	367	(380)	(124)	9,429	(260)	27,506	—	(358)	36,317
	41,878	1,553	(9,278)	(517)	33,636	(1,380)	96,769	(19,893)	(1,074)	108,058
Exercisable at the end of the year					5,349					35,424

In respect of the share options exercised during the year, the weighted average share price after share sub-division is HK$1.23 (2007: HK$2.15).

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

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

The Group recognised the total expenses of HK$1,688,000 (2007: HK$2,793,000) for the year ended 31 December 2008 in relation to share options granted by the Company.

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2008, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2008	2007
	HK$'000	*HK$'000*
Within one year	8,518	14,226
In the second to fifth year inclusive	6,620	10,748
	15,138	24,974

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$44,692,000 (2007: HK$9,705,000) were let out under operating leases.

Property rental income earned during the year is HK$5,630,000 (2007: HK$4,285,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

At 31 December 2008, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	*HK$'000*
Within one year	4,154	2,722
In the second to fifth year inclusive	7,659	801
	11,813	3,523

42. CAPITAL COMMITMENTS

At 31 December 2008, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for		
— construction in progress	84,177	4,200
— lands consolidation	677,026	692,000
— loans advance to investee companies	325,895	362,000

On 17 February 2009, the investment in lands consolidation project was suspended after the execution of the suspension agreement (note 20).

43. RELATED PARTY TRANSACTIONS

Apart from the transfer of entire interests in Fuller Sky and Value Idea from COHL and COLI as disclosed in note 1 and the balances due from or to related parties set out in notes 29 and 30, the Group had the following transactions with related parties during the year:

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

Transactions	**2008**	**2007**
	HK$'000	*HK$'000*
Immediate holding company		
Underwriting fee expenses included in share issue expenses	—	9,275
Fellow subsidiaries		
Rental income	1,483	1,210
Rental expenses	9,311	9,255
Security service payment	9,716	6,872
Construction fee income	89,587	259,431
Project management service income	37,057	66,937
Construction costs	47,967	3,624
Sales of materials	17	404
Insurance premium income	1,249	1,637
Commission income	6,886	—
Associates		
Purchase of construction materials	90,603	82,961
Dividend received	3,258	7,730
Jointly controlled entities		
Construction fee income	53,856	88,950
Construction cost	45,513	7,189
Rental income from lease of machinery	120	2,626
Purchase of materials	23,855	16,799
Sales of building materials	3,382	1,603
Project management service fee	6,132	1,455
Insurance premium income	6,117	763
Other state-owned entities		
Construction fee income	3,326	15,182

(b) COHL, the immediate holding company of the Company, provided a guarantee to employer for the due performance of the construction projects undertaken by a jointly controlled entity.

(c) Transactions with other state-controlled entities in the PRC

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

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

(d) Compensation of key management personnel

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

	2008	**2007**
	HK$'000	*HK$'000*
Short-term benefits	32,894	29,659
Post-employment benefits	192	180
Share-based payments	476	538
	33,562	30,377

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

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	**Place of incorporation/ establishment**	**Issued and fully paid up share/ registered capital**	**Attributable equity interest held**		**Principal activities**
			2008	**2007**	
			%	%	
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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	2007 %	Principal activities
China State Construction Engineering (Hong Kong) Limited	Hong Kong	155,569,190 ordinary shares of HK$1 each and 844,430,810 non-voting deferred shares of HK$1 each	100	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Lease of machinery
Zetson Enterprises Ltd	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Indirectly held by the Company:					
Add Treasure Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100	—	Inactive
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 Installation Works Limited	Hong Kong	100 ordinary shares of HK$1 each	65	65	Inactive
China Overseas Public Utility Investment Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
China State Civil Engineering Limited (Former name as China Overseas Civil Engineering Limited)	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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	2007 %	Principal activities
China State Foundation Engineering Limited (Former name as China Overseas Foundation Engineering Limited)	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100	100	Foundation engineering works and project management
China State Construction Limited (Former name as China Overseas (Hong Kong) Limited)	Hong Kong	5,000,000 ordinary shares of HK$10 each	100	100	Investment holding, building construction, project management and provision of management services
China State Machinery Limited (Former name as China Overseas Machinery Limited)	Hong Kong	2 ordinary shares of HK$1 each	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited (Former name as China Overseas Mechanical & Electrical Engineering Limited)	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	100	Mechanical and electrical engineering works, project management and investment holding
Citycharm Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
COHL (Macao) Commercial and Industrial Limited	Macau	MOP 200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP 200,000	100	100	Foundation engineering works
C.S.H.K. Dubai Contracting L.L.C.	UAE	1,000 ordinary shares of AED1,000 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	100	Mechanical and electrical engineering works and investment holding
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Investment holding
Ever Power Group Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	2007 %	Principal activities
Magnified Industries Limited	British Virgin Islands	1 bearer share of US$1	100	100	Investment holding
Perfect Castle Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Inactive
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Value Idea Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Weedon International Limited	British Virgin Islands	1 ordinary share of US$1	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
深圳市中海建設監理有限公司(ii) (Former name as 深圳中海工程顧問有限公司)	PRC	RMB10,000,000	100	100	Provision of project consultant and investment holding
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 the PRC.

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

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding unsecured bank loans of HK$1,000,000,000 and outstanding unsecured bank overdraft of approximately HK$830,000.

As at 30 June 2009, no leasehold land and buildings of the Group were pledged to a bank for banking facilities. As at 30 June 2009, a subsidiary's bank deposit of approximately HK$14,333,000 had been pledged for the guarantee of employment of workers from foreign countries in Dubai.

As at 30 June 2009, the Group had obligation under finance lease at approximately HK$310,000.

Save as abovementioned and apart from intra-group liabilities, as at the close of business on 30 June 2009, the Group did not have any outstanding mortgages, charges, debentures, or other loan capital or bank overdrafts, loans, debts securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or other material commitment or any material contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's presently available banking facilities, internal resources and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital, in the absence of unforeseeable circumstances, to meet its present requirements for the next 12 months from the date of this Prospectus.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up).

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only, and is set out here to provide Shareholders with further information about how the Rights Issue might have affected the net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the said information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

(1) Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets (the"Unaudited Pro Forma Financial Information") of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue as if it had taken place on 31 December 2008. The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets of the Group as at 31 December 2008, as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2008 and is adjusted for the effect of the Rights Issue.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets attributable to equity holders of the Company following the Rights Issue.

	Consolidated net assets attributable to equity holders of the Company as at 31 December 2008	Intangible assets of the Group as at 31 December 2008	Adjusted consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2008	Estimated net proceeds from the Rights Issue	Pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after Completion of the Rights Issue
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000 *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000* *(Note 3)*	*HK$'000*
Based on 488,953,552 Rights shares issued	2,523,257	494	2,522,763	1,350,441	3,873,204

	Consolidated net assets attributable to equity holders of the Company as at 31 December 2008	Intangible assets of the Group as at 31 December 2008	Adjusted consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2008	Estimated net proceeds from the Rights Issue	Pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after Completion of the Rights Issue
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000 *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000* *(Note 3)*	*HK$'000*
Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue *(Note 4)*					HK$1.32

Notes:

1. The audited consolidated net assets attributable to equity holders of the Company as at 31 December 2008 is extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2008.

2. Intangible assets of the Group as at 31 December 2008 represent goodwill arising from acquisition of associates which is included in the interests in associates.

3. The estimated net proceeds from the Rights Issue of approximately HK$1,350,441,000 are based on 488,953,552 Rights Shares to be issued at a subscription price of HK$2.79 per Rights Share and after deduction of estimated related expenses of approximately HK$13,739,000.

4. The calculation of the unaudited pro forma consolidated net tangible assets per Share is based on 2,933,721,316 shares which comprise 2,444,767,764 Shares in issue as at 31 December 2008 and 488,953,552 Rights Shares to be issued.

5. The unaudited pro forma consolidated net tangible assets is prepared on the assumption that no exercisable outstanding Options are exercised on or before the Record Date.

6. The above calculation has not taken into accounts of shares issued from 1 January 2009 to the Record Date. If these shares are taken into account, estimated net proceeds from the Rights Issue would have been increased to approximately HK$1,352,307,000, the pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company after Completion of the Rights Issue would have been approximately HK$3,875,070,000 and the pro forma adjusted consolidated net tangible assets per share immediately after Completion of the Rights Issue (based on 2,937,836,947 Shares which comprise 2,448,197,456 Shares in issued at the Record Date and 489,639,491 Rights Shares to be issued) would remain as HK$1.32.

II. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Deloitte.
德勤

TO THE DIRECTORS OF CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of China State Construction International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the Directors of the Company for illustrative purpose only, to provide information about how the Rights Issue on the basis of one rights share for every five existing Shares held by Qualifying Shareholders (as defined in the prospectus issued by the Company dated 7 August 2009 (the "Prospectus")) on the Record Date (as defined in the Prospectus) at the subscription price of HK$2.79 per rights share, might have affected the financial information presented, for inclusion in Appendix II to the prospectus issued by the Company dated 7 August 2009 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 to II-2 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2008, or any future date.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

7 August 2009

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Prospectus misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were and immediately following the Rights Issue (assuming the Rights Issue becoming unconditional and 489,639,491 Rights Shares will be issued) will be as follows:-

Authorised:		*HK$*
60,000,000,000	ordinary shares of HK$0.025 each	1,500,000,000.00
Issued, to be issued and fully paid or credited as fully paid:		
2,448,197,456	Shares in issue as at the Latest Practicable Date	61,204,936.40
489,639,491	Rights Shares to be issued pursuant to the Rights Issue	12,240,987.28
Total:		
2,937,836,947	Shares	73,445,923.68

All Existing Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue such that holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions the record dates of which are on or after the date of allotment of the Rights Shares.

The Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in any other stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in any other stock exchange.

Save as disclosed in this Prospectus, no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

Share Options

As at the Latest Practicable Date, there were 104,427,680 outstanding Share Options granted to eligible participants of the Share Option Scheme, to subscribe for an aggregate of 104,427,680 Shares, representing approximately 4.27% of the issued share capital of the Company. None of 104,427,680 outstanding Share Options was exercisable on or before the Record Date.

The following are details of the outstanding Share Options granted to the Directors and employees of the Group as at the Latest Practicable Date:

No. of underlying shares comprised in the outstanding Share Options[1]	Date of Grant[2]	Vesting Period *(both days inclusive)*	Exercise Period *(both days inclusive)*	Exercise Price Per Share[1] *(HK$)*
6,680,960	14 September 2005	14 September 2005 to 13 September 2006	14 September 2006 to 13 September 2015	0.2475
9,691,360	14 September 2005	14 September 2005 to 13 September 2007	14 September 2007 to 13 September 2015	0.2475
15,970,880	14 September 2005	14 September 2005 to 13 September 2008	14 September 2008 to 13 September 2015	0.2475
36,042,240	14 September 2005	14 September 2005 to 13 September 2009	14 September 2009 to 13 September 2015	0.2475
36,042,240	14 September 2005	14 September 2005 to 13 September 2010	14 September 2010 to 13 September 2015	0.2475

Notes:

1. As a result of the open offer of the Company in September 2007 and the share subdivision of the Company in June 2008, the exercise prices have been adjusted from HK$1.03 per Share to HK$0.2475 per Share.

2. HK$1 was paid by each grantee upon acceptance of the Share Options granted.

3. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	28th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong
Authorised representatives	Mr. Kong Qingping Mr. Zhou Yong
Company secretary	Ms. Connie Chiang Yuet Wah (a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators)
Underwriter	COFIL
Legal advisers to the Company	*As to Hong Kong law:* JSM 16th-19th Floors Prince's Building 10 Chater Road Central Hong Kong *As to Cayman Islands law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Auditor	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong

Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 10/F, Bank of China Tower 1 Garden Road Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	BNP Paribas Hong Kong Branch 63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CALYON 27/F, Two Pacific Place 88 Queensway Hong Kong
	DBS Bank Ltd. Hong Kong Branch 18/F, The Center 99 Queen's Road Central Central Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

4. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographies of the Directors and the senior management of the Group are set out below:

BOARD OF DIRECTORS

Mr. Kong Qingping
Chairman and non-executive Director

Mr. Kong, aged 54, 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 fellow member of the Chartered Institute of Building (UK). Mr. Kong is a guest professor at Harbin Institute of Technology and at Hong Kong Polytechnic University. Mr. Kong joined 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 27 years' extensive experience in management of corporate affairs and construction projects. Currently, Mr. Kong is the Vice President of CSCECL, a director of COHL and its certain subsidiaries and the Chairman of 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. 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

Mr. Zhou, aged 38, 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 Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined CSCEC in 1994 and was seconded to the Group in 1996. He was appointed as a director of certain subsidiaries of the Group since 2001. Mr. Zhou has more than 16 years' construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specializes in investment and development new business startup, formulating and executing business strategies for companies. He oversees the overall operation of the Group.

Mr. Yip Chung Nam
Executive Director

Mr. Yip, aged 60, 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 35 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

Mr. Fu, aged 44, 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 21 years' management experience in civil engineering.

Mr. Zhou Hancheng
Executive Director and Financial Controller

Mr. Zhou, aged 39, 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 13 years' experience in corporate finance, financial accounting and investment management.

Mr. Cheong Chit Sun
Executive Director

Mr. Cheong, aged 57, 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 35 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

Dr. Ho, aged 70, was appointed as 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 held major positions in organizations such as President of 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, second and third 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 such as 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 had been an independent non-executive director of China Motion Telecom International Limited and Ming Hing Waterworks Holdings Limited in the last three years. Currently, Dr. Ho is chairman of Guangdong Daya Bay Nuclear Plant and Lingao Nuclear Plant Safety Consultative Committee. He is also a member of the forth 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

Mr. Li, aged 35, was appointed as 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 Member of The Law Society of England and Wales and The Law Society of Hong Kong. Mr. Li is the Deputy Chief Executive of The Bank of East Asia, Limited and is in charge of the overall management and control of the Bank's business in Hong Kong. He is 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, Deputy Chairman of the Ninth Beijing Municipality Youth Federation and Counsellor of Hong Kong United Youth Association Limited. In addition, he is Council Member of the

Vocational Training Council and Chairman of its Banking and Finance Industry Training Board and a member of the Mandatory Provident Fund Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. Mr. Li 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 and is also an alternate independent non-executive director of San Miguel Brewery Hong Kong Limited and an alternate non-independent non-executive director of AFFIN Holdings Berhad. The aforesaid companies are all listed on the main board of the Stock Exchange except that of AFFIN Holdings Berhad, which is listed on the main board of the Malaysia Stock Exchange.

Dr. Raymond Leung Hai Ming
Independent Non-executive Director

Dr. Leung, aged 54, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from Chinese University of Hong Kong and a bachelor degree in Applied Science in Civil Engineering and a Master degree in Applied Science. Dr. Leung is Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society for Civil Engineers, Institution of Civil Engineers (UK) and Senior Member of Institute of Electrical and Electronics Engineers. He has more than 32 years of experience in engineering, investment, construction and project management. Dr. Leung had been a non-executive director of Continental Holdings Limited in the last three years. Currently, he is director of various private companies in Hong Kong and independent non-executive director of Elec & Eltek International Company Limited, a company listed on the main board of Singapore Exchange Limited. Dr. 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

Mr. Lee, aged 67, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee graduated from the University of Hong Kong in 1964. He is Fellow of both The Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). Mr. Lee joined The Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including 2 months as a Permanent Secretary). He was appointed by the HKSAR Government as a Director of the Hong Kong Science and Technology Parks Corporation from July 2005, and a Director of the Hong Kong Cyberport Management Company Limited from May 2008, a member of the Development Committee of the West Kowloon Cultural District Authority from January 2009 and a member of the Construction Industry Council and Environmental Impact Assessment Appeal Board Panel. Mr. Lee has over 41 years' experience in engineering and construction. Mr. Lee 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 of the Company

Mr. Tian, aged 44, 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 17 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 of the Company

Mr. Zhang, aged 54, 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 27 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 of the Company

Mr. Hung, aged 50, 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 27 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 of the Company

Mr. Pan, aged 44, 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 17 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 of the Company

Mr. Wong, aged 51, 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 22 years' experience in construction engineering and contract management. He assists in managing the Group's overseas operations.

Mr. Jiang Shaojie
Assistant General Manager of the Company

Mr. Jiang, aged 45, graduated from Shenyang Architectural and Civil Engineering University and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He was appointed as a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 26 years' experience in construction engineering and project management. He is responsible for the Group's contract management.

Mr. Lau Wing Shing
General Manager of CSHK Dubai Contracting LLC

Mr. Lau, aged 49, 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, a member of the Royal Institution of Chartered Surveyors 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 27 years' experience in contract and project management. He is responsible for the Group's operation in Dubai.

Mr. Chan Wai Hung
General Manager of Civil Engineering Department

Mr. Chan, aged 51, 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 27 years' experience in contract and project management. He assists in managing the Group's civil engineering operations.

Mr. Qin Jidong

Vice President of CSHK Dubai Contracting LLC

Mr. Qin, aged 40, 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 17 years' experience in international construction project management.

Mr. Melvyn J. Ford

Commercial Director of CSHK Dubai Contracting LLC

Mr. Ford, aged 54, is an associate member of the Royal Institute of Chartered Surveyors. He joined the Group in 1999. Mr. Ford has over 32 years' experience in international construction projects, contracts and corporate management. He assists in managing the Group's Dubai operations.

Mr. Chan Sim Wang

Qualified Accountant and Deputy General Manager of Finance and Treasury Department

Mr. Chan, aged 40, 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 16 years' experience in finance management, accounting and audit fields.

The business address of the Directors and the senior management of the Group is the same as the address of the Company's principal place of business in Hong Kong, i.e. 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

5. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Position in shares and underlying shares of the Company

	Number of shares in the Company held	Number of underlying shares in the Company held under equity derivatives		% of shares in the Company in issue[3]
Name of Directors	**Personal interests[1]**	**Share Options[2]**	**Total**	
Kong Qingping	2,956,800	2,995,200	5,952,000	0.243
Zhou Yong	2,755,200	1,747,200	4,502,400	0.184
Yip Chung Nam	1,930,664	1,872,000	3,802,664	0.155
Fu He	2,318,000	1,248,000	3,566,000	0.146
Zhou Hancheng	2,234,800	1,164,800	3,399,600	0.139
Cheong Chit Sun	432,000	1,497,600	1,929,600	0.079
Raymond Ho Chung Tai	—	832,000	832,000	0.034
Adrian David Li Man Kiu	—	832,000	832,000	0.034
Raymond Leung Hai Ming	—	832,000	832,000	0.034
Lee Shing See	—	832,000	832,000	0.034

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 Shares in respect of the Option Shares granted by the Company under the Share Option Scheme. The exercise price for the Share Options is HK$0.2475 per share and the exercise period is from 14 September 2006 to 13 September 2015.

3. The percentage has been adjusted based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 2,448,197,456 Shares).

Long positions in shares and underlying shares of associated corporation — COLI

	Number of ordinary shares in COLI held	Number of underlying shares in COLI held under equity derivatives		
Name of Directors	**Personal interests[1]**	**Share options[2]**	**Total**	**% of shares in issue[4]**
Kong Qingping	7,435,760	1,359,334	8,795,094	0.108
Zhou Yong	—	388,381	388,381	0.005
Yip Chung Nam	2,404,000	404,564	2,808,564	0.034
Fu He	404,564	—	404,564	0.005
Zhou Hancheng	—	129,460	129,460	0.002
Cheong Chit Sun[3]	125,200	80,913	206,113	0.003

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 of COLI in respect of the shares option granted by COLI. The exercise price for the share options is HK$1.118 per share and the exercise period is from 18 June 2005 to 17 June 2014.

3. Amongst the total number of 125,200 shares in COLI held by Mr. Cheong Chit Sun, 124,800 shares in COLI was held as personal interest and 400 shares in COLI was held as family interest.

4. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at the Latest Practicable Date (i.e. 8,166,971,142 ordinary shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Substantial shareholders of the Company

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name of Shareholders	Number of shares in the Company held	Number of Rights Shares to be taken up	Total	% of share in the Company in issue[1]
COHL	1,538,094,448[2]	489,639,491[3]	2,027,733,939	82.83
CSCECL[4]	1,538,094,448	489,639,491	2,027,733,939	82.83
CSCEC[4]	1,538,094,448	489,639,491	2,027,733,939	82.83
COFIL[5]	—	182,020,601	182,020,601	7.43

Notes :

1. The percentage has been adjusted based on the total number of Share in issue as at the Latest Practicable Date (i.e. 2,448,197,456 ordinary shares).

2. Amongst the total number of 1,538,094,448 Shares held by COHL, 1,473,413,384 Shares were held as beneficial owner while the balance of 64,681,064 Shares were interests of controlled corporations.

3. These include (a) an interest in 182,020,601 Rights Shares derived from the obligations of COFIL under the Underwriting Agreement; and (b) an interest in 307,618,890 Rights Shares derived from the obligations of COHL to undertake to apply for, and procure Silver Lot to apply for the entire number of Rights Shares, in the provisional allotments in which COHL and Sliver Lot are beneficially interested pursuant to the Irrevocable Undertaking.

4. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct 52.64% owned subsidiary of CSCEC, thus CSCEC and CSCECL are deemed by the SFO to be interested in the long position and short position in which COHL is or is taken to be interested.

5. COFIL is interested in 182,020,601 Rights Shares in light of its obligations to underwrite such Rights Shares pursuant to the Underwriting Agreement.

Substantial shareholders of other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons and companies (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company):

Name of Subsidiaries	**Name of substantial shareholders**	**% of shareholdings**
China Overseas Installation Works Limited (中國海外安裝工程有限公司)	Shanghai Industrial Equipment Installation Corp. (上海市工業設備安裝公司)	35
天津中海建投資發展有限公司 (Tian Jin Zhong Hai Jian Investment Development Company Limited*)	天津濱海發展投資控股有限公司 (Tian Jin Bin Hai Development Investment Holding Company Limited*)	40
南昌中海基礎建設有限公司 (Nan Chang Zhong Hai Infrastructure Company Limited*)	南昌市南昌大橋有限責任公司 (Nan Chang City Nan Chang Bridge Company Limited*)	44.76
南昌海興城市橋樑有限公司 (Nan Chang Hai Xing City Bridge Company Limited*)	南昌市南昌大橋有限責任公司 (Nan Chang City Nan Chang Bridge Company Limited*)	44.76
南昌海盛城市橋樑有限公司 (Nan Chang Hai Sheng City Bridge Company Limited*)	南昌市南昌大橋有限責任公司 (Nan Chang City Nan Chang Bridge Company Limited*)	44.76
南昌中海新八一大橋有限公司 (Nan Chang Zhong Hai Xin Ba Yi Bridge Company Limited*)	南昌市南昌大橋有限責任公司 (Nan Chang City Nan Chang Bridge Company Limited*)	44.76

* *for identification purposes only*

Save as disclosed in this Prospectus, as at the Latest Practicable Date, so far as the Directors and chief executive of the Company were aware, there were no persons other than the Directors or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company).

7. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Company within one year without the payment of compensation other than statutory compensation.

8. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

9. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

11. EXPERT AND CONSENT

(a) **Qualification of expert**

The following are the qualifications of the expert who has given its opinions or advice which are contained in this Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

(b) **Consent of expert**

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letters, reports and/or summary of its opinions (as the case may be) and references to its name in the form and context in which they are included. Such letters, reports and/or opinions (as the case may be) from Deloitte Touche Tohmatsu are given as of the date of this Prospectus for incorporation herein.

(c) **Interests of expert**

Deloitte Touche Tohmatsu confirmed to the Company that it was not interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it had any direct or indirect interest in any assets which had been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the date of this Prospectus and which are or may be material:

(a) a sale and purchase agreement dated 7 November 2007 entered into between China Overseas Infrastructure Holdings Limited, an indirect wholly owned subsidiary of COLI (as vendor) and the Company (as purchaser) in relation to the sale and purchase of the entire issued share capital in and all related shareholders' loan in the amount of HK$328,488,370 to China Overseas Public Utility Investment Limited for a cash consideration of HK$400,000,000;

(b) a shareholders' agreement dated 7 November 2007 entered into amongst COLI, Proud Sea International Limited ("**PSIL**") and the Company in relation to the investment of the Company in PSIL, a company holding the property development in Chongqing and Zhuhai, pursuant to which PSIL became a joint venture owned as to 90% by COLI and 10% by the Company. According to the shareholders' agreement, the Company has paid HK$7.8 to subscribe for 1 share in PSIL and in order to align the contribution of COLI and the Company to the shareholders' loan of PSIL to the proportion of 90% and 10% respectively, the Company has extended a shareholders' loan of approximately HK$135,864,000 to PSIL on completion of the transaction, and that any future shareholders' loan, if any, will be extended by COLI and the Company in the proportion of 90% and 10%;

(c) an agreement dated 19 November 2007 entered into between the Company and CSCEC for a term of three years commencing from 1 January 2008, with an option for the Company to renew for a further three years on the same terms by written notice, in relation to the permission by the Company for CSCEC and its subsidiaries (including COLI but excluding the Group) (the "**CSCEC Group**") to tender for and/or enter into contracts in the construction works in Dubai and a fee of 2.5% of the final contract sum received by the CSCEC Group in respect of each construction works awarded and undertaken by the CSCEC Group in Dubai shall be payable to the Company thereunder;

(d) a cooperation contract dated 30 November 2007 entered into between the Company and 天津濱海發展投資控股有限公司(Tianjin Binhai Development Investment Holdings Co., Ltd.) ("**Tianjin Binhai**") for the cooperation and investment, through the formation of a joint venture (the "**Tianjin JV**") by Tianjin Binhai and 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) ("**SCOCL**"), a wholly owned subsidiary of the Company, in the consolidation and rehabilitation of certain pieces of land in 天津市團泊新城西區 (the Western District of Tuanbo New City, Tianjin, the PRC) on behalf of the People's Government of Jinghai County in Tianjin, PRC ("**Jinghai Government**") for sale at the Tianjin Land Transaction Centre by way of public tender and auction. The registered capital of the Tianjin JV is RMB30 million (approximately HK$34.1 million) with RMB18 million (approximately HK$20.45 million) of which being contributed in cash by SCOCL and the Tianjin JV is owned as to 60% by SCOCL. The sale proceeds from the sale of the land shall be first applied to repay the costs incurred in the consolidation and rehabilitation, while the Jinghai Government shall be entitled to 70% of the remaining proceeds and Tianjin Binhai and the Company shall share 30% of the remaining proceeds in such prescribed proportions as agreed under the cooperation contract;

(e) an agreement dated 6 October 2008 entered into between China Overseas Road & Bridge Holdings Limited ("**CORB**"), an indirect wholly owned subsidiary of COLI (as vendor) and Ever Power Group Limited ("**Ever Power**"), an indirect wholly-owned subsidiary of the Company (as purchaser) in relation to the sale and purchase of the entire issued share capital of Value Idea Investments Limited ("**Value Idea**"), an indirect wholly-owned subsidiary of CORB, and the assignment of an unsecured and non-interest bearing loan in the amount of HK$111,447,904 repayable on demand owing by Value Idea to CORB for a cash consideration of HK$220 million;

(f) an agreement dated 6 October 2008 entered into between Massive Information Enterprises Limited ("**Massive Information**"), an indirect wholly-owned subsidiary of COHL (as vendor) and Ever Power (as purchaser) in relation to the sale and purchase of the entire issued share capital of Fuller Sky Enterprises Limited ("**Fuller Sky**"), an indirect wholly-owned subsidiary of Massive Information, and the assignment of an unsecured and non-interest bearing loan in the amount of HK$191,226,376 repayable on demand owing by Fuller Sky to Massive Information for a cash consideration of HK$235 million;

(g) a joint venture formation cooperation agreement dated 9 April 2009 entered into between CSCECL and the Company in relation to the establishment of a joint venture company for submitting tenders to participate in infrastructure construction projects in the PRC, pursuant to which CSCECL and the Company will each hold 50% equity interests in the joint venture company. The initial registered capital of the joint venture company shall be RMB250,000,000 (approximately HK$284,000,000), which are to be paid into the joint venture company by CSCECL and the Company (or its wholly owned subsidiary) in cash in proportion to their respective equity interest holdings in such joint venture company;

(h) a project cooperation agreement dated 8 July 2009 entered into amongst 中建三局建設工程股份有限公司 (China Construction Third Engineering Bureau Corp., Ltd.), a subsidiary of CSCECL ("**CCTEB**"), 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited), a wholly owned subsidiary of the Company ("**SCOCL**"), and CSCECL, in relation to the formation of 中建武漢建設投資有限責任公司 (China Construction Wuhan Development Investment Corporation Limited) (the "**Wuhan JV**") (which registered capital shall be RMB300,000,000 (approximately HK$341,000,000) and the equity interests of which shall be owned as to 50%, 30% and 20% by CCTEB, SCOCL and CSCECL respectively) for the building of the project involving the reconstruction of the Wuxian Highway (武咸公路) and the construction of the Shahu Passageway (沙湖通道), both located in Wuhan, the PRC. CCTEB, SCOCL and CSCECL will pay into the Wuhan JV RMB150,000,000 (approximately HK$170,500,000), RMB90,000,000 (approximately HK$102,300,000) and RMB60,000,000 (approximately HK$68,200,000), respectively in cash; and

(i) the Underwriting Agreement.

13. MISCELLANEOUS

(a) The expenses in connection with the Rights Issue, including underwriting commissions, printing, registration, legal, professional and accounting charges are estimated to amount to approximately HK$14.56 million and will be payable by the Company.

(b) The English text of this Prospectus, the PAL and the EAF shall prevail over the Chinese text in the case of any inconsistency.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this Prospectus, the PAL, the EAF and the written consent given by Deloitte Touche Tohmatsu as referred to in the paragraph headed "Expert and Consent" in this Appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, except public holidays, from the date of this Prospectus up to and including 24 August 2009:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" of this Appendix;

(c) the annual reports of the Company for the financial years ended 31 December 2007 and 2008 respectively;

(d) the report from Deloitte Touche Tohmatsu dated 7 August 2009 on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Prospectus;

(e) the written consent referred to in section headed "Expert and Consent" of this Appendix;

(f) a circular of the Company dated 23 April 2009 in relation to (i) continuing connected transactions with CSCECL and (ii) continuing connected transaction with COLI and (iii) a discloseable and connected transaction in relation to formation of joint venture and (iv) notice of extraordinary general meeting;

(g) the Companies Law (2007 Revision) of the Cayman Islands; and

(h) this Prospectus.