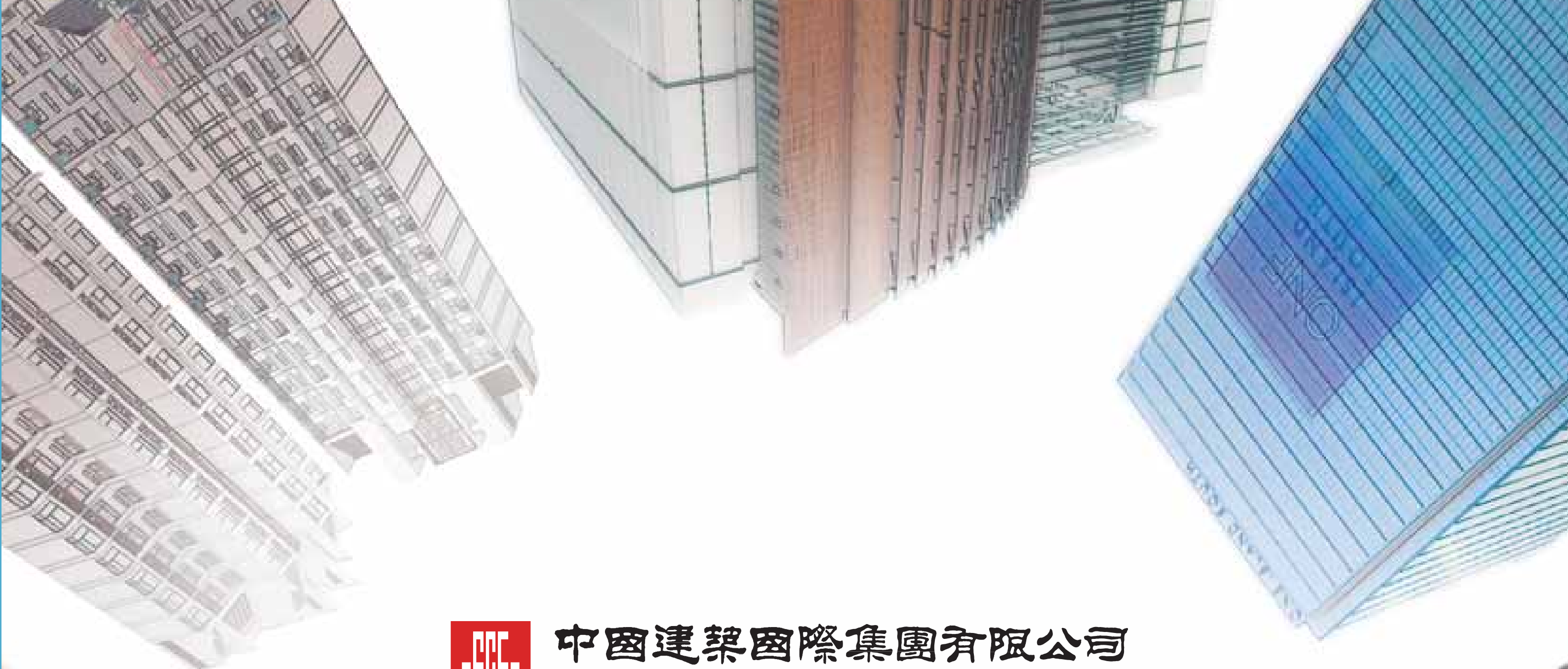
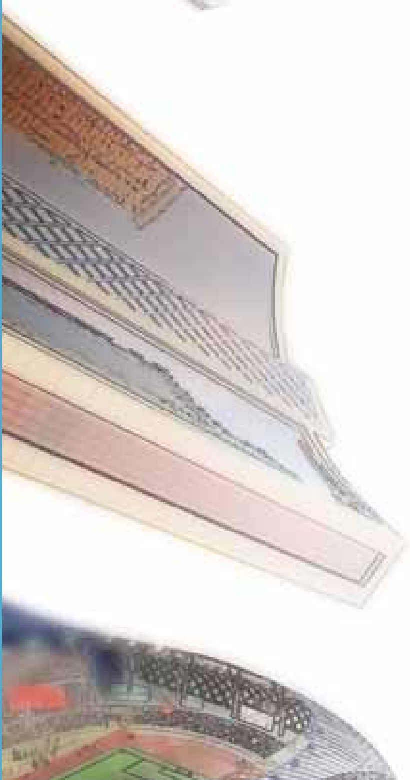


中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Stock Code: 03311)

Annual Report **2010**



Exercise caution in details and implementation

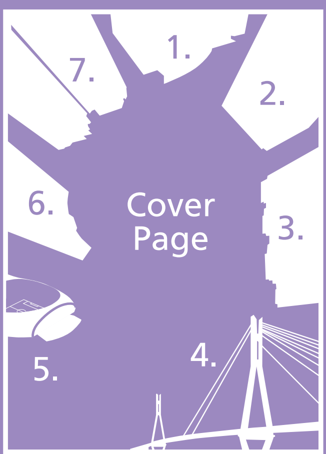
Build a strong foundation to seek greater success

Vision

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

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

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



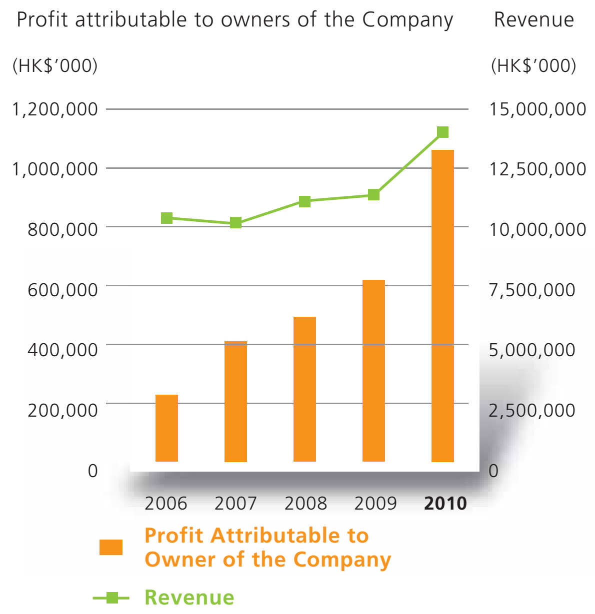
1. Construction of Siu Sai Wan Complex
2. Proposed Industrial Redevelopment at No. 2 Heung Yip Road, Hong Kong
3. Construction of Choi Wan Road Site 2 Phase 2 (Non-Domestic Portion), Site 3A and District Open Space Site A
4. Nanjing No. 2 Yangtze River Bridge
5. 深圳灣體育中心工程項目
6. Encore at Wynn Macau
7. Affordable Housing Projects in Jinzhong Jie in Tianjin

Contents

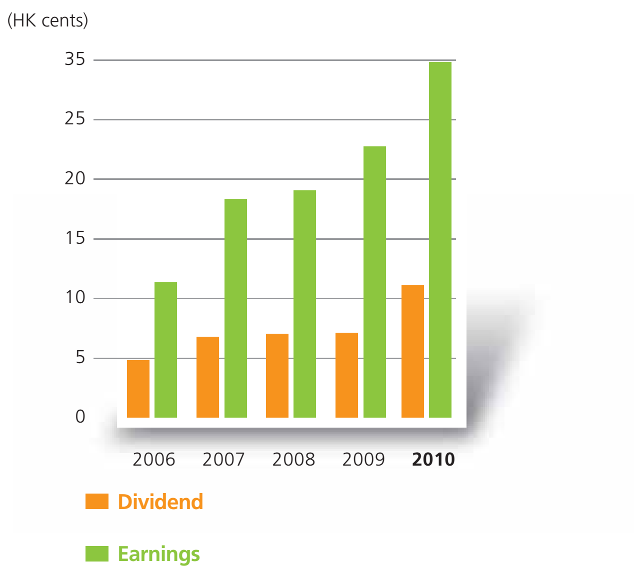
Financial Highlights

	Per Annual Report For the year ended 31 December				
	2006	**2007**	**2008**	**2009**	**2010**
RESULTS (HK$'000)					
Revenue	10,294,826	10,168,321	11,021,405	11,341,998	**13,966,837**
Profit attributable to owners of the Company	222,182	404,893	489,321	612,531	**1,036,278**
FINANCIAL RATIOS					
Net margin (%)	2.2%	4.0%	4.4%	5.4%	**8.6%**
Current ratio (times)	1.18	1.20	1.32	1.98	**1.08**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	11.26	18.32	20.06	22.65	**34.99**
Dividend (HK cents)	4.75	6.75	7.00	7.10	**11.00**
Net assets (HK$)	0.49	0.89	1.03	1.46	**1.55**
OTHER INFORMATION					
Value of incomplete contracts as at 31 December (HK$ billion)	20.03	20.22	21.13	24.67	**35.48**

Results

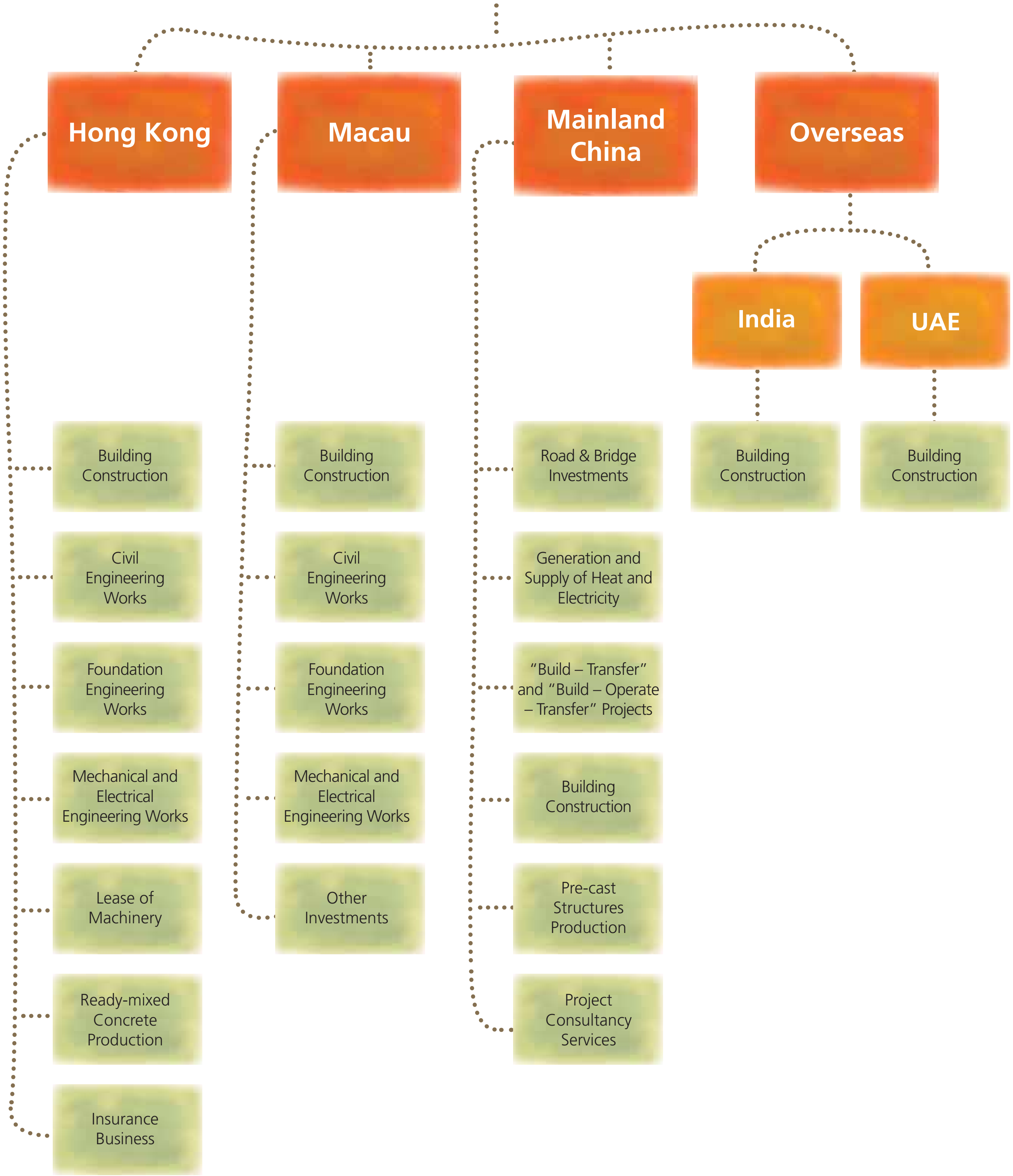


Financial Information Per Share



Corporate Structure

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



Board of Directors and Committees

Board of Directors

Chairman and Non-executive Director

Kong Qingping

Honorary Chairman (Non-board Member)

Sun Wen Jie

Executive Directors

Zhou Yong *(Vice-chairman and Chief Executive Officer)*
Yip Chung Nam
Zhang Yifeng
Cheong Chit Sun
Zhou Hancheng
Tian Shuchen

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Kong Qingping *(Chairman)*
Zhou Yong
Zhang Yifeng
Raymond Ho Chung Tai
Adrian David Li Man Kiu
Raymond Leung Hai Ming
Lee Shing See

Corporate Information

Authorized Representatives
Kong Qingping
Zhou Yong

Company Secretary
Tse Sui Ha

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

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

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

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

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisor
Mayer Brown JSM

Principal Bankers
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank, Limited

Stock Code
03311

Website
www.csci.com.hk

Financial Calendar

Closure of Register of Members
3 June 2011 to 7 June 2011
(both days inclusive)

Annual General Meeting
7 June 2011

Payment of Proposed Final Dividend
15 June 2011

Major Events of the Year 2010

January

A love and care team with over 400 staff of the Group was organized to join the Community Chest Walks for Millions on Hong Kong Island and Kowloon.

February

The Group was conferred the "Caring Company Logo 2009/10" by the Hong Kong Council of Social Service in recognition of its commitment to corporate citizenship during the previous year.

Selected as a constituent of Hang Seng Composite Index, Hang Seng Composite Industry Index – Properties & Construction and Hang Seng Composite SmallCap Index. The change of the indexes took effect on 8 March 2010.

March

Announcement of 2009 annual results on 17 March. For the year ended 31 December 2009, the Group recorded an audited profit attributable to owners of HK$613 million, an increase of 25.2% over that of the previous year, and a turnover of HK$11,342 million. Earnings per share was HK22.65 cents, up 19.1% year on year.

April

A caring team with over 100 staff and family of the Group was organized to join The Conservancy Association's Walk for the Environment 2010.

May

Acquired Yangquan Yangwu Expressway Investment Management Limited from China State Construction Engineering Corporation Limited, the Group's parent company, which obtained Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) project with the business model of "Build – Operate – Transfer" ("BOT"). The attributable construction contract value for the Group is HK$1.5 billion.

June

The Group signed a 5-year syndicated loan agreement of HK$3.0 billion with 8 banks in Hong Kong.

Major Events of the Year 2010 *(continued)*

July

Secured an affordable housing projects in Junliang Cheng in Tianjin, with a model of "Build – Transfer" with a contract value of HK$1.4 billion.

Celebrated the Group's 5th anniversary of listing. A grand cocktail reception was held and attended by our honorable guests.

August

The 2010 interim results were announced on 12 August. For six months ended 30 June 2010, the Group's unaudited profit attributable to the owners increased by 32.4% to HK$402 million, with a turnover of HK$5,584 million. Earnings per share was HK13.58 cents, an increase of 9.5% from HK12.40 cents for the corresponding period of last year.

September

Secured the Contract of Central-Wanchai Bypass Tunnel (Causeway Bay Typhoon Shelter Section). The contract has a total value of about HK$5.38 billion, which is the single largest construction contract the Group has ever undertaken individually.

November

Secured affordable housing projects in Jinzhong Jie in Tianjin, with an approximate contract value of HK$810 million.

December

Recorded new contract value awarded of HK$24.93 billion by the end of December 2010, representing a year to year growth of 45.8% and a 124.7% accomplishment of the full year target of 2010.

The Group secured

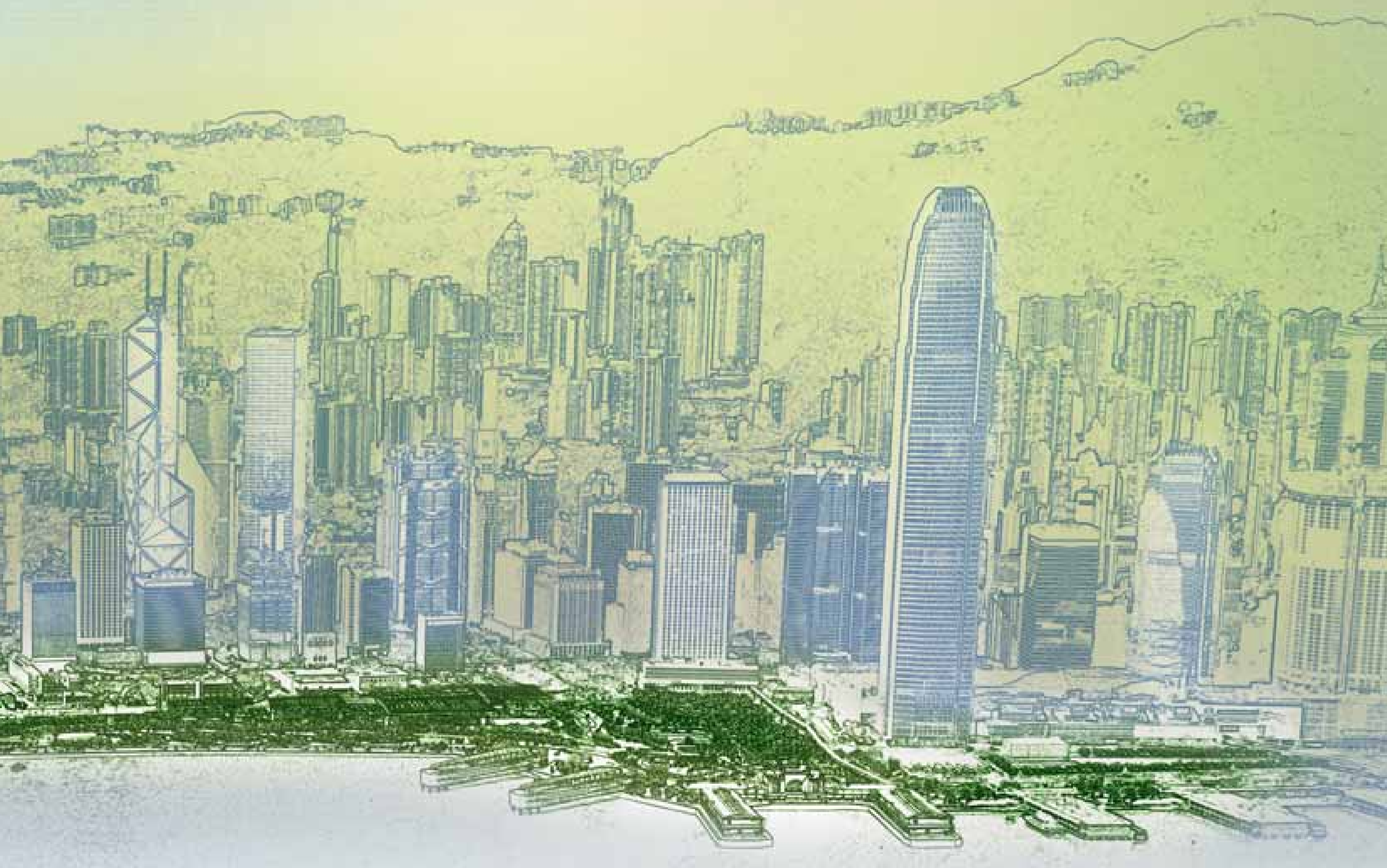
35 new contracts

with attributable contract value of approximately

HK$24.93 billion

in the year.

Chairman's Statement



Chairman's Statement

The Group will adhere to its development strategy of "Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success" to actively act in response to the complicated economic development from both domestic and international prospective.

Mr. Kong Qingping

Chairman and Non-executive Director

A Trusted Brand Growing Through Diligence And Care

Annual Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2010 was HK$1,036 million, representing an increase of 69.2% as compared to audited profit before restatement of last year. The turnover was HK$13.97 billion, representing an increase of 23.1% while earnings per share increased by 54.5% to HK34.99 cents.

Final Dividend

The Board recommends the payment of a final dividend of HK6.00 cents per share for the year ended 31 December 2010, contributing to the annual total dividends per share amounting to HK11.00 cents, representing an increase of 54.9% as compared to last year.

Review Of Operation

In 2010, major economies around the globe adopted proactive fiscal policies and easing monetary policies, gaining a substantial progress in economic recovery, though there was still imbalance in the development of different economies. Following the strategic principle of "**Cool response together with steady operation**" as set out at the beginning of the year, the Group reacted in a timely manner to seize opportunities for sound development, actively devoted itself to a dual-core business in infrastructure investment and construction. The Group has gained remarkable results by leveraging upon complementary strengths and optimizing resources.

Market Conditions

Hong Kong's construction market maintained an upward trend through the continuous launching of major projects including the "Ten Mega Infrastructure Projects". Construction of infrastructure projects in Mainland China also maintained strong growth. At the same time, as encouraged by the country's policies, efforts have been stepped up in building more affordable housings, creating great opportunities for the market. The Group has been paying close attention to the economy and market trend, seizing opportunities, pushing forward strategic transformation in the infrastructure investment business while maintaining the healthy development of construction business.

The "Ten Mega Infrastructure Projects" and other major construction projects from the government have been in full swing since 2010. According to recent HKSAR government's budget, the HKSAR government will be spending at least HK$60 billion annually on the construction of infrastructure in the coming few years, which increased by several times compared to that in the past. Such a measure will provide the construction market of Hong Kong with another golden decade. The Group grasped different opportunities in Hong Kong market, maintained its status as one of the largest contractors while making a breakthrough in the sum of amount in newly signed contracts. In 2010, the Group's newly awarded contracts in Hong Kong and Macau amounted to HK$17.16 billion, effectively achieved the strategic target of being one of the largest contractor in Hong Kong and Macau areas.

The Macau Subsidiary had been paying close attention to the market trend, utilizing the synergy effect between Hong Kong and Macau and developed its business with great success.

As for construction business in Mainland China, the Group targeted at foreign developers, and focused in Pearl River Delta, Pan Bohai Rim and Southwestern China, selectively participated in market competition and actively explored different management modes in construction contracting business. The Group's project consultancy business in the Mainland continued to implement a strategic policy of "Big Market, Big Client, Big Project", enhancing the quality in bidding for site supervision contracts, under which different projects were propelling moderately.

To ensure sustainability in the Group's development and drive the transformation to investment business strategy, the Group established corresponding investment and financing platform for use in the infrastructure construction and affordable housing projects in the Mainland. In 2010, the Group secured the 天津軍糧城及金鐘街保障性住房 (affordable housing projects in Junliang Cheng and Jinzhong Jie in Tianjin) and BT project in Wuchang and Hanyang Section of 2nd Circle Line in Wuhan City. During the year, the Group acquired from its parent holding company and sister company 100% interests of the build-operate-transfer ("BOT") project of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian Section) and 65% interests of Nanjing No. 2 Yangtze River Bridge, in order to enlarge the Group's long-term and stable infrastructure investment portfolio in Mainland China. As Tangshan Binhai Avenue Project and Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian Section) became operational at the end of 2010, the Group entered a new phase combining investment business and operating business. Moreover, in order to facilitate expansion in the business of supplying thermoelectricity, the Group started the extension project of Shenyang Huanggu Thermal Power Factory Phase 5 during the year.

In 2010, under the impact of global financial crisis and Dubai debt crisis, the UAE did not show any sign of substantial recovery in its economy. The Group adhered to the strategy of prudent operation and had not undertaken any new projects in Dubai for three consecutive years. Instead, it continued to concentrate on payment settlement and commercial management of the projects in progress and effectively controlled the risks.

India's self-contained and domestic-demand-oriented economic structure has, to a large extent, cushioned the impact of the global financial crisis, providing an assurance for its rapid economic development. In its search for sound joint-venture partners, the Group emphasized positioning itself to guard against risks and enhancing the profitability of its projects.

Completed Projects During the Year

During the year, the Group completed 30 projects, which mainly included:

Hong Kong:	Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1); Construction of Siu Sai Wan Complex; Proposed Residential Development at No. 12 Broadwood Road, Hong Kong; Proposed Residential Development at No. 1-1A Oxford Road Kowloon Tong – Main Contract; Landslide Preventive Works at Po Shan Road, Mid-levels;
Macau:	Encore at Wynn Macau; Residential Development at Pacifica Garden;
Mainland China:	成都西錦城項目(Splendid City Project in Chengdu); 成都中匯廣場二期 (Central Point Phase 2 in Chengdu); 大連天地軟件園 (Dalian Tiandi Software Hub).

New Projects Awarded During the Year

The Group secured 35 new projects in the year, with an aggregated attributable contract value of HK$24.93 billion of which the Hong Kong market accounted for 66.2%, Mainland China market accounted for 31.2% and markets in other areas accounted for 2.6%.

New Contracts Awarded Mainly Included:

Hong Kong: Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2; Proposed Residential Development at Fan Kam Road, Kwu Tung South, N.T.; Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin; Central - Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section); Express Rail Link Contract 823A-Tai Kong Po to Tse Uk Tsuen Tunnels; Express Rail Link Contract 823B – Shek Kong Stabling Sidings and Emergency Rescue Siding;

Macau: Richlink 188 Noble Court;

Mainland China: Management Contract Project at Pazhou PZB1401, Guangzhou City; Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section); the 天津軍糧城及金鐘街保障性住房 (affordable housing projects in Junliang Cheng and Jinzhong Jie in Tianjin); Wuchang and Hanyang Section of 2nd Circle Line in Wuhan City.

11 new contracts were awarded after the balance sheet date with a total attributable contract value of about HK$ 6.47 billion.

Projects in Progress

At 31 December 2010, the Group had a total of 78 projects in progress, with an aggregated attributable contract value of HK$56.95 billion. The attributable contract value of incomplete projects was HK$35.48 billion. Projects had been undertaken in accordance with the laws of the local government and contractual requirements, offering clients services of high quality.

Corporate Governance

The Group strictly complies with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong. With effective monitoring by the Board of Directors, and enhanced communication with the investment community, relevant information was released timely to enhance investors' knowledge and understanding about the Group and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round corporate governance structure, internal control, risk management and crisis management mechanisms. It also enhanced its regional operation by adjusting its strategic planning in a timely manner, in order to cope with the challenge in the market existing after the financial tsunami. It has also fully leveraged the role of the Group's cross-region Decision Committee to ensure that the Group operated in highly effective manner.

Risk Management

The special management team continued to enhance and carry out full-scale monitoring and controlling of risks; persistent in centralization of financial and capital management; continued to centralize management of the bulk purchase and deployment of materials and equipment for construction projects and to adopt "Examination by three departments" mechanism, in order to minimize costs and avoid risks to the full extent. Effectively building a linkage mechanism on risk management between the Group, relevant operating units and projects, the Group created a risk managing system to deal with procedures such as risk identification, alert, prevention and disposition. By holding regular quarterly meetings for every operating unit, the Group solved promptly the problems and potential risks existing in operation. The Group fully implement the mechanism of centralized decision making in regular meetings of general managers and the "Three Centralization" management models, enhancing the headquarters' management function in human resources, financial resources and material resources, ensuring high efficiency in business operation, symmetry in internal information and effectiveness in risk management mechanism, avoiding vacuity in management and increasing the Group's ability in risk management on construction and investment projects. As for foreign market, the Group had been keeping itself abreast of the market trend, focusing on avoiding market risk as well as currency exchange risk and interest rate risk.

Financial Management

The Group's financial management, fund management and external financing have been centrally managed and controlled at the headquarters. In line with its principles of prudent finance, as at 31 December 2010, the Group had bank balances of HK$3.73 billion and total borrowings of HK$5.35 billion, and a net gearing ratio of 35.0%. The Group had sufficient liquidity, and was in a sound financial position. A credit line in the amount of RMB1.19 billion for a period of three years was signed by the Group with China Construction Bank Shenzhen Branch in May 2010 and a syndicated credit line in the amount of HK$3.00 billion for a period of five years was also signed by the Group with eight famous banks including Bank of China (Hong Kong) Limited in June 2010, which can provide a strong assurance of capital as the Group engages in investment business in Mainland China. The Group also had sufficient committed but unutilized borrowing facilities of HK$4.38 billion to meet the need of the Group's business development.

By holding quarterly economic activity analysis meetings and thematic sessions on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are in place to ensure healthy expansion and operation of the Group's various business segments. The Group fully utilized the regional platform of Hong Kong, Macau and Mainland China to raise capital and to operate, effectively supporting the development of business operation.

Human Resources Management

The Group had launched new performance appraisal system and staff ranking system, which is a 5-level scientific ranking system. The Group kept on reviewing employees' salary, looking into and streamlining the welfare system and creating a more market-based remuneration system. In respect of assessment and provision of incentives, the Group had made amendments to the construction site contract responsibility system, forming a team-based assessment system whereby a site manager would take the lead and the site's management team would be participating and be rewarded collectively. The Group further promoted the idea of target management to projects of investment business, reviewing investment project contract responsibility system and putting it in practice gradually, motivating the project management team.

Capital Operation

Grasping firmly the opportunity brought by the PRC's 4 trillion stimulus plan and the stepped up efforts in the construction of affordable housings, the Group adjusted its expansion strategy in respect of its investment business, pushing forward investment in infrastructure and affordable housings. Those projects commenced and achieved a breakthrough. The Group acquired respectively from the parent holding company and sister company 100% equity interests in Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and 65% equity interests in Nanjing No. 2 Yangtze River Bridge at a consideration of HK$1.47 billion and HK$1.69 billion respectively. Such acquisitions were completed in the year, adequately exemplifying the great support from the parent company and its determination to establish the Group as an infrastructure investment platform.

Corporate Citizenship

In addition to the pursuit of profits for its shareholders, the Group attached great emphasis to social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship. The Group cared for the community, actively participated in community affairs and charitable deeds, contributed to the society and raised funds to help people in need. The Group had active participation in the charitable "Walks for Millions" in Hong Kong. As always, the Group places high value on construction quality, safety and environmental issues in its projects. With all and every of its effort, the accident incident rate dropped to a new low, making the Group a leader in the industry and highly commended by its clients and stakeholders. The Group has extensively utilized energy saving, low carbon emission and environmental-friendly construction technologies, building a harmonious living environment, playing a leading role and setting a good example for the industry. In the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4, Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section), and Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5, the Group applied BIM technology and energy saving and environmentally friendly technologies which were highly regarded by the Hong Kong government and the society. In the Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2, the latest technology for designing, pre-fabricating and installing volumetric precast bathrooms, volumetric precast kitchens, external facades as well as semi-precast slabs were used, which represented a cutting edge development in the construction of residential buildings. The Group also put high emphasis on localization of its regional companies, in order to build a friendly and harmonious working environment for its staff members. On 8 July 2010, the Group held a ceremony for celebrating its fifth anniversary as a listed company on the stock exchange market of Hong Kong, which promoted the brand value of the Group and further enhanced the corporate cohesiveness.

Key Awards

The Group was conferred "Overall Presentation Gold Award" and "Annual Report Cover Design Silver Award" in the 24th《Mercury Awards》in respect of the Group's Annual Report 2009.

The Hong Kong Council of Social Service conferred upon the Group the "Caring Company Logo 2009/10" in recognition of its commitment to corporate citizenship during the previous year.

The Group had been admitted to Premier League of Contractors (Building) of the Hong Kong Housing Authority. With outstanding performance in quality, safety, environmental protection and technology, the Group won a number of awards in 2010, including more than 20 key rewards: six "Considerate Contractors Site Awards" conferred by the Hong Kong Government, a "Gold Award in Hong Kong Housing Authority's New Works Category – Outstanding Contractor Award (Building)", four awards in the "Construction Industry Safety Award Scheme", five "Safety Promotion Awards", two "Outstanding Environmental Performance Awards" and two "Provincial and Ministerial Technology Awards". Among these awards, Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section was honoured with "Golden Award in Civil Engineering Sites Category", Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 was honoured with "Gold Award in The Best Safe Working Cycle Site", and Development at Anderson Road –Site Formation and Associated Infrastructure Works was honoured with "Silver Award in Considerate Contractors Site Award Scheme 2009". The Group's "Site Safety Award Stamps Redemption Scheme" was awarded "Silver Award in the Safety Promotion Award" and "Research and Application on Key Technology used in Landslide Preventive Works at Po Shan Road, Mid-level" was awarded Second Class in "China State Construction Engineering Corporation Scientific Technology Award". All these awards further promoted to the Group's corporate image and brand building.

Business Prospects

Europe and the US are currently in a stage of economic recovery which is considered the weakest compared to all previous economic cycles since WWII. Although GDP is expected to resume to a pre-crisis level in 2011, economic growth is still slow and the momentum of growth varies among different countries. Recovery in developing countries, especially those emerging economies, is much faster than developed countries. China, India and developing countries in Asia become the engine for the world's economic growth. Greek's debt crisis and financial position of Eurozone countries brought up great market concerns in 2010. As the threat of double-dip recession faded away, market sentiment has taken a rapid and favourable turn. As the US rolled out the second round of quantitative easing measures, developing countries must be facing asset bubble and inflation problems brought by the influx of hot money.

In 2011, the effect of macroeconomic austerity measures, together with slow recovery of major developed countries may haul the growth of the two major new economic systems, namely China and India. Viewing China from a macro perspective, underlying inflation problems exist despite the projected accelerated rate of economic recovery. And hot money from around the world will enter China's market via different channels in anticipation of the appreciation of Renminbi, worsening Mainland China's threat of financial bubbles. The Group will pay close attention to the trend of China's macroeconomic development and take precautions for tackling any alternation in the trend.

Market Conditions

Mainland China will maintain its rapid economic growth in 2011. However, full recovery of export and consumption takes time, whilst structural problems in the economy will be more and more notable. Worries of asset bubbles brought by easing monetary policy, financial system risks and reoccurrence of high inflation, the Chinese government has taken new macroeconomic austerity measures focusing on tightening credit limit, and more measures might be taken in the near future. Therefore, 2011 will be a year full of challenges. However, rapid urbanization in Mainland China will promote relevant construction in civil constructions, housing and transportation, and market demand will grow steadily. Increasing supply in affordable housings in Mainland China, together with the government's investment in building infrastructure, will provide the Group with sound opportunities for development.

Economic development in Mainland China provides strong momentum for Hong Kong's economic recovery. The twelfth five year plan of China advocates the overall uplifting of household income, and the launch of relevant policies will also stimulate consumption growth in the Mainland. In addition, the anticipated appreciation of the Renminbi is favourable to increasing demand from Mainland China for Hong Kong's service industry. The launch of Hong Kong's "Ten Mega Infrastructure Projects" and other major government construction projects will also provide the construction industry with ample room for development.

Macau's GDP in 2011 is expected to increase by 15% to 18%. Benefiting from the gradual improvement of the global economy, large-scale gambling-related projects, as well as some government projects and private-investment projects, may commence or resume, thereby driving growth in the sector of private investment in the territory. The Group explored actively the investment business brought by construction contract. Meanwhile, with the Central Government's approval of the development proposal of Hengqin, Zhuhai, together with the staged commencement of the Hong Kong-Zhuhai-Macau Bridge, it is expected that these will bring more opportunities to the Group's construction business in Macau.

With the bubble burst in Dubai's property market, together with the outbreak of the Dubai World incident as well as the impacts that followed, a recovery of its construction and property markets is expected to take even longer.

India is expected to have its GNP growing at a rate of more than 8% in 2011 and is poised to become one of the major economies that will drive the recovery of Asian economies. In the eleventh five-year plan of India, the investment amount for construction business is in excess of USD1 trillion, among which 65% will be on infrastructure investment.

Operation Strategies

The Group will adhere to its development strategy of "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**" to actively act in response to the complicated economic development from both domestic and international prospective. It will work hard towards its pre-determined goal, grasp opportunities and mitigate uncertain risks in pursuit of an enhanced management and protection standard, give every effort to make the Group a dual-core business in infrastructure investment and construction. The Group will also effectively increase its enterprise value and market competitiveness to ensure sustainability and healthy development of its overall operations.

With firm determination to maintain and enhance the development of the scale of its business in Hong Kong and Macau, the Group will take full leverage on the synergy of the integration of both regions. In Hong Kong, the Group will strive to maintain and reinforce its current market share, in particular to grasp the golden opportunity in the infrastructure market, to ensure its position as one of the largest construction contractors in Hong Kong, to take precautions on inflation risk and to further boost its profitability. In Macau, it will continue to explore the opportunity for expanding into a diversified range of construction related businesses.

In Mainland China, the Group will continue with its sound development momentum to bring its management capability and advantage in full play. As a major platform of China State Construction Engineering Corporation Limited for the BOT and operational investment in Mainland China, the Group will focus on its investments in Mainland China's infrastructure construction, namely the BT and BOT projects, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth in the Group's operating results. Meanwhile, the Group will continue to actively explore the feasibility of further acquisition of infrastructure projects located in Mainland China from its parent company, in search of new engines for the Group's profit growth. It will grasp firmly the great opportunity brought by the country's plan of building 10 million units of affordable housing and of spending RMB 1.4 trillion as supporting funds, in order to further strengthen its investment business in affordable housing.

For its overseas business, the Group will be profit-orientated and seek to progress in a prudent manner. The Group will also investigate and explore the feasibility of infrastructure investments in other international markets including India.

Operation Management

The Group has been engaged in the construction business for more than 30 years, and has developed unique strengths and core competitiveness with high regard on the promotion of the "5+3" project management model to actively launch different projects with balance and refine its management of projects. The Group will replicate its proven "5+3" project management model from Hong Kong market to other regions, making adjustments to accord with local requirements, with a view to effectively increase the Group's overall profitability and risk-guarding capability.

The Group will enhance its management innovation and emphasize scientific management to boost effectiveness in management. Further refinement will be made to the structure of its corporate governance to establish a healthy management mechanism to boost its management performance. Exploration will continue to enhance the approach to its regional management. Through the reasonable adjustment of the functions and workflows among the headquarter and regional offices, efficiency will be enhanced whilst avoiding risks. Improvement and enhancement will be made to the existing performance appraisal system which is based on the system of responsibility in respect of targeted operations.

The Group will actively foster the development of its information computerization with due regard to its strategic development plan. The Group will further strengthen the application of its Customer Relations Management (CRM) System, as an effective mechanism to communicate and coordinate with customers, so as to upgrade the quality of its service delivery. The Group will also foster the implementation of the refinement and upgrading of its Cost Dynamic Management System (CDMS). Implementation of the Group's NC system and ERP system will also continue to enhance the Company's management standard.

Risk Management

The Group will continue to step up its efforts in risk management and control as well as avail itself to a comprehensive inspection and audit, enhancing risk prevention and being conscious of risk alerts, to reasonably guard itself against any risks. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

The Group will advance to further optimize the risk management and control structure for its overseas businesses. The Group will also conduct preliminary analysis on the local market risk, legal risk, contractual risk and status of property developers in light of local market conditions to improve its risk-alert ability and enhance the overall risk-guarding capability of the Company.

As regards investment business, the Group will clarify its investment strategy and make timely move to establish its Mainland China's investment and financing platform to further strengthen the establishment of its investment team, and to refine its investment decision making system and investment management system. A system and workflow procedure in respect of its investment project selection, assessment, establishment, operational management, exiting, capital operations will be set up to guard the Group against investment risks to the fullest extent.

Financial Management

Financial management is continuously strengthened to further improve the capability in protecting the Group's financial resources, strengthen the Group's management and supervision of its cash flow, and actively promote efforts to raise funds for effectively supporting the business expansion. Rolling evaluation on the Group's overall operations will be made via ongoing quarterly operation analysis meetings and thematic sessions on finance, to ensure the steady growth of business. Efforts will be stepped up to cut costs and explore other income sources, in order to reduce fixed costs by various means and optimize the deployment of financial resources. At the same time, the Group will focus on time value of capital, and cash inflow will be accelerated to secure the safety of capital fund for the Group. Active efforts will also be made continuously to enhance its BI system aimed at strengthening the flow of project and operating information and actively controlling cost, and optimizing cash flow, so as to improve the Group's overall operation efficiency and risk management capability. In line with the continuous expansion of its business scale and financial need in Mainland China, the Group will put efforts in building a fund management platform, improving its model of financial management and control in the Mainland.

Human Resources Management

The Group firmly believes that human capital is its most important asset and that human resources are an important assurance to maintain its core competitiveness. The Group has long been regarding "Forge a pool of talents with fine strengths and high efficiency under a clear and well-established management structure" as an important element for securing the sustainable development of its business. Under the new situation, the Group will develop its human resources policy and channel its human resource towards its investment in infrastructure business and affordable housing in Mainland China. The Group will further improve and optimize its advanced human resources management structure, and build up a team of talents which practically suits the trend of its business development, so as to secure a pool of human resources to support the Group's expansion of its business operations. Further enhancement will be made to the incentive system that is based on departmental operation management target responsibility system and construction site contracting responsibility system. Corporate culture will be further implemented, rooting it to every aspect of the Group, elaborating a spirit of pragmatism, refinement, integrity and innovation, and building a harmonious and democratic team. With an assertion on using talents well and further enhancing the standard of corporate governance, the Group continues to make innovations and reinforce its core competitiveness to achieve a harmonious and win-win operating environment for its products, customers, shareholders and staff.

Company Mission

In pursuit of its philosophy of "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**" and the continual formulation of the brand's advantage of "**China State Construction**", the Group will continue to focus on details and advocate pragmatic approach to its work. Consistently pursuing the professionalism of "**Achieving superb quality in each process thus making each property of superb quality**", the Group is committed to offering excellent products and services in excess of their own values, actively performing its responsibilities as a corporate citizen, improving competitiveness and shareholder's value, and striving to build an evergreen business regime.

Appreciation

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

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

Hong Kong, 18 March 2011

Management Discussion and Analysis

Revenue and profit attributable to the owners of the Company were HK$13,967 million and HK$1,036 million, representing a growth of 23.1% and 69.2% respectively as compared to the figures before restatement of last year.

Mr. Zhou Yong

Vice-Chairman and Chief Executive Officer

Overall Performance

For the year ended 31 December 2010, the Group recorded the aggregated revenue of HK$13,967 million. The profit attributable to the owners of the Company increased by 69.2% to HK$1,036 million as compared with that of the audited profit before restatement of last year. The basic earnings per share were increased by 54.5% from HK22.65 cents before restatement to HK34.99 cents this year. With a proposed final dividend per share of HK6.00 cents and an interim dividend per share of HK5.00 cents paid in the year, the dividend payout ratio will be approximately 31.4%.

Since last year, the Group has focused on expanding the infrastructure portfolio, resulting in a strong financial position with total assets growth by approximately 22.0% to reach HK$18,679 million. Current assets were HK$8,917million, representing almost 1.1 times the current liabilities. The equity attributable to owners of the Company was approximately HK$4,619 million, representing an increase by 31.6%.

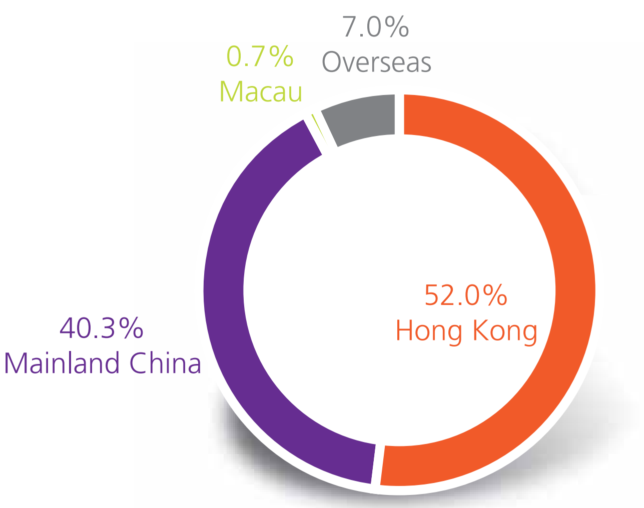
With the extensive investment in current year, the net cash and cash equivalents decreased by HK$2,130 million to HK$3,728 million as compared with last year.

During the year, the Group acquired two infrastructure companies (the "Acquired Companies") from intermediate holding company and fellow subsidiary, respectively. The acquisitions were treated as common control combinations and merger accounting was adopted as if the Acquired Companies had been combined from the date when the acquired companies first came under the control of the controlling party.

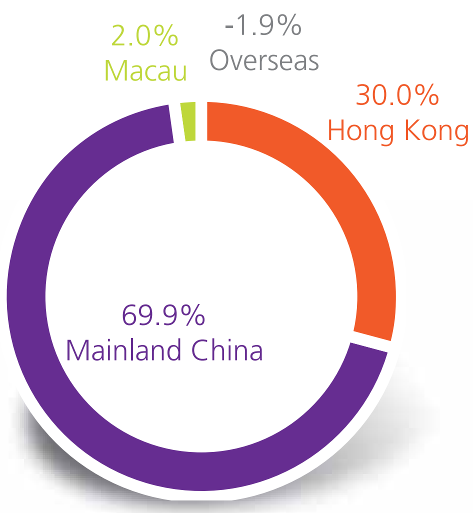
In addition, in order to align with the accounting policy adopted by the holding company, the Group changed the accounting policy for investments in jointly control entities from the proportionate accounting to equity accounting in the year.

The comparative figures of the consolidated financial statements have been restated accordingly. The figures used for the analysis below were based on the restated figures.

Revenue



Gross profit



(a) Revenue and Gross Profit

The Group recorded a consolidated revenue of HK$11,983 million (2009: HK$9,706 million), representing an increase of 23.5%, mainly arose from Mainland China with increment of 1.26 times as compared to last year whilst Hong Kong maintain a steady growth in current year. Notwithstanding, the impact was outweighed by the decreased revenue in Macau and Overseas. The Group achieved a gross profit of HK$1,316 million (2009: HK$750 million). The gross profit margin rose from 7.7% in 2009 to 11.0% in 2010. The major reason for the increase was that the competition and operation environment in Hong Kong were improved in the year as the result of the "Ten Mega Infrastructure Projects" have been in full swing by the Government of HKSAR in the year and the Group continues to execute effective cost-saving system. In addition, the infrastructure related projects with higher profit margin commenced to contribute profit in the year.

By business sectors

(i) Construction business continued to dominate the business segment of the Group, approximately 70.8% of the Group's revenue (2009: 85.2%), which contributed HK$8,480 million (2009: HK$8,269 million).

(ii) The Group's expansion in the infrastructure market in Mainland China began in 2008 with continuous acquisitions of potential investment opportunities, the revenue from infrastructure related project was drastically increased from HK$948 million to HK$2,958 million, by 2.1 times.

(iii) The revenue from the heat and electricity business slightly dropped by 5.3% to HK$393 million (2009: HK$415 million).

By geographical sectors

(i) Hong Kong market

During the year, revenue derived from the Hong Kong market remains stable at HK$6,237million (2009: HK$6,188 million) whereas the gross profit reported a positive growth from HK$314 million to HK$395 million. The Hong Kong market remained the major revenue contributor of the Group which contributed 52.0% of the overall revenue.

Despite certain large scale building construction and civil engineering projects achieved desirable progress in the year, certain new awarded projects were still at very early stage, the overall revenue achieved moderate grown. However, the gross profit margin increased from 5.1% in 2009 to 6.3% in 2010 because the Group continued to adopt the effective cost-saving model during the construction period.

(ii) Mainland China market

Both the revenue and gross profit generated from the Mainland China market increased in the year by 1.3 times to HK$4,825 million (2009: HK$2,134 million) and 1.5 times to HK$920 million (2009: HK$365 million) respectively.

From 2009 onwards, the proportion of the revenue contribution from the Mainland China market increased extensively to 40.3% (2009: 22.0%) of the overall revenue of the Group. The major reasons were:

- construction revenue has remarkable growth from HK$757 million to HK$1,366 million, increased by 80.4% as compared to last year. The Group succeeded in managing to capitalize on the expansion opportunities in Mainland China in the year.

- revenues from heat and electricity business were reduced as compared to last year due to the impact of the change in accounting standard for the recognition basis of the connection services income, in the year. By excluding this impact, the heat supply revenue increased by 8.2% to HK$384 million (2009: HK$354 million). The total heat supply area reported a gentle increment from 8,611,000 m^2 to 9,440,000 m^2 in the year.

- revenue from the infrastructure project investments reported a satisfactory growth in the Mainland China market. Both the Build-Transfer ("BT") and Build-Operate-Transfer ("BOT") projects contributed revenue at HK$2,958 million (2009: HK$948 million) in the year.

The overall gross profit margin in the Mainland China market rose from 17.1% to 19.1% mainly attributed to the profit contribution from the infrastructure projects, which achieved a good performance with higher profitability as compared to traditional construction contracts. The Group continues to explore the investment opportunities in the infrastructure projects.

(iii) Macau and Overseas markets

The revenue of Macau and Overseas markets dropped by 79.5% and 14.4% to HK$83 million and HK$838 million respectively. Overall profit contribution from the Macau market decreased by 45.2% to HK$43 million whilst the Overseas market recorded a loss of HK$56 million in the year.

The economy of the Macau market has just recovered in last year. The large-scale projects has not yet launched during the year. Nevertheless, the Group was awarded a building construction contract in the year and will continue to grasp the best opportunities with solid foundation and expertise in order to award new projects in the coming year. In 2010, the Group obtained a better result from the finalization of the previously completed projects with the employers, thus the gross profit margin rose.

Whist the global financial crisis has had a severe macro-economic impact on the world markets, in order to against this backdrop, the Group has not tendered new projects in Dubai since 2008 but focusing on completing the existing projects so as to minimize the volatile market risk.

(b) Administrative Expenses

Administrative expenses increased by 31.2% to HK$467 million (2009: HK$356 million) because of the expansion of the Group's operation in Mainland China. In addition, with more construction projects commenced in current year, the employee benefits increased due to the increase in number of staff and the improvement of reward system to retain and attract the outstanding staff and talents.

(c) Finance Costs

During the year, the Group increased the project loans as the result of expansion of the infrastructure project investments in the BT and BOT projects. Thus, the financial costs increased to HK$210 million from HK$50 million of last year, of which HK$194 million (2009: HK$37 million) were capitalized in the concession operating rights of two BOT projects. The finance costs recognised in the profit and loss accounts was HK$16 million (2009: HK$13 million) this year.

(d) Earnings Per Share

For the year ended 31 December 2010, basic earnings per share increased by 40.4% to HK34.99 cents (2009: HK24.92 cents). The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,036 million (2009: HK$674 million) and on the weighted average number of 2,962,037,000 (2009: 2,704,521,000) ordinary shares in issue during the year. The increase in the weighted average number of issued shares in the period was due to the exercise of share options during the year.

CORPORATE FINANCE

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

Liquidity

As at 31 December 2010, the Group had bank balances and cash of HK$3,728 million (2009: HK$5,858 million). The portfolio of the currencies of bank deposits is listed as follow:

	2010	2009
	%	%
Hong Kong Dollars	**41**	44
Renminbi	**55**	54
Macao Patacas	**3**	1
United Arab Emirates Dirhams	**1**	1

The bank deposits outside Hong Kong are mainly for subsidiaries in various regions. During the year, the Group has no financial instruments for currency hedging purpose.

The table sets out the maturities of the Group's total borrowings, including the loans from intermediate holding company, as at 31 December 2010 and 2009 with details as follows:

	2010	2009
	HK$' million	HK$' million
Bank loans (Notes (i) and (ii))		
On demand or within 1 year	**–**	249
More than one year but not exceeding two years	**12**	1,000
More than two years but not more than five years	**1,129**	80
More than five years	**1,739**	856
Total bank loans	**2,880**	2,185
Loan from intermediate holding company (Notes (iii))		
More than two years but not more than five years	**2,470**	1,703
Total borrowings	**5,350**	3,888

Notes:

(i) bank loan with carrying amount of HK$1,000 million (2009: HK$1,000 million) is unsecured and denominated in Hong Kong dollars, bears interest with effective interest rate ranging from 0.75% to 1.65% (2009: 0.73% to 1.03%) per annum based on the market rate of HIBOR plus 1.35% per annum and will mature in June 2015.

(ii) bank loans with carrying amount of HK$1,880 million (2009: HK$936 million) are secured and denominated in Renminbi, bear interest at a rate of 5.35% (2009: 4.86%) per annum, based on 90% of the prevailing interest rate of People's Bank of China per annum and will be matured in 2030.

(iii) the loans from intermediate holding company of HK$1,763 million (2009: HK$1,703 million) and HK$707 million (2009: nil) are unsecured and denominated in Renminbi, interest bearing at a fixed rate of 4.86% per annum and will mature in December 2012 and July 2013, respectively.

As at 31 December 2010, the net borrowings were HK$1,622 million (2009: net bank balances and cash of HK$1,970 million) and the gearing ratio was 35.0%, together with the committed and unutilised banking facilities, the Group had sufficient financial resourses to meet the business development opportunity in Hong Kong and the Mainland China markets.

Financing Credit and Financial Resources

As the Group has established a sound operation for over thirty years, it obtains the full support from the shareholders and maintains a good relationship with a number of large-scaled banks in Hong Kong and Mainland China. During the year, the Group has arranged the following fund raising events to provide sufficient financial resources for future expansion:

(a) Debt financing

On 12 May 2010, the Group's subsidiary 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) was granted a three-year credit facility of RMB1.19 billion by the Shenzhen branch of China Construction Bank.

On 22 June 2010, the Group was granted a syndicated credit facility of HK$3.00 billion by eight renowned banks in Hong Kong.

(b) Project financing

On 16 July 2010, the subsidiary of the Group, 陽泉市陽五高速公路投資管理有限公司 ("陽五高速"), secured an entrusted loan of RMB602 million at a fixed interest rate of 4.86% per annum from the Group's controlling shareholder China State Construction Engineering Corporation Limited ("CSCECL") for its BOT project in Shanxi Province.

In addition, 陽五高速 obtained a project loan of RMB2.00 billion at a fixed interest rate of 4.86% per annum from the Shanxi branch of Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited for financing the BOT project in Shanxi. The loans were secured by the concession operating right of the 陽五高速.

Utilization of Financial Resources

In order to utilize financial resources effectively and efficiently, the Group captured valuable opportunities arising from the RMB 4-trillion investment stimulus plan in Mainland China, adjusting the strategy of business expansion and fostering its BT/BOT investment business. Related efforts were fully launched and the Group has achieved considerable milestones in expanding and growing our portfolio of quality infrastructure investments in the Mainland China.

(a) On 7 May 2010, the Group and the controlling shareholder, CSCECL entered into the agreement to acquire its interests in 陽五高速 for a BOT project in developing and operating Yangquan Yangwu Expressway (Yangquan to Yuxian section) with total investment amounts of HK$1.47 billion.

(b) In May 2010, the Group set up a subsidiary 天津港悦基建發展有限公司, which entered into a construction agreement through BT model with the Government of Tianjin City for a affordable housing projects with the estimated total investment amount of HK$1.40 billion.

(c) The Group, CSCECL and its wholly-owned subsidiary China Construction Third Engineering Bureau Corp. Ltd. entered into a joint venture agreement, pursuant to which both parties agreed to form a joint venture company on a 30:70 basis to jointly construct the Wuchang section and the Hanyang section of the 2nd Circle Line in Wuhan City through the BT model with the estimated total investment amount attributable to the Group of HK$0.34 billion.

(d) On 30 September 2010, the Group had entered into a sale and purchase agreement with the fellow subsidiary of the Company, China Overseas Land & Investment Ltd, to acquire the entire interest in China Overseas Technology Holdings Limited ("COTHL"). COTHL indirectly own 65% equity interest in Nanjing Changjiang Second Bridge Company Limited, principally engaged in the operation and management of a toll bridge for 22 years. The investment amount was HK$1.69 billion.

(e) The Group continually invested in the expansion of the second part of the heat plant (Phase IV) in Shenyang to increase the production capacity. The Group has acquiring a new land for developing Phase V in a new residential zone. The heat supply area is expected to increase unceasingly in the coming years.

The Group will cautiously seek expansion opportunities in infrastructure project investments in Mainland China with a view to balance the risk and opportunity to maximise the shareholders' value.

Exchange Risk and Corresponding Hedging Arrangement

The Group operates in various regions with different foreign currencies, therefore the management pays close attention to foreign exchange exposure and reviews the exchange risk regularly.

Renminbi has appreciated since 2007 but the currency market fluctuated throughout the year of 2010. The management still keeps a close attention to the trend of Renminbi and will make proper adjustment if necessary. The UAE Dirham and Macao Patacas are relatively stable because the Dirham is linked to the US dollar and Patacas is linked to Hong Kong Dollar. The Group has no hedging arrangement for foreign currencies and has not been involved in the financial derivatives.

Credit Exposure

The Group deals with credit exposure according to the risk management policies. Credit extended to business associates is based on the reputation and financial position of the customers. In connection with projects in progress (whether in Hong Kong, Macau or overseas), the major customers are the local Government, certain institutional organizations and certain reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

Risk Management

The Group will continue to step up its efforts in risk management and control as well as avail itself to a comprehensive inspection and audit, enhancing risk prevention and being conscious of risk alerts, to reasonably guard itself against any risks. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

The Group will advance to further optimize the risk management and control structure for its overseas businesses. The Group will also conduct preliminary analysis on the local market risk, legal risk, contractual risk and status of property developers in light of local market conditions to improve its risk-alert ability and enhance the overall risk-guarding capability of the Company.

As regards investment business, the Group will clarify its investment strategy and make timely move to establish its Mainland China's investment and financing platform to further strengthen the establishment of its investment team, and to refine its investment decision making system and investment management system. A system and workflow procedure in respect of its investment project selection, assessment, establishment, operational management, exiting, capital operations will be set up to guard the Group against investment risks to the fullest extent.

Business Review

At the end of 2010, the Group has

78 projects in progress

with the total attributable contract value of

HK$56.95 billion.

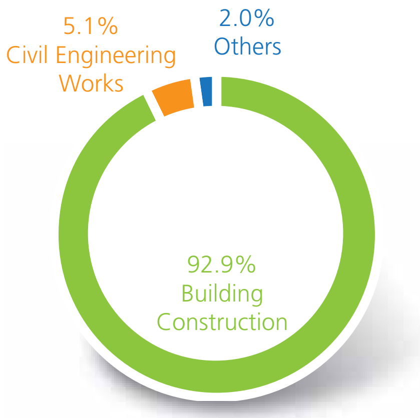
Business Review

Completed Projects in 2010

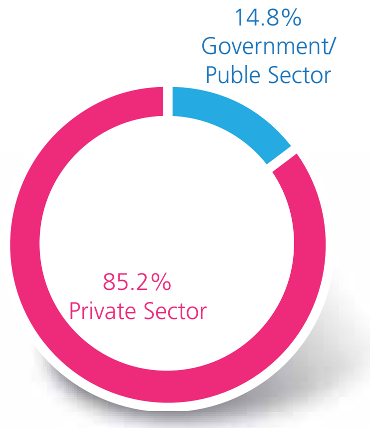
Summary for the year

- 30 completed projects
- Attributable contract value for completed projects was HK$11.12 billion

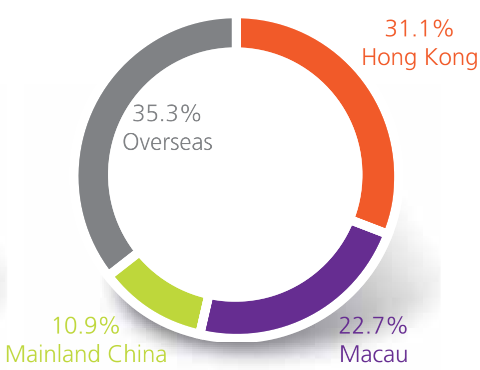
By Project Categories



By Customers



By Market



Major Completed Projects in 2010

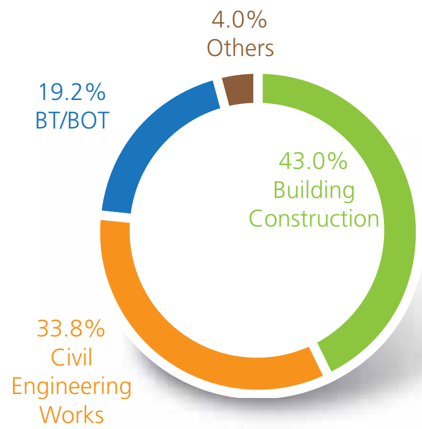
No.	Project Name	Government/ Public Sector	Private Sector
	Building Construction		
1	Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1)		●
2	Construction of Siu Sai Wan Complex	●	
3	Construction of Public Housing Development at Tung Tau Cottage Area West	●	
4	Proposed Residential Development at No. 1-1A Oxford Road Kowloon Tong - Main Contract		●
5	Proposed Residential Development at No. 12 Broadwood Road, Hong Kong		●
6	Encore at Wynn Macau		●
7	Residential Development at Pacifica Garden, Macau		●
8	青洲社會房屋綜合體建造工程-B及C大樓的承攬工程	●	
9	成都西錦城項目		●
10	成都中匯廣場二期		●
	Civil Engineering Works		
11	Landslide Preventive Works at Po Shan Road, Mid-levels	●	
12	Main Contract Works for Proposed Shopping Centre at Discovery Bay North Development, Lantau Island		●
13	Decking of Jordan Valley Nullah in Kwun Tong Flower Market Road Nullah in Mong Kok and Tonkin Street Nullah in Sham Shui Po	●	

New Projects Awarded in 2010

Summary for the year

- 35 new projects awarded
- Attributable contract value for new projects awarded was HK$24.93 billion

By Project Categories



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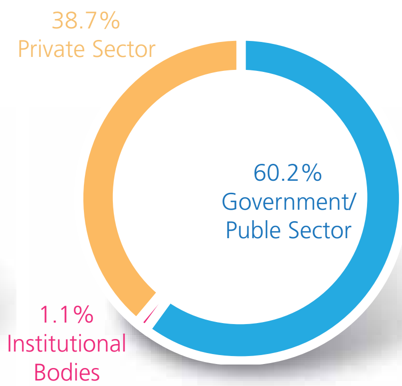

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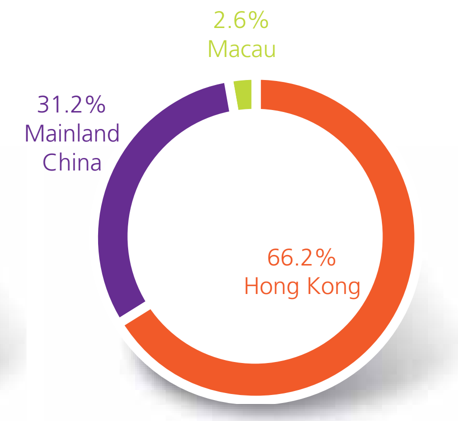


From 1 January 2011 to the date of this report

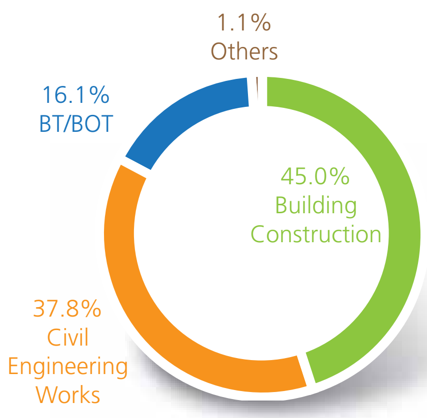
- 11 new projects awarded with a total attributable contract value of HK$6.47 billion

Projects in Progress at the End of 2010

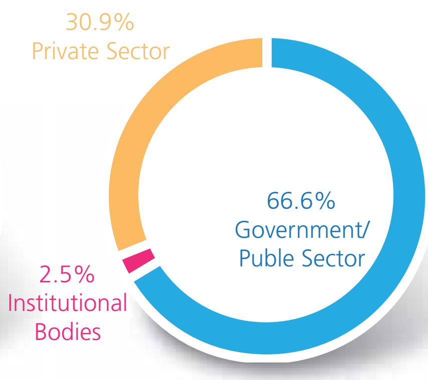
Summary at the end of 2010

- 78 projects in progress
- Total attributable contract value for projects was HK$56.95 billion
- Attributable contract value for incomplete works was HK$35.48 billion

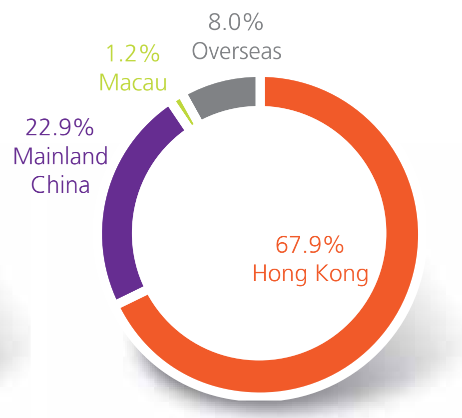
By Project Categories



By Customers



By Market



Projects in Progress at the End of 2010 *(Continued)*

Major Projects in Progress — Hong Kong

No.	Project Name	Attributable Contract Value HK$' million
	Building Construction	
1	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	1,747
2	Proposed Residential Development (Package 2)(Phase 1)-Carcass Contract at Tseung Kwan O	1,333
3	Proposed Residential Development at Fan Kam Road, Kwu Tung South, N.T.	1,272
4	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	1,188
5	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street , Wong Tai Sin	1,140
6	Construction of Choi Wan Road Site 2 Phase 2 (Non-Domestic Portion), Site 3A and District Open Space Site A	1,111
7	Site Formation, Foundation and Superstructure Main Contract Works for New Academic Building and Residential Accommodation for HKUST	767
8	Proposed Residential Development at TPTL 186, Pak Shek Kok Development Area, Phase 1, Site B, Tai Po, New Territories	637
9	Construction of Hung Hom Estate Phase 2 and Ma Hang Headland Park	634
10	Construction of Un Chau Estate Phase 5	606
	Civil Engineering Works	
11	Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	5,377
12	Central Reclamation Phase 3	2,937
13	Development at Anderson Road –Site Formation and Associated Infrastructure Works	2,063
14	Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling	1,850
15	Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	1,328
16	Express Rail Link Contract 823B – Shek Kong Stabling Sidings and Emergency Rescue Siding	965
17	Design, Build and Operate Pillar Point Sewage Treatment Works	869
18	Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Lsland Sewage Treatment Works – Sludge Dewatering Facilities	766
19	Replacement and Rehabilitation of Water Mains, Stage 3 – Mains in West Kowloon (Package A)	660
20	Highways Department Term Contract (Management and Maintenance of roads in Sha Tin, Sai Kung and Islands Districts excluding high speed roads)	600

Major Projects in Progress — Macau

No.	Project Name	Attributable Contract Value HK$' million
	Building Construction	
1	Richlink 188 Noble Court	400

Lo Wu
Lok Ma Chau
Sheung Shui
3
14
Tai Po
Yuen Long
16
New Territories
20
8
Ma On Shan
Tuen Mun
7
Sai Kung
Tsuen Wan
Shatin
17
15
Kowloon
13
Kowloon Tong
19
5
6
10
1
18
Mong Kok
9
Hung Hom
4
Tseung Kwan O
2
H.K. International Airport
Discovery Bay
Central
Quarry Bay
Tung Chung
12
11
Lantau Island
Hong Kong Island
Chai Wan
MTR
MTR
1
Macau

Projects in Progress at the End of 2010 *(Continued)*

Businesses in Mainland China

Major Businesses – Mainland China

No.	Business Category	Attributable Contract Value HK$' million
A	**Building Construction**	
1	Management Contract Project at Pazhou PZB1401, Guangzhou City	1,987
2	成都都匯華庭	811
3	成都西錦城二期上蓋工程	546
B	**BT/BOT**	
1	Tangshan Binhai Avenue Project	
2	Wuxian Highway Reconstruction and Shahu Passageway Project	
3	Class 1 Highway from Yangquan to Niangziguan, Shanxi Province	
4	Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section)	
5	Wuchang & Hanyang Section of 2nd Circle Line in Wuhan City	
6	天津軍糧城保障性住房項目 (Affordable Housing Projects in Junliang Cheng in Tianjin)	
7	天津金鐘街保障性住房項目 (Affordable Housing Projects in Jinzhong Jie in Tianjin)	
C	**Infrastructure Investment**	
1	Nanjing No. 2 Yangtze River Bridge	
2	南昌大橋及南昌中海新八一大橋 (Nanchang Bridge and Nanchang Zhong Hai Xin Ba Yi Bridge)	
3	Shenyang Huanggu Thermal Power Plant	
D	**Pre-cast Structures Production**	
	Shenzhen Hailong Construction Products Plant	

Bridge **Highways** **Building Construction** **Plant**


C3
B1
B6
B7
B3
B4
Yellow River
Mainland China
B5
C1
B2
A2
A3
C2
Yangtze River
Pearl River
A1
D

Business in Mainland China

Tangshan Binhai Avenue Project

Location: Tangshan in Hebei

Nature of Business: Build – Transfer Project

Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section)

Location: Yangquan in Shanxi

Nature of Business: Build – Operate – Transfer Project

Nanjing No. 2 Yangtze River Bridge

Location: Nanjing in Jiangsu

Nature of Business: Operation of the Nanjing No. 2 Yangtze River Bridge

Business in Mainland China *(continued)*

Nanchang Bridge

Location: Nanchang in Jiang Xi

Nature of Business: Operation of the Nanchang Bridge

Affordable Housing Projects in Jinzhong Jie in Tianjin

Location: Tianjin

Nature of Business: Build – Transfer Project

Shahu Passageway Project

Location: Wuhan in Hubei

Nature of Business: Build – Transfer Project

Business in Mainland China *(continued)*

Shenzhen Hailong Construction Products Plant

Location: Shenzhen

Nature of Business: Production of Pre-cast Products

Shenyang Huanggu Thermal Power Plant Phase 4

Location: Shenyang in Liaoning

Nature of Business: Generation and Supply of Heat and Electricity

深圳灣體育中心工程項目

Location: Shenzhen

Nature of Business: Project Consultancy Services

Major Projects in Hong Kong

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

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

Development at Anderson Road – Site Formation and Associated Infrastructure Works

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

Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section

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

Major Projects in Hong Kong *(continued)*

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

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

Express Rail Link Contract 823B – Shek Kong Stabling Sidings and Emergency Rescue Siding

Customer Category:	Private Sector
Project Commencement Date:	October 2010
Attributable Contract Value:	HK$965 million

Central Reclamation Phase 3

Customer Category:	Government/ Public Sector
Project Commencement Date:	February 2003
Attributable Contract Value:	HK$2,937 million

Major Projects in Hong Kong *(continued)*

Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1)

Customer Category:	Private Sector
Project Commencement Date:	July 2007
Contract Value:	HK$1,449 million

Construction of Choi Wan Road Site 2 Phase 2 (Non-Domestic Portion), Site 3A and District Open Space Site A

Customer Category:	Government/ Public Sector
Project Commencement Date:	September 2008
Contract Value:	HK$1,111 million

Proposed Industrial Redevelopment at No.2 Heung Yip Road,Hong Kong

Customer Category:	Private Sector
Project Commencement Date:	May 2008
Contract Value:	HK$497 million

Corporate Governance Report

Corporate Governance Practices

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

Throughout the year ended 31 December 2010, the Company has applied and complied with all the code provisions and some recommended best practices set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the deviation from code provision E.1.2.

Directors' Securities Transactions

The Company has adopted a code on securities transactions by directors ("Securities Code") with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix10 of the Listing Rules ("Model Code"). Reminders are sent to directors that they should not deal in the shares of the Company during the "black-out-period" specified in the Model Code. Directors are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company's securities. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the year.

Board of Directors

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

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

Name		**Attended/ Eligible to Attend**
Non-executive Director		
Kong Qingping	*(Chairman)*	4/4
Executive Director		
Zhou Yong	*(Vice-chairman and Chief Executive Officer)*	4/4
Yip Chung Nam		3/4
Zhang Yifeng		4/4
Cheong Chit Sun		4/4
Zhou Hancheng		4/4
Tian Shuchen	*(appointed on 12 August 2010)*	1/1
Independent Non-executive Director		
Raymond Ho Chung Tai		3/4
Adrian David Li Man Kiu		3/4
Raymond Leung Hai Ming		3/4
Lee Shing See		4/4

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

All directors are given draft notice and agenda for all regular Board meetings and Board committees meetings for comments, consideration and inclusion of any matters for deliberation at the meetings.

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

All directors keep contact with the company secretary and can obtain the services provided by the company secretary so as to ensure the procedure of the Board meetings, all applicable rules and regulations are complied with. In case of any changes in the governance and compliance regulations, the company secretary will release the latest information to the Board.

The company secretary is responsible for compiling and drafting the minutes of the Board and the Board committee meetings, and will send the first draft of the minutes within reasonable time after each meeting to the participated directors for advice. The minutes of the meetings are prepared with details of the decisions reached, any concerns raised and dissenting views expressed. All directors are entitled to inspect the minutes of the Board and the Board committee meetings. Directors can seek independent professional advice for performing their duties through the chairman at the expense of the Company. If the subject under discussion at a Board meeting involves the interests of substantial shareholders or directors and the Board considers that those interests are of significant interest conflicts, the Board will ensure there are sufficient independent directors participating in discussing about and voting on those resolutions. Those directors related to the interests shall abstain from voting on the resolution.

Other than non-executive directors, all executive directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. More than one-third of the Board is independent non-executive directors. The Company will review the Board composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company will give an appropriate introduction about the Group’s businesses and operations to each newly appointed director.

Independent non-executive directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive directors comply with the Independence Guideline of Rule 3.13 of the Listing Rules and have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent. Independent non-executive directors are able to provide their independent judgment in respect of matters such as the Group’s strategy, policy and performance at Board and Board committee meetings, and making significant contribution to the affairs of the Group.

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

The Company aware that effective communication can increase productivity and improve teamwork. The Company convened quarterly meeting regularly for the executive directors, senior management, middle management, worksites management and management of overseas subsidiaries (by video-conference). During the meetings, the executive directors reported the Company's overall work progress, delivered the Company's strategy, reviewed the strength and weakness on the Company's work-in-progress and provided sufficient time for the participants to raise questions and express their opinions. Ensured the adequate communication between different levels of management.

In 2011, the Company has arranged director's and officers' liability insurance in respect of any legal action against Directors.

Chairman and Chief Executive Officer

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

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

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

Non-Executive Directors' Term of Office

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

Remuneration Committee

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

During the year, two Remuneration Committee meetings were held to review and discuss the remuneration policy and annual bonus policy of the Company. The individual attendance of each director is set out below:

Name		Attended/ Eligible to Attend
Kong Qingping	*(Chairman)*	2/2
Raymond Ho Chung Tai		1/2
Adrian David Li Man Kiu		2/2
Raymond Leung Hai Ming		2/2
Lee Shing See		2/2

The vice-chairman and chief executive officer is assisted by the human resources division in reviewing the remuneration data of the market and formulates the remuneration policy of the Group before proposing to the Remuneration Committee for consideration and seeking approval. The remuneration of directors and senior management of the Company is determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

Nomination Committee

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

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

Name		Attended/ Eligible to Attend
Kong Qingping	*(Chairman)*	2/2
Zhou Yong		2/2
Zhang Yifeng		2/2
Raymond Ho Chung Tai		2/2
Adrian David Li Man Kiu		1/2
Raymond Leung Hai Ming		1/2
Lee Shing See		2/2

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

On 12 August 2010, Mr. Tian Shuchen ("Mr. Tian") was appointed as executive director of the Company. Details of Mr. Tian's qualifications and experience had been submitted to the Nomination Committee for consideration. The appointment of Mr. Tian as an executive director was approved by the Board. Mr. Tian received briefings on legal and other responsibilities as a director under statutory regulations and the Listing Rules from the Company's legal advisor. The Company also provided Mr. Tian written guideline on dealing in the Company's securities.

Auditor's Remuneration

For the year ended 31 December 2010, the audit fees received by the auditor of the Company totaled approximately HK$5.02 million, including audit service fees of the Company of approximate HK$4.78 million and audit service fees of approximate HK$0.24 million for the ad hoc projects of the Company in 2010.

Audit Committee

The Company has established an Audit Committee on 1 June 2005. The major responsibilities of the Audit Committee include reviewing and overseeing the financial information of the Company, regulating the financial reporting system, evaluating the internal control procedure and the risk management system of the Company, and reviewing the relationship between the Company and auditor. The Board has adopted written terms of reference for the Audit Committee, which defined the role, authority and function of the Audit Committee. The terms of reference are posted on the Company's website.

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

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

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2009, the re-appointment of auditor, the Group accounts for the six months ended 30 June 2010, the Group's 2010 unaudited first quarter results, the Group's 2010 unaudited third quarter results, the connected transactions and the internal control reports of the Group. The external auditor was invited to attend one of the above meetings and discussed various accounting issues and finding with the Audit Committee.

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

Accountability and Audit

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

The Management should provide such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of Deloitte Touche Tohmatsu Certified Public Accountants, the Auditor of the Company, are stated in the Independent Auditor's Report of the Company's 2010 Annual Report.

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

Internal Control and Risk Management

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

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

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

During the year, Quality and Technology Department and Safety and Environmental Protection Department conducted four independent internal control assessments on worksites. They inspected over 50 worksites per quarter, and investigated and assessed the quality management, safety management and environmental management system of each worksite. Independent reports were made to the management and the defects were remedial simultaneous.

Other than written guideline, the Company believed that proper trainings enhanced the effectiveness of the internal control. During the year, mandatory trainings and workshops on risk assessment, quality, safety and health, environmental protection were conducted for the engineers and worksites management.

In order to instill the consciousness and knowledge on safety and environmental protection, and quality and technology of the Company, during the year, the Company conducted knowledge quiz in this respect for front-line site management, held worksites quality management competition, held worksites best working practices competition and organized "Mid-summer Rainbow" safety promotion activity. "Zero prosecution, zero accident" incentive policy for front-line site management staffs was also worked satisfactorily.

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

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

Staff Discipline

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

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

Shareholders

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

General meeting is a main channel of communication between Directors and shareholders. The Company held an annual general meeting and two extraordinary general meetings during 2010. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2010 Annual General Meeting was held on 9 June 2010. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. Mr. Kong Qingping, the Chairman and Non-executive Director of the Company, could not attend the 2010 Annual General Meeting of the Company due to other business engagement. Mr. Zhou Yong, Vice-chairman and Chief Executive Officer of the Company, chaired the 2010 Annual General Meeting to ensure effective communication with shareholders of the Company at such meeting. Members of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, a separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the website of the Hong Kong Exchange and the Company on the same day of the meeting.

During the year, extraordinary general meetings were held on 21 June 2010 and 5 November 2010 respectively. The notice of meetings and the circulars containing information on the proposed resolutions were sent to shareholders more than 10 clear business days prior to the meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at the meetings. At the meetings, separate resolutions were proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The results of the poll were posted on the website of the Hong Kong Exchange and the Company on the same day of the meetings.

Investor Relations and Communication

The Company has been striving to maintain high transparency and communicate with shareholders and investors through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to investors. The website of the Company contains the latest data and information of the Group so that shareholders, investors and the public can inspect the information about the Company in a timely manner. The Company's website: http://www.csci.com.hk.

Investor Relations

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

The management of the Company values the feedback of the external investment parties and meets analysts and investors regularly and irregularly to present the latest development strategy and operating conditions to them and communicates with investors in a timely manner. In 2010, the Company actively pushed forward with the promotion of the listed company, organized meetings with analysts and investors over 800 persons-time, and attended post – results road shows in Europe, US, Japan, Singapore and Hong Kong with investment banks. Besides, the management has also participated in investment conferences and forums organized by major investment banks. Through the above activities, the communication between the management of the Company and the players of the capital market has been enhanced. Besides, the transparency of different business activities such as the Company's operation and management has also been enhanced. In 2011, the Company will further strengthen its efforts in this respect. To increase investor relations service standard and company transparency will be one of the priority of the company's investor relations function.

Major Investor Relations Activities in 2010

Month	Activities
January	The 10th UBS Greater China Conference
March	2009 Annual Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong, US and Europe
April	Road Show in Japan and Singapore
	The 2nd Macquarie China Conference
May	The 15th CLSA China Forum
June	The 6th JP Morgan China Conference
July	JP Morgan Corporate Day
August	2010 Interim Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong and Singapore
September	Standard Chartered Corporate Day
	Kingsway Financial Hong Kong Conference
October	Citigroup Affordable Housing Luncheon Speech
	The 17th BNP Paribas China Economy Development Forum
	Citigroup Greater China Investor Conference
November	Bank of America Merrill Lynch Annual China Conference
	Standard Chartered Corporate Day
	JP Morgan China CEO Speech and Corporate Day
December	CLSA Hong Kong Corporate Day

Awards and Accolades 2010

	Company/Project	Prize	Organization
1	Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	Construction Industry Safety Award Scheme 2009/2010 Civil Engineering Sites – Gold	Labour Department of Hong Kong
2	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	Construction Industry Safety Award Scheme 2009/2010 Building Sites (Private Sector) – Silver	Labour Department of Hong Kong
3	Central Reclamation Phase 3	Construction Industry Safety Award Scheme 2009/2010 Civil Engineering Sites – Bronze	Labour Department of Hong Kong
4	Development at Anderson Road – Site Formation and Associated Infrastructure Works	Considerate Contractors Site Award Scheme 2009 – Silver	Development Bureau
5	Construction of Siu Sai Wan Complex	Outstanding Environmental Management & Performance Awards – Silver	Development Bureau
6	Ping Ha Road Improvement Works (Ha Tsuen Section)	Civil Engineering and Development Department Safety Award – Gold	Civil Engineering and Development Department
7	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	Best Safe Working Cycle Site – Gold	Occupational Safefy & Health Council
8	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	Best Performance Award – Bronze	Occupational Safefy & Health Council
9	China State Construction Engineering (Hong Kong) Ltd.	Safety Promotion Award –Silver	Occupational Safefy & Health Council
10	China State Construction International Holdings Limited	24th Mercury Awards 2010 Overall Presentation: Construction – Gold	MerComm Inc
11	China State Construction International Holdings Limited	24th Mercury Awards 2010 Design: Annual Report Cover: Drawings/Illustrations – Silver	MerComm Inc
12	China State Construction International Holdings Limited	2010 Galaxy Award Design: Annual Report – Int'l –Trad.– Over 157 Pages – Bronze	MerComm Inc

For a successful construction project,
other than cost control, safety, quality and progress,
environmental protection
also plays an important role.
As a socially responsible contractor, the Group
must champion **green management**
in construction planning in order to

create a pleasant environment to our society.

Corporate Citizenship

Corporate Citizenship

Staff Development and Personal Growth

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

Activities, which are organized at irregular times, provide balanced development for the physical and mental well-being of our staff members.

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. We provide our people with job transfer opportunities among our global locations. A total of 77 employees had been rotated worldwide over the last 3 years. As of end of 2010, the Group had a total of 3,756 employees (excluding staff of our joint-venture projects), of which, 1,747 persons were in Hong Kong, 1,623 of them were in the Mainland China, 145 were in Macau and 241 were working overseas.

Staff Recruitment Programme

Besides getting seasoned professionals from the open market, the Group also organized campus recruitment programmes to grasp young engineers from the 4 universities in Hong Kong. In 2010, the Company became a preferred employer of fresh graduates, after the recognition as one of Hong Kong's 100 Leading Graduate Employers 2010 by GTI, the world's largest graduate careers media and research business. Not least, hired graduates with top caliber from well-known universities in Mainland China through its "Recruitment Programme for the Son of the Sea" enable China State to recruit outstanding young talents from other establishments in an effective manner.

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self value-adding. The Group has put aside capital to set up the "staff Education Fund". The Group will also hammer out training programmes according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 5,000 participants took part in the courses during the period. In order to cope with the Group's business development on an international scale, the Group commenced the training on "overseas business development strategy and operation" for all of the Group's management staff and recruited professional instructors from overseas to conduct the "Modern Safety Management" courses, which enhance the management concept of the management staff in a forward-looking manner and optimize the quality of management of the Group as a whole.

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

"Outstanding Staff Election" organized each year recognizes the performance of outstanding staff members at Hong Kong, Macau and overseas locations.

Incentive Mechanism

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

The Group has also organized a myriad of exciting activities after work, including interest groups, sport games, photography, social gatherings and trips. The Group held the "2010 Annual Dinner" during the year to share the joy with the staff in recognition of their hardwork and contribution to the Group. Activities including "2010 Love and Care Visit to China Overseas Project Hope School" and "Exchange and Integration Tour – 2010 Mainland – Hong Kong Students' Summer Camp" were organized to encourage staff members to care about society and contribute back to society. The Group also took part in the "2010 Hong Kong Walk for Millions" and "Parade in celebration of the 60th Anniversary of the Founding of the PRC". Such activities held enriched the leisure life of the staff and provided opportunities of communication and exchange with colleagues and family members, and became an important part of team building and staff relationship.

Long-service award is given out every year at our annual dinner as an encouragement to those who have stayed long with us.

Environmental Protection and Promotion

We organize "China State Construction Environment Day" every year to arouse our staff's awareness of environmental protection.

The key constituents of a successful construction project, apart from cost control, safety, quality and progress, environmental protection also plays an essential role. As a socially responsible contractor, the Group always champion green management in construction planning in order to create a pleasant environment to our society. The Group has adopted a number of environmentally friendly measures aiming at minimizing the impact to the environment and the generation of construction and demolition materials as well as saving natural resources, thus continually improving our environmental management system. Our persistent green practices not just in line with the Group's Environmental Policy but also harmonized with community expectations.

The Group regularly organizes workshops on environmental protection to disseminate latest environmental information to site workers and subcontractors.

Through years of external promotions, some innovative environmental facilities such as Automatic Wheel Washers and Wastewater Treatment Plants that introduced by the Group for construction site usage years ago are now become standard facilities for many construction sites in Hong Kong. In promoting the application of innovative environmental facilities in construction sites, the Group always a pioneer, the Group has been selected to join the partnerships for Electric Vehicles Leasing Scheme with CLP. The initiative helps to pilot and to explore the feasibility of using electric vehicles, zero-emission vehicles, in construction projects. During the leasing period, the trial site will provide data for CLP's continuous research on electric vehicle charging infrastructure that helps to support the wider adoption of electric vehicles in Hong Kong and contributes to cleaner air in the region.

As previous years, the Group's top management has meeting with senior officials of Environmental Protection Department of the HKSAR to introduce the Group's planning on environmental works for 2010 and to enhance mutual communications.

With the concerted efforts of the Group, the results were remarkable. In 2010, the Group won a number of awards including the "Considerate Contractors Site Awards", Merit Awards in "Sectoral Awards" and Class of Excellence in "Environmental Labels" under "The Hong Kong Awards for Environmental Excellence".

In 2010, the Group actively organized environmental activities (such as the "China State Environmental Protection Day") to raise the environmental awareness of staff. The Group also organized "Site Environmental Awareness Quiz", "Environmental Protection Workshops" and other environmental activities with different themes, which aimed to impart the latest environmental protection information to site personnel including subcontractors.

Electric vehicles are used at our trial sites as part of our participation in CLP's EV Leasing Scheme as a cooperation partner to promote the use of innovative environmental equipment.

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

To enhance mutual understanding and communication, we invite senior officials from the Environmental Protection Department to discuss and exchange ideas with our management and introduce our efforts on environmental protection every year.

The Group and Community

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

With the active participation of its staff, the Group provides strong support to all kinds of social activities such as the "Community Chest Walks for Millions Hong Kong Island and Kowloon 2010", the "Run-up Two IFC Charity Race 2010", the "Art in Hospital", "Love and Care Visit to China Overseas Project Hope Schools", "Walk for the Environment 2010" organized by the Conservancy Association, for helping needy people in the community and call for our staff's care for society. We also co-organized tuition classes called "The Gas Station for Schoolwork" (學習加油站) with Single Parents Association and arranged staff volunteer team for providing tuition to primary and secondary school students.

Community Chest Walks for Millions Hong Kong Island and Kowloon 2010

A team of love and care of over 400 members was organized to participate in and support the largest charity walk in Hong Kong – Community Chest Walks for Millions Hong Kong Island and Kowloon 2010.

Our staff members organize a caring team each year and participate in the Community Chest Walks for Millions Hong Kong Island.

The "Run-up Two IFC Charity Race 2010" organized by Hong Kong Community Chest

Four athletes represented the Group to participate in the relay race of Run-up Two IFC Charity Race 2010, to challenge the 88 floors of the International Finance Center II, and became the first runner-up of the "Property, Construction, Architects & Engineers" Category. The team fully demonstrated team spirit and the perseverance enshrined in sportsmanship. Proceeds from the activity were for supporting the "Services for the Mentally & Multiple Handicapped".

Showing Love on the Women's Day – Art in Hospital

On the Women's Day, our female staff members took part in the "Art in Hospital" and painted pictures on the wall of Daytime Elderly Care Home in Pamela Youde Nethersole Eastern Hospital. Mass art creation was leveraged to serve the community, spreading the message of caring the community and facilitating the development of art in hospital in Hong Kong. Each female staff member cooperated together to paint a colorful natural environment in the ward, which created a harmonious and artistic atmosphere to alleviate the emotion of the patients.

On the Women's Day, our female staff members took part in the "Art in the Hospital" and painted pictures on the wall of Daytime Elderly Care Home in Pamela Youde Nethersole Eastern Hospital.

Love and Caring Visits – China Overseas Project Hope Schools

During the Easter Holiday, the Group arranged Love and Caring Visits by some of our staff members to China Overseas Sanquan Hope School (中國海外三泉希望小學) and China Overseas Sanxia Hope School (中國海外三峽希望小學). In both schools a donation ceremony was held as part of our love and care initiatives.

Staff members were arranged to visit China Overseas Sanquan Hope School (中國海外三泉希望小學)

"Walk for the Environment 2010" organized by the Conservancy Association

Over a hundred staff members and their families were arranged to participate in "Walk for the Environment 2010" organized by the Conservancy Association. The activity allowed them to get close to the nature and experience the historic, geographical and ecological features of local villages in Hong Kong, and also convey the message of environmental awareness to the next generation.

Over a hundred staff members and their families participated in "Walk for the Environment 2010" organized by Conservancy Association.

Tuition Classes under "The Gas Station for Schoolwork" (學習加油站)

The Group co-organized tuition classes called "The Gas Station for Schoolwork" (學習加油站) with Single Parents Association aiming at new immigrants to Hong Kong, financially underprivileged students and single-parent poor families in Sham Shui Po District. Under the scheme, tuition classes which last for two years are provided to help students with their schoolwork especially English language and solving problems with homework assignments. Volunteers are our staff members at various positions in the Group as well as their children, who spend their weekends helping those students with their schoolwork. This cooperation project has won the "Outstanding Commercial Partnership Award in Sham Shui Po 2010", and in respect of which the application for grant of funding from the HKSAR Government's "Partnership Fund for the Disadvantaged" (攜手扶弱基金) has been successful, showing society's recognition of the effectiveness of cooperation projects of this sort.

Directors and Organization

1. Mr. Kong Qingping, 2. Mr. Zhou Yong, 3. Mr. Yip Chung Nam, 4. Mr. Zhang Yifeng,
5. Mr. Cheong Chit Sun, 6. Mr. Zhou Hancheng, 7. Mr. Tian Shuchen

Board of Directors

Mr. KONG Qingping

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

Aged 55, was appointed as Director of the Company on 21 April 2004 and subsequently appointed as Chairman and designated as a Non-executive Director of the Company on 1 June 2005. Mr. Kong holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture, a degree of Executive Master of Business Administration from Harbin Institute of Technology and is a fellow member of the Chartered Institute of Building (UK). Mr. Kong is a guest professor at Harbin Institute of Technology and at Hong Kong Polytechnic University. Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He has been a director of certain subsidiaries of the Group since 1996. Mr. Kong has more than 29 years' extensive experience in management of corporate affairs and construction projects. Currently, Mr. Kong is the Vice President of China State Construction Engineering Corporation Limited (Listed on The

Shanghai Stock Exchange, code: 601668), a director of China Overseas Holdings Limited ("COHL") and its certain subsidiaries, the Chairman of China Overseas Land & Investment Ltd. ("COLI"), and the Honorable Chairman (but not a Director) of China Overseas Grand Oceans Group Limited ("COGO"). Mr. Kong also acted as Chief Executive of COLI from 2001 to May 2007. COLI and COGO are companies listed on the main board of The Stock Exchange of Hong Kong Limited ("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. Mr. Kong is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chong Qing Committee of Chinese Political Consultative Conference.

Mr. ZHOU Yong

Vice-chairman and Chief Executive Officer

Nomination Committee Member

Aged 40, was appointed as a Director of the Company on 21 April 2004 and subsequently was designated as an Executive Director and Vice-chairman of the Board of Directors of the Company on 1 June 2005 and 9 June 2005 respectively. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined CSCEC in 1994 and was seconded to the Group in 1996. He has been a director of certain subsidiaries of the Group since 2001. Mr. Zhou was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 18 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

Aged 61, 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 has been a director of certain subsidiaries of the Group since 1996. He has over 37 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 65th Council of the Hong Kong Construction Association.

Mr. ZHANG Yifeng

Executive Director

Nomination Committee Member

Aged 56, was appointed as an Executive Director of the Company on 21 October 2009. Mr. Zhang graduated from Logistical Engineering University of PLA and Murdoch University (Australia). He is a member of the Hong Kong Institute of Engineers. Mr. Zhang joined the Group in 1993 and was appointed as deputy general manager of the Company in September 2005. Mr. Zhang has been a director of certain subsidiaries of the Group since 2004. He has over 33 years' experience in construction engineering and project management.

Mr. CHEONG Chit Sun

Executive Director

Aged 59, 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) and obtained a PhD Degree from University of Loughborough (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 has been a director of certain subsidiaries of the Group since 2004. Mr. Cheong has over 37 years' experience in engineering, construction and project management in Hong Kong and overseas.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 41, was appointed as a Director of the Company on 21 April 2004 and subsequently was designated as an Executive Director of the Company on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics, holds a degree of Master of Business Administration from The University of Sheffield (UK) and was awarded the title of Senior Accountant. He is Fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 15 years' experience in corporate finance, financial accounting and investment management.

Mr. TIAN Shuchen

Executive Director

Aged 45, was appointed as an Executive Director of the Company on 12 August 2010. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 20 years' experience in construction engineering and project management.

Dr. Raymond HO Chung Tai SBS, MBE, S.B. St. J., JP

Independent Non-executive Director

Chairman of the Audit Committee

Remuneration Committee Member

Nomination Committee Member

Aged 72, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Ho holds a Doctorate in Civil Engineering from the City University of London, UK, an Honorary Doctorate in Business Administration from the City University of Hong Kong, an Honorary Doctorate in Laws from University of Manchester, UK, a Postgraduate Diploma for Advanced Studies in Engineering Soil Mechanics from the Victoria University of Manchester, UK and a Bachelor's 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 many organizations such as President of the Hong Kong Institution of Engineers, Council Chairman of the City University of Hong Kong and 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, Hong Kong Affairs Adviser, Member of Consultative Committee on the New Airport and Related Projects 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 from January 1976 to August 1993. Currently, Dr. Ho is Board Member of the Airport Authority, Member of the Commission on Strategic Development, Chairman of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council, and Chairman of Guangdong Daya Bay Nuclear Plant and Lingao Nuclear Plant Safety Consultative Committee. He is also Member of the fourth Legislative Council (Engineering Functional Constituency), director of various private companies in Hong Kong, and 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 **JP**
Independent Non-executive Director
Audit Committee Member
Remuneration Committee Member
Nomination Committee Member

Aged 37, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master's Degree in Management from Kellogg School of Management, Northwestern University, Evanston, Illinois, US, and a Master of Arts Degree and a Bachelor of Arts Degree in Law from the University of Cambridge, UK. He is a 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 of the Bank's business activities in Hong Kong. He is currently a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), PRC and was formerly a member of the Ninth and Tenth Guangzhou Committees of the CPPCC. He is also a member of the All-China Youth Federation, the Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. In addition, he is a Council Member of the Vocational Training Council and the Chairman of its Banking and Finance Industry Training Board, a Board Member of The Community Chest of Hong Kong, 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. He is also an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited and an Alternate Director of AFFIN Holdings Berhad. The aforesaid companies are all listed on the main board of the Stock Exchange, except AFFIN Holdings Berhad which is listed on the main board of the Malaysia Stock Exchange.

Dr. Raymond LEUNG Hai Ming
Independent Non-executive Director
Audit Committee Member
Remuneration Committee Member
Nomination Committee Member

Aged 56, 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 34 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
Audit Committee Member
Remuneration Committee Member
Nomination Committee Member

Aged 68, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee graduated from the University of Hong Kong in 1964. He is Fellow of both The Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). Mr. Lee joined The Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including 2 months as a Permanent Secretary). He is a Director of the Hong Kong Cyberport Management Company Limited, a Member of the Development Committee of the West Kowloon Cultural District Authority, a Chairman of the Construction Industry Council, a member of Environmental Impact Assessment Appeal Board Panel and the Convenor of the Panel on Promoting Testing and Certification Services in Construction Materials Trade. Mr. Lee has over 45 years' experience in engineering and construction. He is an independent non-executive director of Chun Wo Holdings Limited, a company listed on the main board of the Stock Exchange.

Senior Management

Mr. HUNG Cheung Shew

Deputy General Manager

Aged 52. He graduated from the Plymouth Polytechnic (UK). 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 has been a director of certain subsidiaries of the Group since 2000. Mr. Hung has over 29 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

Deputy General Manager

Aged 46. He graduated from the Southeast University (formerly known as Nanjing Institute of Technology) and the University of Warwick (UK). Mr. Pan is a member of the Hong Kong Institute of Engineers and a member of the Chartered Institute of Building (UK). Mr. Pan joined CSCEC in 1987 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 1999. Mr. Pan has over 19 years' experience in civil project management. He is responsible for the Group's civil engineering and foundation engineering operations.

Mr. JIANG Shaojie

Deputy General Manager

Aged 47. He graduated from Shenyang Architectural and Civil Engineering University and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 28 years' experience in construction engineering and project management. He is responsible for the Group's integrated management on quality and technology.

Mr. WONG Wing Yuk

Assistant General Manager

Aged 53. He graduated from the Plymouth Polytechnic (UK) and obtained the MBA degree from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a chartered engineer of the Engineering Council and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 24 years' experience in construction engineering and contract management. He assists in managing the Group's overseas operations.

Mr. WU Mingqing

Assistant General Manager

Aged 46. He graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University. Mr. Wu joined CSCEC in 1986 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2002. Mr. Wu has over 24 years' experience in finance management, construction engineering and project management. He assists in managing the Group's construction operation in Mainland China.

Mr. ZHOU Wenbin

Deputy Financial Controller

Aged 44. He graduated from Zhongnan University of Economics and Law, obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined China Overseas Holdings Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 22 years' experience in corporate finance, accounting and investment management. He assists in managing the Group's financial management.

Mr. ZHAO Xiaoqi

Assistant General Manager

Aged 37. He graduated from Tsing Hua University and obtained the MBA degree from Renmin University of China. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 14 years' experience in human resources management and personnel administration. He is responsible for the Group's human resources management.

Mr. LAU Wing Shing

Assistant General Manager

Aged 51. He graduated from the University of Warwick (UK). Mr. Lau is a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Engineers, a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK) and the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board. Mr. Lau is currently appointed by Planning and Lands Branch, Development Bureau as a member of the Appeal Tribunal Panel (Buildings Ordinance). Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 29 years' experience in contract and project management. He assists in managing the Group's building construction and mechanical & electrical engineering operations.

Mr. CHAN Wai Hung

General Manager of Civil Engineering Department

Aged 53. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and City University of Hong Kong. Mr. Chan is a member of The Hong Kong Institution of Engineers and Registered Professional Engineer (Civil) of the Hong Kong Engineers Registration Board. He is also a Chartered Engineer of The Engineering Council (UK) and member of The Institution of Civil Engineers. Mr. Chan is appointed by Development Bureau as a member of Review Panel under the Land (Miscellaneous Provisions) Ordinance. He joined the Group in 1989 and has been a director of certain subsidiaries of the Group since 1998. Mr. Chan has over 31 years' experience in contract and project management. He assists in managing the Group's civil engineering operations.

Mr. QIN Jidong

Deputy Chairman of CSHK Dubai Contracting LLC

Aged 42. Mr. Qin graduated from the Tianjin University and the Loughborough University (UK). Mr. Qin joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2004. Mr. Qin has over 19 years' experience in international construction project management. He is responsible for the Group's operations in Dubai.

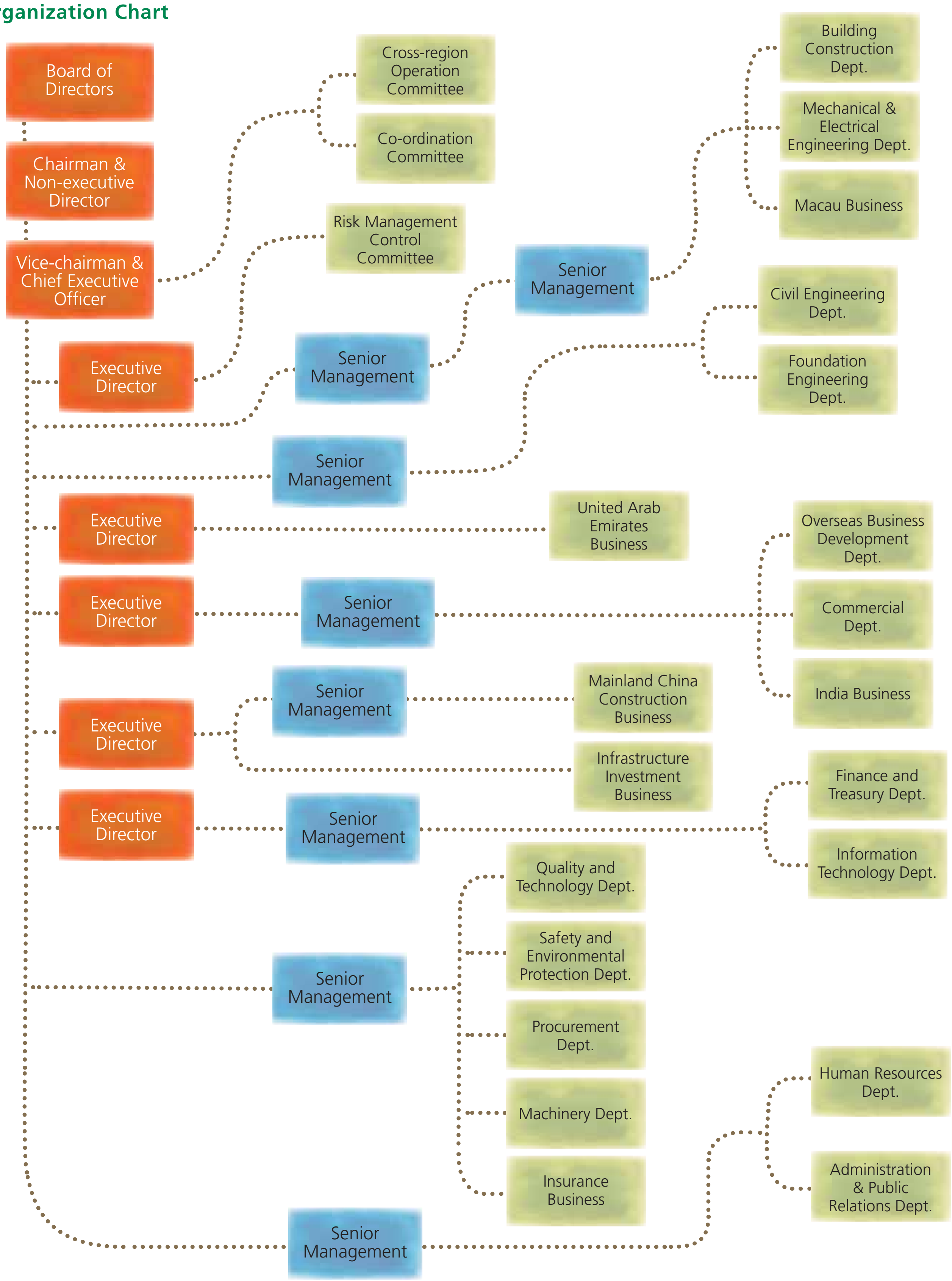
Mr. CHAN Sim Wang

Qualified Accountant and Deputy General Manager of Finance and Treasury Department

Aged 42. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College). Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and Fellow of the Association of Chartered Certified Accountants. He joined the Group in 1997. Mr. Chan has over 18 years' experience in finance management, accounting and audit fields.

Directors and Organization *(continued)*

Organization Chart



Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, associates, jointly controlled entities and jointly controlled operations are set out in notes 51, 23 and 24 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 87.

An interim dividend of HK5.00 cents per share amounting to HK$147,991,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK6.00 cents per share to the shareholders on the register of members on 7 June 2011, amounting to approximately HK$179,209,000.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 174 and 175.

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

Property, Plant and Equipment

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

Investment Properties

Details of investment properties of the Group are set out on page 176.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

Share Premium and Reserves

Details of movements during the year in the share premium and reserves of the Group are set out on pages 91 and 92.

Directors

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

Non-executive Director

Mr. Kong Qingping *(Chairman)*

Executive Directors

Mr. Zhou Yong *(Vice-chairman and Chief Executive Officer)*

Mr. Yip Chung Nam

Mr. Zhang Yifeng

Mr. Cheong Chit Sun

Mr. Zhou Hancheng

Mr. Tian Shuchen (Appointed on 12 August 2010)

Independent Non-executive Directors

Dr. Raymond Ho Chung Tai

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Notes:

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association Mr. Yip Chung Nam, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu and Dr. Raymond Leung Hai Ming will retire by rotation at the forthcoming annual general meeting. Mr. Yip Chung Nam has decided not to present himself for re-election at the forthcoming annual general meeting due to reaching the retirement age. All the other retiring Directors, being eligible, offer themselves for re-election.

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

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

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

With effect from 1 February 2011, the monthly salaries of Mr. Yip Chung Nam, Mr. Cheong Chit Sun and Mr. Zhou Hancheng were changed from HK$168,700 to HK$177,100, from HK$146,200 to HK$153,500 and from HK$70,000 to HK$80,000 respectively.

Confirmation of Independence

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

Directors' Service Contracts

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

Directors' Interest in Shares and Underlying Shares

As at 31 December 2010, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

	Number of ordinary shares held	Number of underlying shares held		
Name of director	Personal interests[1]	Share options[2]	Total	% of shares in issue[3]
Kong Qingping	2,988,800	3,160,834	6,149,634	0.206
Zhou Yong	3,306,240	1,843,820	5,150,060	0.173
Yip Chung Nam	4,292,317	–	4,292,317	0.144
Zhang Yifeng	580,000	58	580,058	0.019
Cheong Chit Sun	1,662,305	395,104	2,057,409	0.069
Zhou Hancheng	3,296,367	614,606	3,910,973	0.131
Tian Shuchen[4]	4,280,093	–	4,280,093	0.144
Raymond Ho Chung Tai	–	878,010	878,010	0.029
Adrian David Li Man Kiu	–	878,010	878,010	0.029
Raymond Leung Hai Ming	–	878,010	878,010	0.029
Lee Shing See	–	878,010	878,010	0.029

Notes :

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

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

3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2010 (i.e. 2,979,458,825 ordinary shares).

4. Mr. Tian Shuchen was appointed as Director of the Company on 12 August 2010.

(b) Long positions in shares and underlying shares of Associated Corporation – China Overseas Land & Investment Limited ("COLI")

	Number of ordinary shares held		Number of underlying shares held		
Name of director	**Personal interests[1]**	**Family interests**	**Share options[2]**	**Total**	**% of shares in issue[3]**
Kong Qingping	7,435,760	–	1,359,334	8,795,094	0.108
Zhou Yong	388,381	–	–	388,381	0.005
Yip Chung Nam	2,708,564	–	–	2,708,564	0.033
Cheong Chit Sun	205,713	400[4]	–	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 of COLI held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares pursuant to the Share Option Scheme of COLI. Details of which are set out in the section headed "Directors' Rights to Acquire Shares" of this report.

3. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 31 December 2010 (i.e. 8,172,519,077 ordinary shares).

4. The interests in 400 shares were held by the spouse of Mr. Cheong Chit Sun.

Other than disclosed above, as at 31 December 2010, none of the Directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations.

Directors' Rights to Acquire Shares

(i) The Company

Share Options

As at 31 December 2010, the number of outstanding share options granted by the Company under the Company's Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report.

(ii) Associated Corporation – COLI

Share Options

As at 31 December 2010, the number of outstanding share options granted by COLI to the Directors to subscribe for shares of COLI, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:

Name of director	Date of grant	Exercise period	Exercise price	Number of share options	% of shares in issue*
			(HK$)		
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.118	1,359,334	0.017

Note:

* The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at 31 December 2010 (i.e. 8,172,519,077 ordinary shares).

Other than the share options disclosed above, at no time during the year ended 31 December 2010 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options

Particulars of the Company's share option scheme are set out in note 45 to the consolidated financial statements.

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

	Number of Share Options			
Category	Outstanding at 01.01.2010	Reclassified during the year	Exercised during the year	Outstanding at 31.12.2010
Category I:				
Directors				
Kong Qingping	3,160,834	–	–	3,160,834
Zhou Yong	1,843,820	–	–	1,843,820
Yip Chung Nam	1,975,521	–	1,975,521	–
Zhang Yifeng	616,058	–	616,000	58
Cheong Chit Sun	790,209	–	395,105	395,104
Zhou Hancheng	1,229,213	–	614,607	614,606
Tian Shuchen	–	614,606[2]	614,606	–
Raymond Ho Chung Tai	878,010	–	–	878,010
Adrian David Li Man Kiu	878,010	–	–	878,010
Raymond Leung Hai Ming	878,010	–	–	878,010
Lee Shing See	878,010	–	–	878,010
All Directors	13,127,695	614,606	4,215,839	9,526,462
Category II:				
Employees	45,073,648	(614,606)	11,217,203	33,241,839
Category III:				
Consultants	34,804,985	–	9,453,135	25,351,850
Total	93,006,328	–	24,886,177	68,120,151

Notes:

1. The share options were granted on 14 September 2005 and the exercise price per share option is HK$0.2345 (The exercise price per option on 14 September 2005 was HK$1.03. The exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009.). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive). No share options were granted, cancelled and lapsed during the year.

2. The share options held by Mr. Tian Shuchen were reclassified from Employees Category to Directors Category after he was appointed as director of the Company on 12 August 2010.

3. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was as follows:

Date of exercise of share options	Number of share options exercised	Weighted average closing price of the Company's shares immediately before the exercise
		(HK$)
19.01.2010	614,607	3.2355
22.02.2010	1,371,602	2.8979
23.03.2010	1,668,218	2.9126
17.05.2010	921,911	2.8669
19.07.2010	140,482	2.7564
06.09.2010	526,806	2.9322
05.10.2010	10,436,758	3.0952
25.10.2010	2,609,822	3.2876
08.11.2010	3,442,931	3.4177
25.11.2010	1,818,441	3.5926
08.12.2010	439,005	3.7180
16.12.2010	895,594	3.8053
	24,886,177	

Management Contracts

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

Substantial Shareholders

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company :

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue[1]
China Overseas Holdings Limited[2] ("COHL")	Beneficial owner	1,849,011,384	1,849,011,384	62.06
China State Construction Engineering Corporation Limited[3] ("CSCECL")	Interest of a controlled corporation/beneficial owner	1,849,011,384	1,849,011,384	62.06
China State Construction Engineering Corporation[4] ("CSCEC")	Interest of a controlled corporation/beneficial owner	1,849,011,384	1,849,011,384	62.06

Notes :

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2010 (i.e. 2,979,458,825 ordinary shares).
2. Amongst the total number of 1,849,011,384 Shares held by COHL, 1,768,896,091 Shares was held as beneficial owner while the balance of 80,115,293 Shares was interests of controlled corporations.
3. COHL is a direct wholly owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 1,849,011,384 Shares directly owned by COHL.
4. CSCECL is held as to 54.07% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 1,849,011,384 Shares indirectly owned by CSCECL.

Other than disclosed above, as at 31 December 2010, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Connected and Related Party Transactions

Details of connected transactions are set out on pages 77 to 84. Save as the related party transactions disclosed in note 48 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Kong Qingping holds directorship in the Company's ultimate holding company, and/or its subsidiaries which are engaged in construction, property development and related business.

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

Emolument Policy

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

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

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

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The Assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the MPF Scheme amounting to approximately HK$32.50 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Pre-emptive Rights

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

Public Float

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

Charitable Donations

Charitable Donations made by the Group during the year amounted to HK$519,000 (2009: HK$64,000).

Major Customers and Suppliers

In 2010, the Group's largest customer accounted for approximately 25.4% (2009: 17.9%) of the Group's revenue. The five largest customers of the Group accounted for approximately 45.6% of the Group's revenue. The Group's largest supplier accounted for approximately 27.2% (2009: 11.5%) of the Group's purchases. The five largest suppliers of the Group accounted for 63.1% of the Group's purchases for the year.

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

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

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

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2010, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 31 December 2010 is set out below:

	HK$000
Non-current assets	4,019
Current assets	654,998
Current liabilities	(634,402)
Net assets	24,615
Reserves	24,615
Total Equity	24,615

As at 31 December 2010, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$14,224,000.

Event After the Reporting Period

Details of significant events occurring after the balance sheet date are set out in note 49 to the consolidated financial statements.

Auditor

Messrs. Deloitte Touche Tohmatsu has acted as auditor of the Company for the past three years.

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

On behalf of the Board
China State Construction International Holdings Limited
Zhou Yong
Vice-chairman and Chief Executive Officer

Hong Kong, 18 March 2011

Connected Transactions

A. Connected Transactions Falling under Rule 14A.16(2) of the Listing Rules

A.1 Formation of Jilin JV with 中國建築第七工程局有限公司 (China Construction Seventh Engineering Division Corp. Ltd.) ("CCSED")

On 7 May 2010 a joint venture formation cooperation agreement was entered into between 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited ("SCOCL"), a wholly owned subsidiary of the Company) and CCSED (a subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"), the intermediate holding company of the Company), whereby CCSED and SCOCL shall form a Jilin joint venture (the "Jilin JV") on a 70:30 basis for the construction of and investment in certain infrastructure projects in Jilin, the PRC, subject to the results of the public tender.

The registered capital of the Jilin JV shall be RMB50.00 million (approximately HK$56.82 million). CCSED and SCOCL will respectively pay into the Jilin JV RMB35.00 million (approximately HK$39.77 million) and RMB15.00 million (approximately HK$17.05 million) in cash in proportion to their respective equity interests in the Jilin JV after establishment of the Jilin JV. Such amount of registered capital is determined after arm's length negotiations between the parties with reference to their proposed capital requirements of infrastructure projects.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the Jilin JV Transaction are less than 2.5%, the Jilin JV Transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under the Listing Rules.

Details of the Jilin JV were disclosed in an announcement dated 7 May 2010.

A.2 Formation of Wuhan JV with 中建三局建設工程股份有限公司 (China Construction Third Engineering Bureau Corp., Ltd.) ("CCTEB")

On 22 July 2010 a joint venture formation cooperation agreement was entered into between CCTEB (a subsidiary of CSCECL) and SCOCL whereby CCTEB and SCOCL shall form a Wuhan joint venture (the "Wuhan JV") on a 70:30 basis for the construction of and investment in Wuhan Infrastructure Project (involves the construction of the Wuchang section and the Hanyang section of Wuhan No. 2 Circle Line (武漢二環線武昌段和漢陽段) locate in Wuhan, PRC).

The registered capital of the Wuhan JV shall be RMB300 million (approximately HK$341 million). CCTEB and SCOCL will respectively pay into the Wuhan JV RMB210 million (approximately HK$239 million) and RMB90 million (approximately HK$102 million) in cash in proportion to their respective equity interests in the Wuhan JV before 15 August 2010. Such amount of registered capital is determined after arm's length negotiations between the parties with reference to their proposed capital requirements of the Wuhan Infrastructure Project.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the Transaction are less than 5%, the Transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under the Listing Rules.

Details of the Wuhan JV were disclosed in an announcement dated 22 July 2010.

A.3 Sale and Purchase of 15% Interests in Omar Property Development Co., Ltd. ("Omar")

On 30 September 2010, Peak Top Enterprises Limited ("Peak Top", an indirect wholly-owned subsidiary of China Overseas Land & Investment Ltd. ("COLI", an associate of the Company)) and China Construction Engineering (Macau) Company Limited ("CCE (Macau)", an indirect wholly-owned subsidiary of the Company) entered into an Agreement (the "Agreement"), pursuant to which CCE (Macau) agreed to purchase, and Peak Top agreed to sell, the Sale Interest (15% interest in the entire registered capital in Omar, an indirect wholly owned subsidiary of COLI) and the Shareholder's Loan (an amount of approximately HK$100 million, being 15% of the total shareholder's loan of Omar) for a cash consideration of approximately HK$264 million.

Omar owns the entire interest in the Land (situated at Macau) which is held for future development of a residential property project with a total estimated gross floor area of approximately 72,000 square metres.

Since the applicable percentage ratios pursuant to the Listing Rules calculated in respect of the Agreement are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirements under the Listing Rules.

Details of sale and purchase of 15% interests in Omar were disclosed in an announcement dated 30 September 2010.

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

B.1 Acquisition of The Investment Interests in 陽泉市陽五高速公路投資管理有限公司 (Yangquan Yangwu Expressway Investment Management Limited) (the "Project Company")

On 7 May 2010, CSCECL and the Company entered into an Agreement (the "Agreement"), pursuant to which the Company shall acquire from CSCECL its investment interests (comprising the entire registered capital and all the related shareholder's loan) in the Project Company for a consideration of RMB1,280 million (approximately HK$1,455 million). The principal activities of the Project Company are investment in and operation, repair and maintenance and construction of, the Yangquan Yangwu Expressway (Yangquan to Yu Xian section) (陽泉陽五高速公路(陽泉至盂縣段)), located in the PRC.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the Agreement are more than 2.5% but less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

A circular dated 28 May 2010 containing details of the Acquisition of the investment interests in the Project Company has been dispatched to the shareholders of the Company. The Acquisition was duly approved by independent shareholders of the Company at an extraordinary general meeting held on 21 June 2010.

B.2 Acquisition of China Overseas Technology Holdings Limited ("COTHL")

On 30 September 2010, China Overseas Road & Bridge Holdings Limited ("CORB", an indirect wholly-owned subsidiary of COLI) and Ever Power Group Limited ("Ever Power", an indirect wholly-owned subsidiary of the Company) entered into an Agreement (the "Agreement"), pursuant to which Ever Power shall acquire and CORB shall sell or procure to sell the entire interest in COTHL (being 100% of the issued share capital of COTHL) and the Loan (the loan owing by COTHL to COLI Group of an amount of approximately HK$910 million) for a cash consideration of HK$1,690 million.

COTHL, through its subsidiary, owns a 65% equity interest in 南京長江第二大橋有限責任公司 (Nanjing Changjiang Second Bridge Company Limited) ("Changjiang Second Bridge Company"). The remaining 35% equity interest in Changjiang Second Bridge Company is owned by an independent third party. Changjiang Second Bridge Company is engaged mainly in the construction, operation and management of 南京長江第二大橋 (Nanjing No. 2 Yangtze River Bridge) located at Nanjing city in the PRC.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the Agreement are more than 5% but less than 25%, the Transaction constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

A circular dated 19 October 2010 containing details of the Acquisition of COTHL has been dispatched to the shareholders of the Company. The Acquisition was duly approved by independent shareholders of the Company at an extraordinary general meeting held on 5 November 2010.

C. Continuing connected transactions under the Listing Rules

C.1 Master Dubai Construction Agreement

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

On 19 November 2007, the Company entered into a Master Dubai Construction Agreement with CSCEC. Pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company and payment of fee, tender for and/or enter into contracts in construction works in Dubai, provided that the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2010 shall not exceed HK$5,000 million (the relevant fee thereon calculated on 2.5% basis (i.e. the "Cap") would be HK$125 million).

The Fee receivable under the Master Dubai Construction Agreement is less than 2.5% of the applicable percentage ratios calculated pursuant to the Listing Rules. Owing to the Non-Competition Undertaking, the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements.

A circular dated 30 November 2007 containing details of the Master Dubai Construction Agreement has been dispatched to shareholders of the Company. The Master Dubai Construction Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 December 2007.

For the year ended 31 December 2010, there was no contract in Dubai awarded to the CSCEC Group and the relevant fee thereon calculated under the Master Dubai Construction Agreement was nil.

C.2 Sub-construction Engagement Agreement

On 2 April 2009, the Company and CSCECL entered into a Sub-construction Engagement Agreement, whereby: (i) the Group may engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and the United Arab Emirates upon successful tender for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$1,000 million, for each of the two financial years ending 31 December 2011 shall not exceed HK$2,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$1,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and (ii) the CSCECL Group may engage the Group as construction sub-contractor in the PRC upon successful tender for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$4,000 million, for each of the two financial years ending 31 December 2011 shall not exceed HK$4,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$2,000 million (i.e. the CSC Sub-construction Engagement Cap).

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

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

For the year ended 31 December 2010, the total contract sum awarded by the Group to the CSCECL Group under the Sub-construction Engagement Agreement (i.e. CSCECL Sub-construction Engagement Cap) was HK$1,376,605,090. There was no contract awarded by the CSCECL Group to the Group under the Sub-construction Engagement Agreement (i.e. the CSC Sub-construction Engagement Cap).

C.3 CSC Group Engagement Agreement

In November 2005, the Group entered into various construction engagement agreements with COLI Group. Pursuant to the construction engagement agreements the Group may tender for COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time for a term of three years commencing from 1 January 2006 to 31 December 2008.

As the aforesaid construction engagement agreements expired on 31 December 2008, the directors of COLI expect that the COLI Group will invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time. In this connection, on 2 April 2009, the Company and COLI entered into a new engagement agreement ("CSC Group Engagement Agreement") for a term of three years commencing from 1 July 2009 and ending on 30 June 2012. Pursuant to the CSC Group Engagement Agreement, the aggregate amount of total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK$1,000 million, for each of the two years ending 31 December 2011 shall not exceed HK$2,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK$1,000 million (i.e. the CSC Group Engagement Cap).

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

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

For the year ended 31 December 2010, the total contract sum awarded to the Group under the CSC Group Engagement Agreement was HK$1,626,963,495.

C.4 Master Security Services Agreement

On 15 May 2006, the Company and China Overseas Security Services Limited ("COS", an indirect wholly owned subsidiary of COLI) entered into a master security services agreement, whereby COS agreed to provide security services to the Group up to the end of 31 December 2008.

As the said master security agreement with COS expired on 31 December 2008, the Company and COLI has entered into a new Master Security Services Agreement.

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

Under the Master Security Services Agreement, the Group will invite members of the COLI group which hold the relevant licenses to provide security services in Hong Kong to participate in competitive tender for the security services to the work sites of the Group in Hong Kong from time to time.

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

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

For the year ended 31 December 2010, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK$26,037,390.

C.5 Master Lease Agreement

On 15 May 2006, On Success Development Limited (a subsidiary of COLI) entered into a master tenancy agreement with China State Construction Limited ("CSCL", an indirect wholly owned subsidiary of the Company), whereby CSCL agreed to lease certain properties located at China Overseas Building (139 Hennessy Road, Wanchai, Hong Kong) as offices of the Group up to the end of 30 June 2009.

As the said master tenancy agreement expired on 30 June 2009, the Company and COLI have entered into a Master Lease Agreement to replace such previous master tenancy agreement, taking into account any additional properties owned by COLI Group that may leased by the Group from the COLI Group.

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

The maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the Group to the COLI Group for each year/period under the Master Lease Agreement, i.e. the Lease Cap, is less than 2.5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Master Lease

Agreement is subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement.

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

For the year ended 31 December 2010, the aggregate amount made by the Group to the COLI Group under the Master Lease Agreement amounted to HK$10,416,900.

C.6 Agreement in relation to Connection Services for Heating Pipes

On 18 June 2010, COLI and the Company entered into the Agreement ("Agreement"), pursuant to which the Company (through Shenyang Huanggu Thermoelectricity Company Limited 瀋陽皇姑熱電有限公司 "SHTCL", a wholly-owned subsidiary of the Company) shall provide connection services for heating pipes for the real estate project(s) located in Shenyang and developed by COLI ("Project(s)"), commencing on 1 July 2010 and ending on 31 December 2012.

The maximum contract sums awarded by COLI to the Company under the Agreement for the period between 1 July 2010 and 31 December 2010 shall not exceed HK$100,000,000, for the period between 1 January 2011 and 31 December 2011 shall not exceed HK$150,000,000, and for the period between 1 January 2012 and 31 December 2012 shall not exceed HK$150,000,000 (i.e. the Cap).

The applicable percentage ratios pursuant to the Listing Rules in relation to the Agreement are less than 5%; therefore, the Transactions are subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirement.

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

For the period between 1 July 2010 and 31 December 2010, the total contract sum awarded to the Group under the Agreement was HK$72,499,706.

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

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

(ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 77 to 84 of this Annual Report in accordance with rule 14A.38 of the Listing Rule. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The conclusion in the said auditor's letter is as follows:

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

(2) for transactions involving the provision of goods or services by the Group, noting has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out in pages 77 to 84, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 2 April 2009 and 18 June 2010 and circulars dated 30 November 2007 and 23 April 2009, made by the Company in respect of each of the disclosed continuing connected transactions.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 173, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 18 March 2011

Consolidated Income Statement

For The Year Ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Group revenue	7	**11,982,871**	9,706,121
Share of revenue of jointly controlled entities	7	**1,983,966**	2,966,949
		13,966,837	12,673,070
Group revenue	7	**11,982,871**	9,706,121
Costs of sales		**(10,667,017)**	(8,956,579)
Gross profit		**1,315,854**	749,542
Investment income	9	**85,580**	42,790
Other income	10	**83,623**	88,478
Gain on fair value changes of investment in convertible bonds		**19,686**	–
Administrative expenses		**(466,766)**	(355,723)
Distribution and selling expenses		**(4,736)**	(9,843)
Other expenses		**(26,386)**	(22,319)
Share of profits of associates		**20,419**	11,592
Share of profits of jointly controlled entities		**321,745**	309,310
Finance costs	11	**(15,552)**	(12,956)
Profit before tax		**1,333,467**	800,871
Income tax expense	14	**(213,218)**	(72,390)
Profit for the year	15	**1,120,249**	728,481
Attributable to:			
Owners of the Company		**1,036,278**	674,066
Non-controlling interests		**83,971**	54,415
		1,120,249	728,481
			(restated)
Earnings per share (HK cents)	17		
Basic		**34.99**	24.92
Diluted		**34.06**	24.06

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2010

	2010 **HK$'000**	2009 HK$'000 (restated)
Profit for the year	**1,120,249**	728,481
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**93,789**	(18,946)
(Loss) gain on fair value changes of available-for-sale investments	**(9,265)**	15,880
Reclassification adjustment on sale of available-for-sale investments	**–**	639
Other comprehensive income (expense) for the year	**84,524**	(2,427)
Total comprehensive income for the year	**1,204,773**	726,054
Total comprehensive income attributable to:		
Owners of the Company	**1,112,594**	671,639
Non-controlling interests	**92,179**	54,415
	1,204,773	726,054

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Non-current Assets				
Property, plant and equipment	18	**1,454,445**	1,122,980	1,105,066
Investment properties	19	**42,038**	43,031	44,692
Investment in lands consolidation	20	**–**	–	49,814
Interests in infrastructure project investments	21	**673,575**	553,762	466,876
Prepaid lease payments	22	**172,258**	76,551	78,536
Interests in associates	23	**34,552**	35,175	41,258
Interests in jointly controlled entities	24	**2,350,893**	1,981,995	1,859,274
Intangible asset	25	**9,950**	9,950	–
Concession operating rights	26	**4,046,058**	1,058,730	32,698
Available-for-sale investments	27	**396,953**	116,179	98,169
Investment in convertible bonds	28	**219,686**	–	–
Amounts due from investee companies	29	**362,247**	250,142	181,940
		9,762,655	5,248,495	3,958,323
Current Assets				
Interests in infrastructure project investments	21	**19,244**	15,808	15,783
Prepaid lease payments	22	**4,236**	2,243	2,238
Inventories	30	**117,711**	43,784	53,967
Properties held for sale		**8,130**	7,859	9,310
Amounts due from customers for contract work	31	**194,281**	497,537	448,083
Trade and other receivables	32	**4,163,430**	3,065,264	3,274,038
Deposits and prepayments		**282,947**	377,020	311,041
Amounts due from jointly controlled entities	33	**220,567**	89,326	135,336
Amounts due from fellow subsidiaries	34	**148,096**	61,673	118,165
Amount due from immediate holding company	34	**–**	–	22,149
Amount due from intermediate holding company	34	**17,863**	25,364	122,565
Tax recoverable		**4,099**	4,411	2,412
Pledged bank deposits	35	**6,420**	14,905	16,689
Deposits with financial institutions	35	**1,639**	1,446	177
Bank balances and cash	35	**3,728,104**	5,857,851	2,383,921
		8,916,767	10,064,491	6,915,874

Consolidated Statement of Financial Position (Continued)

At 31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Current Liabilities				
Amounts due to customers for contract work	31	**692,965**	476,241	243,426
Trade and other payables	36	**4,116,911**	3,150,047	3,252,561
Deposits received and receipt in advance		**688,845**	635,011	591,508
Amounts due to jointly controlled entities	33	**326,041**	540,699	583,029
Amounts due to fellow subsidiaries	34	**958,600**	2,095,389	2,147,494
Amount due to immediate holding company	34	**157,000**	–	–
Amount due to intermediate holding company	34	**1,130,294**	474,142	591,609
Amount due to an associate	34	**49,245**	25,211	10,139
Tax liabilities		**112,362**	89,593	75,049
Borrowings	37	**–**	249,100	377,303
		8,232,263	7,735,433	7,872,118
Net Current Assets (Liabilities)		**684,504**	2,329,058	(956,244)
Total Assets less Current Liabilities		**10,447,159**	7,577,553	3,002,079
Capital and Reserves				
Share capital	38	**74,486**	73,864	61,119
Share premium and reserves		**4,544,964**	3,435,962	1,604,757
Equity attributable to owners of the Company		**4,619,450**	3,509,826	1,665,876
Non-controlling interests		**3,950**	154,164	99,749
		4,623,400	3,663,990	1,765,625
Non-current Liabilities				
Deferred income	40	**244,047**	180,480	165,320
Deferred tax liabilities	41	**228,813**	93,219	71,134
Borrowings	37	**2,880,362**	1,936,286	1,000,000
Loans from intermediate holding company	42	**2,470,537**	1,703,578	–
		5,823,759	3,913,563	1,236,454
		10,447,159	7,577,553	3,002,079

The consolidated financial statements on pages 87 to 173 were approved and authorised for issue by the board of directors on 18 March 2011 and are signed on its behalf by:

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2010

	Attributable to owners of the Company											
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note a)	**Capital redemption reserve** HK$'000 (note b)	**Share option reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Translation reserve** HK$'000	**Statutory reserve** HK$'000 (note d)	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2009												
As previously stated	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
Effect of combinations under common control (note 1)	–	–	(978,878)	–	–	–	39,137	–	82,360	(857,381)	99,749	(757,632)
As restated	61,119	1,004,848	(1,473,655)	337	5,252	(12,131)	160,843	11,556	1,907,707	1,665,876	99,749	1,765,625
Profit for the year (as restated)	–	–	–	–	–	–	–	–	674,066	674,066	54,415	728,481
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	15,880	–	–	–	15,880	–	15,880
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(18,946)	–	–	(18,946)	–	(18,946)
Reclassification adjustment on sale of available-for-sale investments	–	–	–	–	–	639	–	–	–	639	–	639
Total comprehensive income for the year	–	–	–	–	–	16,519	(18,946)	–	674,066	671,639	54,415	726,054
Issue of ordinary shares upon exercise of share options and warrants	504	5,576	–	–	(1,234)	–	–	–	–	4,846	–	4,846
Issue of ordinary shares on rights issue	12,241	1,353,853	–	–	–	–	–	–	–	1,366,094	–	1,366,094
Share issue expenses	–	(12,971)	–	–	–	–	–	–	–	(12,971)	–	(12,971)
Recognition of equity-settled share based payments	–	–	–	–	934	–	–	–	–	934	–	934
2008 final dividend paid	–	–	–	–	–	–	–	–	(80,782)	(80,782)	–	(80,782)
2009 interim dividend paid	–	–	–	–	–	–	–	–	(105,810)	(105,810)	–	(105,810)
Transfer to statutory reserve	–	–	–	–	–	–	–	1,447	(1,447)	–	–	–
At 31 December 2009 (restated)	73,864	2,351,306	(1,473,655)	337	4,952	4,388	141,897	13,003	2,393,734	3,509,826	154,164	3,663,990

For The Year Ended 31 December 2010

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note a)	Capital redemption reserve HK$'000 (note b)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (note d)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Profit for the year	–	–	–	–	–	–	–	–	1,036,278	1,036,278	83,971	1,120,249
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(9,265)	–	–	–	(9,265)	–	(9,265)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	85,581	–	–	85,581	8,208	93,789
Total comprehensive income for the year	–	–	–	–	–	(9,265)	85,581	–	1,036,278	1,112,594	92,179	1,204,773
Issue of ordinary shares upon exercise of share options	622	6,738	–	–	(1,524)	–	–	–	–	5,836	–	5,836
Recognition of equity-settled share based payments	–	–	–	–	362	–	–	–	–	362	–	362
2009 final dividend paid	–	–	–	–	–	–	–	–	(103,570)	(103,570)	–	(103,570)
2010 interim dividend paid	–	–	–	–	–	–	–	–	(147,991)	(147,991)	–	(147,991)
Transfer to statutory reserve	–	–	–	–	–	–	–	6,543	(6,543)	–	–	–
Transfer from non-controlling interests (note c)	–	–	–	–	–	–	35,712	–	206,681	242,393	(242,393)	–
At 31 December 2010	74,486	2,358,044	(1,473,655)	337	3,790	(4,877)	263,190	19,546	3,378,589	4,619,450	3,950	4,623,400

Notes:

(a) Special reserve as at 1 January 2009 arose from the combinations of China State Construction Engineering (Hong Kong) Limited, Zetson Enterprises Limited and its subsidiaries, China Construction Engineering (Macau) Company Limited and its subsidiaries, China Overseas Insurance Limited, China Overseas Insurance Services Limited, COHL (Macao) Commercial and Industrial Company Limited, 深圳中海建築有限公司 and its subsidiary, China Overseas Public Utility Investment Limited and its subsidiaries, Fuller Sky Enterprises Limited, Value Idea Investments Limited, 陽泉市陽五高速公路投資管理有限公司 ("陽五高速") and China Overseas Technology Holdings Limited and its subsidiaries ("COTHL") under common control. The amount represents excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders.

(b) The ordinary shares of the Company were repurchased out of the Company's retained profits during the year ended 31 December 2008, the amount by which the Company's issued share capital was diminished on cancellation of the shares repurchased was transferred to the capital redemption reserve.

(c) Upon the completion of common control combinations by transferring the entire interests of COTHL in 2010, COTHL became the wholly-owned subsidiary of the Company and the amounts of translation reserve and retained profits attributable to the non-controlling interests of China Overseas Road and Bridge Holdings Limited ("CORB"), a former holding company of COTHL was transferred to the translation reserve and retained profits of the Group in 2010.

(d) Statutory reserve of the Group represents general and development fund reserve applicable to the overseas and the People's Republic of China subsidiaries which were established in accordance with the relevant regulations.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2010

	2010 HK$'000	2009 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	**1,333,467**	800,871
Adjustments for:		
Finance costs	**15,552**	12,956
Investment income	**(85,580)**	(42,790)
Gain on disposal of property, plant and equipment	**(12,540)**	(576)
Gain on fair value changes of investment in convertible bonds	**(19,686)**	–
Allowance for doubtful debts on trade and other receivables	**2,943**	5,175
Share of profits of associates	**(20,419)**	(11,592)
Share of profits of jointly controlled entities	**(321,745)**	(309,310)
Depreciation of property, plant and equipment	**76,659**	84,754
Depreciation of investment properties	**1,052**	1,665
Exchange gain (net)	**(26,466)**	(17,636)
Amortisation of prepaid lease payments	**3,516**	2,091
Share-based payment expenses	**362**	934
Waiver of amount due to a partner of a jointly controlled entity	**–**	(18,483)
Operating cash flows before movements in working capital	**947,115**	508,059
Increase in income receivables from infrastructure project investments	**(19,106)**	(5,910)
Increase in concession operating rights	**(2,756,342)**	(988,487)
(Increase) decrease in inventories	**(40,905)**	10,183
Decrease in properties held for sales	**–**	1,471
Decrease (increase) in amounts due from customers for contract work	**303,256**	(49,454)
(Increase) decrease in trade and other receivables	**(677,451)**	207,094
Decrease (increase) in deposits and prepayments	**130,671**	(65,979)
(Increase) decrease in amounts due from fellow subsidiaries	**(86,423)**	56,492
Increase (decrease) in amount due from (to) intermediate holding company	**1,083,467**	(20,266)
Increase in amounts due to customers for contract work	**273,241**	260,582
Increase (decrease) in trade and other payables	**712,363**	(106,563)
Increase in deposits received and receipt in advance	**36,831**	43,503
Increase in amounts due to fellow subsidiaries	**100,284**	8,846
Increase in amount due to an associate	**24,034**	15,072
Increase in deferred income	**65,859**	16,095
Cash generated from (used in) operations	**96,894**	(109,262)
Income taxes paid	**(55,871)**	(37,801)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**41,023**	(147,063)

Consolidated Statement of Cash Flows (Continued)

For The Year Ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
INVESTING ACTIVITIES			
Interest received		**37,570**	17,692
Purchase of property, plant and equipment		**(364,538)**	(133,375)
Proceeds from disposal of property, plant and equipment		**14,862**	5,101
(Advance to) repayment from jointly controlled entities		**(119,673)**	46,010
Repayment from immediate holding company		**–**	22,149
Decrease in pledged bank deposits		**8,485**	1,784
Increase in deposits with financial institutions		**(193)**	(1,269)
Dividends received from associates		**21,042**	17,675
Dividends received from jointly controlled entities		**641,319**	296,676
Dividends received from unlisted available-for-sale investments		**34,951**	5,971
Dividends received from listed available-for-sale investments		**1,654**	4
Acquisition of unlisted available-for-sale investments		**(162,488)**	–
Acquisition of listed available-for-sale investments		**(123,863)**	(3,084)
Proceeds from disposal of a jointly controlled entity		**–**	34,009
Proceeds from disposal of listed available-for-sale investments		**–**	12,334
Increase in prepaid lease payments		**(86,821)**	–
Increase in interests in infrastructure project investments		**(104,143)**	(81,001)
Decrease in investment in lands consolidation		**–**	49,814
Advance to investee companies		**(101,990)**	(76,358)
Capital return upon deregistration of a subsidiary		**–**	11,764
Acquisition of subsidiaries	43	**44,342**	(7,966)
Investment in convertible bonds		**(200,000)**	–
Increase in loan receivables		**(352,568)**	–
Additional contribution to a jointly controlled entity		**(612,893)**	(141,965)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,424,945)**	75,965
FINANCING ACTIVITIES			
Finance cost paid		**(209,708)**	(50,449)
Dividend paid to owners of the Company		**(251,561)**	(186,592)
Repayment to jointly controlled entities		**(214,658)**	(23,847)
Payment to intermediate holding company pursuant to common control combination		**(1,471,264)**	–
Payment to a fellow subsidiary pursuant to common control combination		**(845,000)**	–
Loans from intermediate holding company		**707,698**	1,703,578
Advance from intermediate holding company		**1,051,450**	–
Advance from immediate holding company		**157,000**	–
Repayment to fellow subsidiaries		**(392,073)**	(60,951)
Repayment of other borrowings		**(259,244)**	(21,591)
New bank loan raised		**1,944,076**	1,738,624
Repayment of bank loan		**(1,000,000)**	(909,091)
Share issue expenses paid		**–**	(12,971)
Proceeds from issue of ordinary shares		**5,836**	4,846
Proceeds from issue of ordinary shares on rights issue		**–**	1,366,094
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(777,448)**	3,547,650

Consolidated Statement of Cash Flows *(Continued)*

For The Year Ended 31 December 2010

	2010 **HK$'000**	2009 HK$'000 (restated)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,161,370)**	3,476,552
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**5,857,851**	2,383,921
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**31,623**	(2,622)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3,728,104**	5,857,851
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**3,728,104**	5,857,851

1. General and Basis of Preparation of Consolidated Financial Statements

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 25 March 2004 under the Companies Law, Chap 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 (the "SEHK") with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited ("COHL") (incorporated in Hong Kong) and its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited ("CSCECL"), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation ("CSCEC"), respectively, both of which are established in the People's Republic of China ("PRC") and controlled by the PRC Government. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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, manufacturing and trading of asphalts and infrastructure project investments. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 51, 23 and 24, respectively.

Common Control Combination

On 7 May 2010, the Company had entered into a sale and purchase agreement with CSCECL, whereby the Company shall acquire the entire paid capital and all the related shareholder's loan of 陽泉市陽五高速公路投資管理有限公司 ("陽五高速") for a cash consideration of RMB1,280,000,000 (equivalent to HK$1,471,264,000). 陽五高速 is engaged in the construction, operation, repair and maintenance of the Yangquan Yangwu Expressway and holds the concession operating rights related to Yangquan Yangwu Expressway.

On 30 September 2010, Ever Power Group Limited ("Ever Power"), an indirect wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement with CORB, an indirect wholly-owned subsidiary of China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company whose shares are listed on the SEHK, whereby Ever Power shall acquire the entire issued share capital and the loan amount of COTHL at a cash consideration of HK$1,690,000,000. COTHL and its subsidiaries are engaged in infrastructure business and also own 65% equity interest in a jointly controlled entity, Nanjing Changjiang Second Bridge Company Limited, which is principally engaged in the operation and management of a toll bridge at Nanjing in the PRC.

All transfers were completed during the year ended 31 December 2010. The transfer of the entire interests in 陽五高速 and COTHL (the "Acquired Companies") as mentioned above were common control combinations. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2010 had 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 Acquired Companies had been combined from the date when the Acquired Companies first came under the control of the controlling party of the Group and Acquired Companies. The comparative figures of the consolidated financial statements have been restated. The application of Accounting Guideline 5 is consistent with the Group's previous common control combinations in previous financial years.

1. General and Basis of Preparation of Consolidated Financial Statements *(continued)*

Change in accounting policy

In prior years, investments in jointly controlled entities were accounted for using the proportionate consolidation method in the consolidated financial statements prepared under Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA. In the consolidated financial statements for the year ended 31 December 2010, in order to align with the accounting policy for such investments adopted by the intermediate holding company, CSCECL, the Group has decided to adopt the equity method to account for its investments in jointly controlled entities which is also applied by COTHL and its subsidiaries in their consolidated financial statements prior to being acquired by the Group.

In previous years, the Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities were combined with the Group's similar line items, line by line, in the consolidated financial statements in accordance with the proportionate consolidation method. Under the equity method adopted in current year, interests in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. The change in accounting policy has been applied retrospectively and there is no effect on the opening net assets, retained profits nor the profit or loss for the periods presented.

The effects of the combination of Acquired Companies and the change in accounting policies on the results of the Group for the year ended 31 December 2009 and the financial position of the Group at 1 January 2009 and 31 December 2009 are summarised below.

	For the year ended 31 December 2009 HK$'000 (previously stated)	Combination of Acquired Companies HK$'000	Change in accounting policies HK$'000	For the year ended 31 December 2009 HK$'000 (restated)
Group revenue	11,341,998	882,096	(2,517,973)	9,706,121
Costs of sales	(10,349,096)	(882,096)	2,274,613	(8,956,579)
Gross profit	992,902	–	(243,360)	749,542
Share of profits of jointly controlled entities	–	125,668	183,642	309,310
Other income and expenses	(270,822)	(9,718)	22,559	(257,981)
Profit before tax	722,080	115,950	(37,159)	800,871
Income tax expense	(109,549)	–	37,159	(72,390)
Profit for the year	612,531	115,950	–	728,481
Attributable to:				
Owners of the Company	612,531	61,535	–	674,066
Non-controlling interests	–	54,415	–	54,415
	612,531	115,950	–	728,481

1. General and Basis of Preparation of Consolidated Financial Statements *(continued)*

Change in accounting policy *(continued)*

	At 1 January 2009 HK$'000 (previously stated)	Combination of Acquired Companies HK$'000	Combination adjustments HK$'000 (note)	Change in accounting policies HK$'000	At 1 January 2009 HK$'000 (restated)	At 31 December 2009 HK$'000 (previously stated)	Combination of Acquired Companies HK$'000	Combination adjustments HK$'000 (note)	Change in accounting policies HK$'000	At 31 December 2009 HK$'000 (restated)
Non-current assets										
Property, plant and equipment	1,107,275	1,921	–	(4,130)	1,105,066	1,121,324	4,436	–	(2,780)	1,122,980
Interests in infrastructure project investments	466,876	–	–	–	466,876	1,050,040	–	–	(496,278)	553,762
Investments in jointly controlled entities	–	1,346,296	–	512,978	1,859,274	–	1,373,040	–	608,955	1,981,995
Concession operating rights	–	32,698	–	–	32,698	–	1,058,730	–	–	1,058,730
Other non-current assets	494,409	–	–	–	494,409	531,028	–	–	–	531,028
	2,068,560	1,380,915	–	508,848	3,958,323	2,702,392	2,436,206	–	109,897	5,248,495
Current assets										
Interests in infrastructure project investments	15,783	–	–	–	15,783	15,808	–	–	–	15,808
Amounts due from customers for contract work	506,385	–	–	(58,302)	448,083	539,294	–	–	(41,757)	497,537
Trade and other receivables	3,703,163	3,685	–	(432,810)	3,274,038	3,398,325	7,761	–	(340,822)	3,065,264
Bank balances and cash	1,900,169	634,857	–	(151,105)	2,383,921	5,746,573	503,537	–	(392,259)	5,857,851
Other current assets	789,604	246,181	–	(241,736)	794,049	757,090	208,449	–	(337,508)	628,031
	6,915,104	884,723	–	(883,953)	6,915,874	10,457,090	719,747	–	(1,112,346)	10,064,491
Current liabilities										
Amounts due to customers for contract work	301,089	–	–	(57,663)	243,426	505,449	–	–	(29,208)	476,241
Trade and other payables	3,690,426	34,845	–	(472,710)	3,252,561	3,552,277	77,102	–	(479,332)	3,150,047
Amounts due to intermediate holding company	86,583	85,212	419,814	–	591,609	–	54,328	419,814	–	474,142
Amount due to fellow subsidiaries	4,270	1,361,841	781,383	–	2,147,494	13,316	1,300,690	781,383	–	2,095,389
Other current liabilities	1,141,512	340,175	–	155,341	1,637,028	1,204,450	227,143	–	108,021	1,539,614
	5,223,880	1,822,073	1,201,197	(375,032)	7,872,118	5,275,492	1,659,263	1,201,197	(400,519)	7,735,433
Net current assets (liabilities)	1,691,224	(937,350)	(1,201,197)	(508,921)	(956,244)	5,181,598	(939,516)	(1,201,197)	(711,827)	2,329,058
Total assets less current liabilities	3,759,784	443,565	(1,201,197)	(73)	3,002,079	7,883,990	1,496,690	(1,201,197)	(601,930)	7,577,553
Total capital and non-controlling interests	2,523,257	443,565	(1,201,197)	–	1,765,625	4,304,782	560,405	(1,201,197)	–	3,663,990
Non-current liabilities	1,236,527	–	–	(73)	1,236,454	3,579,208	936,285	–	(601,930)	3,913,563
	3,759,784	443,565	(1,201,197)	(73)	3,002,079	7,883,990	1,496,690	(1,201,197)	(601,930)	7,577,553

Note: The combination adjustments represent the elimination of the excess of the consideration paid over the loans amounting to HK$1,960,067,000 due to former shareholders of the Acquired Companies.

2. Application of New and Revised Hong Kong Financial Reporting Standards/Changes in Accounting Policies

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in those consolidated financial statements.

HKFRS 3 (as revised in 2008) "Business Combinations"

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

2. Application of New and Revised Hong Kong Financial Reporting Standards/Changes in Accounting Policies *(continued)*

HKFRS 3 (as revised in 2008) "Business Combinations" *(continued)*

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The adoption of HKFRS 3 (as revised in 2008) has had no material impact on the reported results or financial position of the Group for the current accounting year.

Amendments to HKAS 17 "Leases"

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases, and considered that the application of which has had no impact on the reported results or financial position of the Group for the current or prior accounting years.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int – 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int – 5, term loans with a repayment on demand clause are classified as current liabilities.

The Group reassessed the repayment clauses of outstanding term loans as at 1 January 2009, 31 December 2009 and 31 December 2010 and concluded that the outstanding term loans are not subject to any repayment on demand clauses and accordingly, the application of HK Int-5 has had no impact on the reported results or financial position of the Group for the current or prior accounting years.

2. Application of New and Revised Hong Kong Financial Reporting Standards/Changes in Accounting Policies *(continued)*

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 February 2010.
7 Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards/Changes in Accounting Policies *(continued)*

New and revised Standards and Interpretations issued but not yet effective *(continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets.

The amendments to HKFRS 7 titled "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 "Related Party Disclosures (as revised in 2009)" modifies the definition of a related party and simplifies disclosures for government-related entities.

A government-related entity as defined in HKAS 24 (Revised) is exempt from some of the detailed disclosure requirements in relation to certain transactions and outstanding balances (including commitments) between the entity and a government that has control, joint control or significant influence over the entity; and between the entity and another entity over which the same government has control, joint control or significant influence. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The directors of the Company anticipate that the application of 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 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.

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.

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 in line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

3. Principal Accounting Policies *(continued)*

Business combinations *(continued)*

Common control combinations (continued)

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

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

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

Business combinations other than common control combinations

Business combinations that took place on or after 1 January 2010

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. Principal Accounting Policies *(continued)*

Business combinations *(continued)*

Business combinations other than common control combinations (continued)

Business combinations that took place on or after 1 January 2010 *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interests in the acquiree was initially measured at the non-controlling interests proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

3. Principal Accounting Policies *(continued)*

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, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and building

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

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

3. Principal Accounting Policies (continued)

Investment properties

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

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

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

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not joint control over those policies.

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, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Principal Accounting Policies *(continued)*

Investments in associates *(continued)*

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

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the items. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the 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 results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are initial recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Principal Accounting Policies *(continued)*

Joint ventures *(continued)*

Jointly controlled entities (continued)

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

Investment in lands consolidation

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

Interests in infrastructure project investments

Interests in infrastructure project investments represent investments in joint ventures whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The venturers' share of net assets are not in proportion to their capital contribution ratios but are as defined in the contracts. 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 investments are classified as loans and receivables in accordance with HKAS 39 and are stated at amortised cost using effective interest method. The carrying amount of such interests is reduced to recognise any identified impairment losses of individual investments.

Intangible assets

Intangible assets acquired separately and with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Concession operating rights

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

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

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

3. Principal Accounting Policies *(continued)*

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 financial assets at fair value through profit or loss ("FVTPL"), 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 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including investment in lands consolidation, interests in infrastructure project investments, amounts due from investee companies, trade and other receivables, amounts due from jointly controlled entities, fellow subsidiaries, immediate holding company and intermediate 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).

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to 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 the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 and observable changes in national or local economic conditions that correlate with default on receivables.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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 other comprehensive income and accumulated in investment revaluation reserve. 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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to jointly controlled entities, fellow subsidiaries, intermediate holding company and an associate, borrowings and loans from intermediate holding company) 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 other comprehensive income and accumulated 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, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the granter, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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.

3. Principal Accounting Policies *(continued)*

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 end of the reporting period, 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 the amount can be measured reliably and its receipt is considered probable.

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

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

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and 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 consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Borrowing costs

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

All other borrowing costs are recognised as expense and included in finance costs in consolidated income statement in the year in which they are incurred.

3. Principal Accounting Policies *(continued)*

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Deferred income

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

3. Principal Accounting Policies *(continued)*

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans or state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

3. Principal Accounting Policies *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions (continued)

Share options granted to consultants

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

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 year. 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 end of the reporting period.

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. 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 associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. Principal Accounting Policies *(continued)*

Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Revenue recognition

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

Construction contracts

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

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

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

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

Dividend income

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

3. Principal Accounting Policies *(continued)*

Revenue recognition *(continued)*

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, steam and electricity

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

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 investments

Income from infrastructure project investments 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.

Toll Revenue

Toll revenue from the operation of toll expressways is recognised at the time of usage and when the tolls are received and receivable.

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.

Revenue from sale of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Deposits and instalments received from purchasers prior to meet revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management makes various 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 end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the percentage of completion and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

(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 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.

(d) Estimated impairment of intangible assets with indefinite useful lives arising from the acquisition of a subsidiary

Determining the recoverable amounts of the construction licences with indefinite useful lives arising from the acquisition of a subsidiary, which is included in the consolidated statement of financial position as at 31 December 2010 at HK$9,950,000 requires an estimation of the economic benefits generated from the acquired construction licenses. Management is confident that the carrying amount of the intangible assets will be recovered in full based on the results of assessment of the estimates of anticipated cash flow generated by the construction licenses. The situation will be closely monitored, and adjustments for impairment will be made in future periods if there is an indication of such adjustments are appropriate.

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

(e) Estimated impairment of concession operation rights

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

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

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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings and loans from intermediate holding company disclosed in notes 37 and 42, respectively, and equity attributable to owners 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 buy-backs as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

6a. Categories of financial instruments

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Financial assets			
Loans and receivables (including cash and cash equivalents)	**9,341,185**	9,935,541	6,787,453
Investment in convertible bonds classified as financial assets at FVTPL	**219,686**	–	–
Available-for-sale investments	**396,953**	116,179	98,169
Financial liabilities			
Financial liabilities at amortised cost	**12,078,905**	10,166,657	7,955,275

6. Financial Instruments *(continued)*

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 in relation to floating interest debt securities, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and borrowing rates offered by People's Bank of China arising from the Group's variable-rate borrowings. Please see note 37 for details of the borrowings.

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2009: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by HK$14,328,000 (2009: decrease/increase by HK$9,613,000).

6. Financial Instruments *(continued)*

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

i) Market risk (continued)

Price risk

The Group is exposed to price risk through its investments in listed equity securities. Unlisted equity security are also exposed to price risk though fair value cannot be measured reliably. 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 analysis below has 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% (2009: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK$11,762,000 (2009: increase/decrease by HK$536,000).

ii) Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The credit risk on investment in lands consolidation and interests in infrastructure project investments 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 investments 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, fellow subsidiaries, immediate holding company and intermediate holding company consist of a large number of parties, spread across diverse industries and geographical areas.

6. Financial Instruments (continued)

6b. Financial risk management objectives (continued)

iii) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its 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 maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate determined at the end of the reporting period.

	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
31 December 2010								
Non-interest bearing	N/A	6,134,674	164,033	203,487	203,172	22,640	6,728,006	6,728,006
Fixed interest rate instruments	4.86	60,034	60,034	1,878,682	726,167	–	2,724,917	2,470,537
Variable interest rate instruments	4.03	58,050	58,050	127,223	1,455,545	2,301,434	4,000,302	2,880,362
		6,252,758	282,117	2,209,392	2,384,884	2,324,074	13,453,225	12,078,905
31 December 2009 (restated)								
Non-interest bearing	N/A	5,793,857	176,078	155,391	131,484	20,883	6,277,693	6,277,693
Fixed interest rate instruments	4.82	69,150	269,538	82,794	1,782,288	–	2,203,770	1,952,678
Variable interest rate instruments	2.98	28,846	28,846	1,050,820	150,274	1,737,747	2,996,533	1,936,286
		5,891,853	474,462	1,289,005	2,064,046	1,758,630	11,477,996	10,166,657
1 January 2009 (restated)								
Non-interest bearing	N/A	6,172,794	127,128	212,186	59,484	6,380	6,577,972	6,577,972
Fixed interest rate instruments	6.86	31,475	359,494	–	–	–	390,969	377,303
Variable interest rate instruments	3.00	15,000	15,000	30,000	1,002,877	–	1,062,877	1,000,000
		6,219,269	501,622	242,186	1,062,361	6,380	8,031,818	7,955,275

The amounts included above for variable interest rate instruments of non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. Financial Instruments *(continued)*

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

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 in 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.

Fair value measurements recognised in the statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010		
	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial assets at FVTPL			
Investment in convertible bonds	**–**	**219,686**	**219,686**
Available-for-sale financial assets			
Listed equity and debt securities	**190,057**	**–**	**190,057**
	190,057	**219,686**	**409,743**

	31 December 2009		
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets			
Listed equity and debt securities	75,459	–	75,459

There were no transfers between Level 1 and 2 in the current and prior year.

7. Group Revenue and Share of Revenue of Jointly Controlled Entities

Group 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 investments, net amount received and receivable for precast structures, building materials and asphalts sold by the Group to outside customers, less returns and allowances and revenue from machinery leasing income and insurance contracts.

In addition, the Group presents its proportionate share of revenue of jointly controlled entities. Revenue of associates is not included.

An analysis of the Group revenue and share of revenue of jointly controlled entities for the year is as follows:

	2010 **HK$'000**	2009 HK$'000 (restated)
Revenue from construction contracts	**8,262,808**	8,098,674
Revenue from construction contracts under service concession arrangements	**2,864,791**	882,097
Revenue from project management service income	**216,882**	170,683
Revenue from supply of heat and electricity	**383,521**	354,386
Revenue from provision of connection services	**9,866**	60,604
Revenue from infrastructure project investments	**93,325**	66,137
Sales of precast structures, building materials and asphalts	**122,512**	14,194
Others	**29,166**	59,346
Group revenue	**11,982,871**	9,706,121
Share of revenue of jointly controlled entities	**1,983,966**	2,966,949
	13,966,837	12,673,070

Others mainly comprises of revenue from machinery leasing and insurance contracts.

8. Segment Information

Segment Information

The Group is currently organised into four divisions based on geographical location where the products are delivered, services are provided and the construction works are carried out – Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau, Overseas (including United Arab Emirates ("UAE") and India). The information provided to the chief operating decision maker (i.e. the Company's Board of directors) are on the basis of these divisions. During the year ended 31 December 2009, UAE and India were treated as two operating segments as the chief operating decision maker separately assessed their segment performances, while both UAE and India are reviewed as a whole for segment performance and resources allocation during the year ended 31 December 2010. The segment results of UAE and India for the year ended 31 December 2009 was combined and restated for comparison purpose.

Segment results for the years ended 31 December 2010 and 2009 are as follows:

	Revenue		Gross profit (loss)		Segment result	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)		(restated)
Reportable segment						
Hong Kong	**6,236,555**	6,188,159	**395,184**	313,831	**292,524**	237,910
Regions in the PRC	**4,825,313**	2,134,479	**919,943**	364,767	**833,709**	303,535
Macau	**82,986**	404,169	**25,791**	89,967	**42,921**	78,353
Overseas	**838,017**	979,314	**(25,064)**	(19,023)	**(55,704)**	(65,673)
Consolidated total	**11,982,871**	9,706,121	**1,315,854**	749,542	**1,113,450**	554,125
Unallocated corporate expenses					**(163,328)**	(106,497)
Non-recurring investment income and other income					**37,047**	45,297
Share of profits of associates					**20,419**	11,592
Share of profits of jointly controlled entities					**321,745**	309,310
Gain on fair value changes of investment in convertible bonds					**19,686**	–
Finance costs					**(15,552)**	(12,956)
Profit before tax					**1,333,467**	800,871

8. Segment Information *(continued)*

Measurement

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

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

Reportable segment result represents the profit (loss) earned or incurred by each segment excluding certain non-recurring investment income and other income, finance costs, share of profits of associates, share of profits of jointly controlled entities, gain on fair value changes of investment in convertible bonds and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Hong Kong		Regions in the PRC		Macau		Overseas		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)						(restated)
Allowance for doubtful debts on trade and other receivables	**–**	–	**2,943**	5,175	**–**	–	**–**	–	**2,943**	5,175
Depreciation of property, plant and equipment, investment properties and amortisation of prepaid lease payments	**2,048**	10,054	**76,594**	73,986	**1,874**	3,191	**711**	1,279	**81,227**	88,510
Gain on disposal of property, plant and equipment	**8,803**	527	**3,583**	–	**84**	–	**70**	49	**12,540**	576
Gain on disposal of listed available-for-sale investments	**–**	1,787	**–**	–	**–**	–	**–**	–	**–**	1,787
Waiver of amount due to a partner of a jointly controlled entity	**–**	18,483	**–**	–	**–**	–	**–**	–	**–**	18,483

Revenue from major business

The information on revenue from major business is disclosed in note 7.

8. Segment Information *(continued)*

Other geographical information

	Non-current assets		Addition to property, plant and equipment	
	2010	2009	**2010**	2009
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Hong Kong	**209,645**	63,275	**179,297**	33,693
Regions in the PRC	**5,425,120**	2,146,743	**308,134**	89,582
Macau	**51,198**	50,862	**2,899**	7
Overseas	**38,786**	50,362	**4,151**	10,093
	5,724,749	2,311,242	**494,481**	133,375

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

Segment assets and liabilities

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

Major customers information

Revenue from two (2009: two) customers in Hong Kong reportable segment amounted to approximately HK$3,040,000,000 and HK$1,224,000,000 (2009: HK$2,354,000,000 and HK$1,331,000,000), which individually represent more than 10 per cent of the Group's total revenue.

9. Investment Income

	2010	2009
	HK$'000	HK$'000 (restated)
Interest income on:		
Bank deposits	**26,511**	13,422
Debt securities	**4,117**	4,270
Imputed interest on amounts due from investee companies	**10,115**	798
Loan receivables	**6,942**	–
	47,685	18,490
Capital return upon the deregistration of a subsidiary	**–**	11,764
Dividend income from listed available-for-sale investments	**1,654**	4
Dividend income from unlisted available-for-sale investments	**34,951**	5,971
Gain on disposal of listed available-for-sale investments	**–**	1,787
Others	**1,290**	4,774
	85,580	42,790

10. Other Income

	2010 HK$'000	2009 HK$'000 (restated)
Waiver of amount due to a partner of a jointly controlled entity	–	18,483
Service income earned from a jointly controlled entity	9,678	14,635
Commission income	3,735	15,430
Rental of properties	13,433	6,609
Service income	5,879	3,543
Gain on disposal of property, plant and equipment	12,540	576
Sales of scrapped materials	2,604	2,230
Exchange gain (net)	26,466	17,636
Others	9,288	9,336
	83,623	88,478

11. Finance Costs

	2010 HK$'000	2009 HK$'000 (restated)
Interest on bank loans wholly repayable within five years	10,633	46,044
Interest on bank loan not wholly repayable within five years	95,753	–
Interest on other loans wholly repayable within five years	107	221
Interest on loans from intermediate holding company	99,995	4,144
Other financial expenses	3,220	40
Total finance cost	209,708	50,449
Less: Amounts capitalised in concession operating rights	(194,156)	(37,493)
	15,552	12,956

12. Directors' Emoluments

The emoluments paid or payable to each of the eleven (2009: eleven) directors were as follows:

For the year ended 31 December 2010

	Kong Qingping HK$'000	Zhou Yong HK$'000	Yip Chung Nam HK$'000	Zhang Yifeng HK$'000	Cheong Chit Sun HK$'000	Zhou Hancheng HK$'000	Tian Shuchen HK$'000 (note a)	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2010 HK$'000
Fees	1,000	–	–	–	–	–	–	360	250	250	250	2,110
Other emoluments												
Salaries and allowances	–	2,760	2,020	1,200	1,756	1,056	400	–	–	–	–	9,192
Share-based payments	9	8	6	5	4	5	2	1	1	1	1	43
Contributions to retirement benefit schemes	–	12	12	12	12	12	5	–	–	–	–	65
Performance related incentive payments (note b)	–	5,128	1,100	2,200	800	2,400	1,600	–	–	–	–	13,228
Total emoluments	1,009	7,908	3,138	3,417	2,572	3,473	2,007	361	251	251	251	24,638

For the year ended 31 December 2009

	Kong Qingping HK$'000	Zhou Yong HK$'000	Yip Chung Nam HK$'000	Fu He HK$'000 (note c)	Zhang Yifeng HK$'000	Cheong Chit Sun HK$'000	Zhou Hancheng HK$'000	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2009 HK$'000
Fees	1,000	–	–	–	–	–	–	360	250	250	250	2,110
Other emoluments												
Salaries and allowances	–	2,562	1,966	1,000	200	1,704	1,056	–	–	–	–	8,488
Share-based payments	23	20	14	11	2	9	13	4	4	4	4	108
Contributions to retirement benefit schemes	–	12	12	10	2	12	12	–	–	–	–	60
Performance related incentive payments (note b)	–	3,500	900	600	400	500	660	–	–	–	–	6,560
Total emoluments	1,023	6,094	2,892	1,621	604	2,225	1,741	364	254	254	254	17,326

Notes:

(a) Mr. Tian Shuchen was appointed as an executive director of the Company on 12 August 2010.

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

(c) Mr. Fu He resigned as an executive director of the Company on 21 October 2009.

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

13. Employees' Emoluments

The highest emoluments individuals in the Group are all directors of the Company (2009: three out of the top five individuals) whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two individuals for the year ended 31 December 2009 were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	–	4,148
Share-based payments	–	16
Contributions to retirement benefit schemes	–	24
	–	4,188

The emoluments of the two individuals for 2009 were within the following bands:

	2010 **No. of** **employees**	2009 No. of employees
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	2

14. Income Tax Expense

	2010 **HK$'000**	2009 HK$'000 (restated)
Current tax:		
Hong Kong	**32,499**	9,728
Other jurisdictions	**47,286**	57,996
	79,785	67,724
Overprovision in prior years:		
Hong Kong	**(2,830)**	(7,243)
Other jurisdictions	**(4,550)**	(10,135)
	(7,380)	(17,378)
Deferred tax:		
Current year (note 41)	**140,813**	22,044
Income tax expense for the year	**213,218**	72,390

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdiction.

14. Income Tax Expense *(continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the tax rate is 22% (2009: 20%) and progressively increasing to 25% over five years as grandfathering provision.

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$17,004,000 (2009: HK$17,577,000) on the undistributed earnings has been charged to the consolidated income statement for the year (note 41).

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

	2010 **HK$'000**	2009 HK$'000 (restated)
Profit before tax	**1,333,467**	800,871
Tax at domestic income tax rate of 16.5% (2009: 16.5%)	**220,022**	132,144
Tax effect of share of profits of associates	**(3,369)**	(1,913)
Tax effect of share of profits of jointly controlled entities	**(53,088)**	(51,036)
Tax effect of expenses not deductible for tax purpose	**5,413**	8,382
Tax effect of income not taxable for tax purpose	**(24,438)**	(22,674)
Overprovision in prior years	**(7,380)**	(17,378)
Tax effect of tax losses not recognised	**35,287**	15,780
Tax effect of deductible temporary differences not recognised	**(1,169)**	(1,504)
Tax effect of utilisation of tax losses	**(23,615)**	(32,062)
Effect of different tax rates of profit arising from other jurisdictions	**62,840**	23,361
Deferred taxation on undistributed earnings of PRC subsidiaries and jointly controlled entities (note 41)	**17,004**	17,577
Others	**(14,289)**	1,713
Tax charge for the year	**213,218**	72,390

15. Profit for the Year

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	**6,453**	5,280
– over provided in prior year	**(19)**	(202)
	6,434	5,078
Depreciation of property, plant and equipment	**133,176**	112,521
Less: Amounts included in contracts in progress costs	**(56,517)**	(27,767)
	76,659	84,754
Gross rental income from investment properties	**(14,610)**	(6,609)
Less: Direct expenses from investment properties that generated rental income during the year	**1,177**	4,573
	(13,433)	(2,036)
Employee benefits expense:		
Staff costs, including directors' emoluments	**1,051,596**	938,319
Contributions to retirement benefit plans	**32,506**	24,232
Equity-settled share-based payments	**319**	826
Less: Amounts included in contracts in progress costs	**(625,470)**	(674,868)
	458,951	288,509
Depreciation of investment properties	**1,052**	1,665
Amortisation of prepaid lease payments	**3,516**	2,091
Allowance for doubtful debts on trade and other receivables	**2,943**	5,175
Share of tax of associates (included in share of profits of associates)	**4,325**	3,092
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	**96,058**	75,673
Operating lease rentals in respect of:		
Plant and machinery	**128,165**	190,747
Land and buildings	**95,948**	63,264
	224,113	254,011
Less: Amounts included in contracts in progress costs	**(194,762)**	(235,787)
	29,351	18,224
Contracts in progress costs recognised as expense	**10,259,269**	8,594,831

16. Dividends

	2010 **HK$'000**	2009 HK$'000
Dividends recognised as distributions during the year:		
2009 Final, paid – HK3.50 cents (2009: 2008 Final HK3.30 cents) per share	**103,570**	80,782
2010 Interim, paid – HK5.00 cents (2009: 2009 Interim HK3.60 cents) per share	**147,991**	105,810
	251,561	186,592

The final dividend of HK6.00 cents (2009: HK3.50 cents) per share amounting to HK$179,209,000 (2009: HK$103,570,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

17. Earnings Per Share

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

Earnings

	2010 **HK$'000**	2009 HK$'000 (restated)
Earnings for the purposes of basic and diluted earnings per share	**1,036,278**	674,066

Number of shares

	2010 **'000**	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,962,037**	2,704,521
Effect of dilutive potential ordinary shares in respect of share options	**80,259**	97,361
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,042,296**	2,801,882

17. Earnings Per Share (continued)

The following table summarises the impact on both basic and diluted earnings per share of 2009 as a result of combination of the Acquired Companies:

	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents
Figures before combination	22.65	21.86
Adjustments arising from transfer of controlling interests in the Acquired Companies (see note 1)	2.27	2.20
Restated figures after combination	24.92	24.06

18. Property, Plant and Equipment

	Buildings HK$'000	Heat and electricity supply facilities HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2009 (restated)	259,591	824,683	511,377	78,216	48,769	133,739	1,856,375
Exchange adjustments	395	1,254	42	128	121	215	2,155
Additions	–	8,494	27,796	7,099	8,179	81,807	133,375
Transfer from construction in progress	272	90,608	–	–	–	(90,880)	–
Disposals	–	(2,492)	(22,318)	(2,748)	(3,722)	–	(31,280)
At 31 December 2009 (restated)	260,258	922,547	516,897	82,695	53,347	124,881	1,960,625
Exchange adjustments	9,926	36,278	4,616	988	1,075	3,390	56,273
Additions	37,168	23,340	130,856	11,007	16,756	145,411	364,538
Acquisition of subsidiaries	37,590	–	24,455	257	1,043	–	63,345
Transfer from construction in progress	–	163,122	–	(547)	–	(162,575)	–
Disposals	(58)	–	(25,715)	(2,510)	(4,888)	–	(33,171)
At 31 December 2010	344,884	1,145,287	651,109	91,890	67,333	111,107	2,411,610
DEPRECIATION							
At 1 January 2009 (restated)	48,856	191,214	428,913	54,977	27,349	–	751,309
Exchange adjustments	67	274	23	103	103	–	570
Provided for the year	12,207	53,700	31,429	7,494	7,691	–	112,521
Eliminated on disposals	–	(1,462)	(19,414)	(2,561)	(3,318)	–	(26,755)
At 31 December 2009 (restated)	61,130	243,726	440,951	60,013	31,825	–	837,645
Exchange adjustments	2,606	9,734	3,786	486	581	–	17,193
Provided for the year	14,480	55,952	45,324	7,665	9,755	–	133,176
Eliminated on disposals	(16)	–	(24,829)	(1,973)	(4,031)	–	(30,849)
At 31 December 2010	78,200	309,412	465,232	66,191	38,130	–	957,165
CARRYING VALUES							
At 31 December 2010	266,684	835,875	185,877	25,699	29,203	111,107	1,454,445
At 31 December 2009 (restated)	199,128	678,821	75,946	22,682	21,522	124,881	1,122,980
At 1 January 2009 (restated)	210,735	633,469	82,464	23,239	21,420	133,739	1,105,066

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

The carrying amount of buildings shown above comprises properties suited on:

	31 December 2010 HK$'000	31 December 2009 HK$'000
Land in Hong Kong under medium-term lease	**37,968**	4,464
Land in the PRC under medium-term lease	**223,634**	190,604
Freehold land in Macau	**5,082**	4,060
	266,684	199,128

The above items of property, plant and equipment other than construction in progress 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 2009	53,834
Exchange adjustments	9
At 31 December 2009	53,843
Exchange adjustments	201
At 31 December 2010	54,044
DEPRECIATION AND IMPAIRMENT	
At 1 January 2009	9,142
Exchange adjustments	5
Provided for the year	1,665
At 31 December 2009	10,812
Exchange adjustments	142
Provided for the year	1,052
At 31 December 2010	12,006
CARRYING VALUES	
At 31 December 2010	42,038
At 31 December 2009	43,031
At 1 January 2009	44,692

19. Investment Properties *(continued)*

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

	2010 HK$'000	2009 HK$'000
Land in Macau:		
Freehold land	**21,869**	22,331
Medium-term lease	**18,448**	18,910
Land in the PRC under medium-term lease	**1,721**	1,790
	42,038	43,031

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 shorter of the term of the relevant lease and estimated useful life of buildings ranging from 20 to 50 years

No depreciation is provided in respect of freehold land. The fair value of the Group's investment properties at 31 December 2010 is HK$104,122,000 (2009: HK$91,971,000).

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 珠海仁合土地房地產評估有限公司. DTZ Debenham Tie Leung Limited and 珠海仁合土地房地產評估有限公司, are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuations were arrived at using the approach of 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 building 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

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 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 would 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 as at 31 December 2008 was determined based on an effective interest rate of 3% which is based on the Hong Kong Interbank Offered Rate ("HIBOR") plus 0.68% per annum on the cost incurred.

The management considered that the fair value of embedded derivative, which related to the contractual right to the land proceeds described above, at initial recognition and at 31 December 2008 based on independent valuation report were minimal.

On 17 February 2009, both parties agreed to terminate the contract and agreed that the investment cost incurred and interest based on prevailing interest rate of the People's Bank of China would be fully repaid by the local partner. The full amount was received during the year ended 31 December 2009.

21. Interests in Infrastructure Project Investments

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000
Interests in infrastructure project investments	**692,819**	569,570	482,659
Less: Portion due within one year included in current assets	**(19,244)**	(15,808)	(15,783)
Portion due after one year	**673,575**	553,762	466,876

The effective interest rates on the infrastructure project investments range from 11.70% to 21.00% (2009: 11.70% to 13.90%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2010.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2010 and 2009 based on the present values of estimated future cash flows from those investments, discounted at their respective 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

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
The Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong under medium-term lease	**176,494**	78,794	80,774
Analysed for reporting purposes as:			
Non-current assets	**172,258**	76,551	78,536
Current assets	**4,236**	2,243	2,238
	176,494	78,794	80,774

23. Interests in Associates

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Unlisted company			
Cost of investments in associates	**22,607**	22,607	22,607
Share of post-acquisition profits, net of dividends received	**11,945**	12,568	18,651
	34,552	35,175	41,258

Included in the cost of investments in associates is goodwill of HK$494,000 (2009: HK$494,000) arising on acquisitions of associates in prior years.

At 31 December 2010 and 2009, 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 2010	2009	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	**31.5%**	31.5%	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	**40.0%**	40.0%	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	**20.0%**	20.0%	Operation of slaughterhouse

23. Interests in Associates *(continued)*

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

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Total assets	**294,841**	218,502	210,408
Total liabilities	**(179,668)**	(101,682)	(73,897)
Net assets	**115,173**	116,820	136,511
Group's share of net assets of associates	**34,058**	34,681	40,764

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
Revenue	**468,103**	384,523
Profit for the year	**64,624**	36,332
Group's share of profits of associates for the year	**20,419**	11,592

24. Interests in Jointly Controlled Entities

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Cost of investments, unlisted	**1,134,102**	515,417	378,353
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,216,791**	1,466,578	1,480,921
	2,350,893	1,981,995	1,859,274

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

Set out below are the particulars of the principal jointly controlled entities at 31 December 2010 and 2009, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2010 % (note a)	2009 % (note a)	Principal activities
China State – China Railway Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering works
China State – Leighton Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
China Overseas Building – Bordon Joint Venture	Unincorporated	Hong Kong	**50**	–	Building construction
Consorcio De Krueger – CSME	Unincorporated	Macau	**55**	55	Mechanical and electrical engineering works
Hoi Hing Building Materials Co., Limited	Incorporated	Hong Kong	**50**	50	Trading of building materials
Leighton – China State – John Holland Joint Venture	Unincorporated	Macau	**30**	30	Building construction
Leighton – China State Joint Venture	Unincorporated	Macau	**50**	50	Building construction
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering works
Long Faith Engineering Limited	Incorporated	Hong Kong	**50**	50	Engineering works
Pratibha – China State Joint Venture	Unincorporated	India	**40**	40	Building construction
中建(唐山)基礎設施開發建設有限公司	Incorporated	PRC	**50**	50	Investment and construction of road
China State & Shanghai Tunnel Foundation Joint Venture	Unincorporated	Hong Kong	**50**	50	Foundation engineering works
Maeda-China State Joint Venture	Unincorporated	Hong Kong	**30**	–	Civil engineering works
Nanjing Changjiang Second Bridge Company Limited (note b)	Incorporated	PRC	**65**	65	Operation and management of a toll bridge
吉林市中海基礎設施開發建設有限公司	Incorporated	PRC	**70**	–	Investment in infrastructure

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

Notes:

(a) 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 acquired this jointly controlled entity through the acquisition of COTHL under common control combinations from its fellow subsidiary in the current year. Details are set out in note 1 to the consolidated financial statements.

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

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

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Current assets	**2,199,894**	1,401,531	1,199,072
Non-current assets	**3,864,667**	3,398,901	2,932,464
Current liabilities	**1,656,060**	1,532,980	1,059,677
Non-current liabilities	**2,061,698**	1,285,457	1,212,585

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000 (restated)
Income recognised in profit or loss	**2,050,205**	3,065,096
Expenses recognised in profit or loss	**1,728,460**	2,755,786

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

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

Particulars regarding the joint ventures as at 31 December 2010 and 2009 are as follows:

Name of joint venture	Form of business structure	Place of establishment	Percentage of interest held by the Group 2010 % (note)	2009 % (note)	Principal activities
Atal-Degrement-China State Joint Venture	Unincorporated	Hong Kong	**32.5**	–	Civil engineering works
Chit Cheung-China Overseas-ATAL Joint Venture	Unincorporated	Hong Kong	**13.0**	13.0	Civil engineering works
China State – ATAL Joint Venture	Unincorporated	Hong Kong	**55.0**	55.0	Civil engineering works
China State – ATAL Joint Venture	Unincorporated	Hong Kong	**39.6**	39.6	Civil engineering works
China State – ATAL Joint Venture	Unincorporated	Hong Kong	**56.4**	–	Civil engineering works
China State Joint Venture	Unincorporated	Hong Kong	**70.0**	70.0	Civil engineering works
China State – Shanghai Tunnel Joint Venture	Unincorporated	Hong Kong	**76.7**	–	Civil engineering works

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

At 31 December 2010 and 2009, 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:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Assets	**37,912**	30,140	51,767
Liabilities	**37,560**	29,947	51,915

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
Income	**22,110**	60,462
Expenses	**18,890**	23,201

25. Intangible Asset

	HK$'000
COST	
At 1 January 2009	–
Additions on acquisition of a subsidiary	9,950
At 31 December 2009 and 2010	9,950
AMORTISATION	
At 1 January and 31 December 2009	–
Charge for the year	–
At 31 December 2010	–
CARRYING VALUES	
At 31 December 2009 and 2010	9,950
At 1 January 2009	–

The intangible asset represents the initial fair value of the construction licences (with indefinite useful lives) held by ALCHMEX International Construction Limited (the "ALCHMEX").

The construction licences are granted by the Works Branch Development Bureau of the Hong Kong Special Administration Region ("HKSAR") to ALCHMEX through which ALCHMEX is eligible to undertake government construction contracts of the two categories of public works namely road and drainage and site formation with no limitation in contract sum. The construction licences basically have no legal life but are renewable every year as long as ALCHMEX is able to comply with certain provisions and requirements set out by the Works Branch Development Bureau of the HKSAR throughout the relevant period.

Various studies including sensitivity analysis and market trends have been carried out by management of the Group, which supports that the construction licences have no foreseeable limit to the period over which the construction licences are expected to generate net cash inflow for the Group. As a result, the construction licences are considered by the management of the Group as having indefinite useful lives because they are expected to contribute net cash flows indefinitely. The construction licences will not be amortised until their useful lives are determined to be finite instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

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

Management determined budgeted gross margin based on past performance and the expectations for the market development.

26. Concession Operating Rights

	HK$'000 (restated)
COST	
At 1 January 2009	32,698
Exchange adjustments	52
Additions	1,025,980
At 31 December 2009	1,058,730
Exchange adjustments	36,830
Additions	2,950,498
At 31 December 2010	4,046,058
AMORTISATION	
At 1 January, 31 December 2009 and 31 December 2010	–
CARRYING VALUES	
At 31 December 2010	4,046,058
At 31 December 2009	1,058,730
At 1 January 2009	32,698

The concession operating rights related to Yangquan Yangwu Expressway and Yangquan to Niang Zi Guan Expressway with carrying amounts of HK$3,953,376,000 (2009 (restated): HK$1,058,730,000) and HK$92,682,000 (2009: nil), respectively are both located in the PRC. The carrying amount is measured by the cost plus estimated profit margin, which is calculated by reference to the similar project undertaken in PRC. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment and operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

The construction of Yangquan Yangwu Expressway was completed and under testing as at 31 December 2010 and is expected to commence commercial operation in April 2011. Yangquan to Niang Zi Guan Expressway is under construction as at 31 December 2010 and is expected to be completed in 2012. The amortisation of concession operating rights will commence from the date the toll expressway is launched for commercial operation.

陽五高速 has pledged the concession operating rights with carrying amount of approximately HK$3,953,376,000 (2009 (restated): HK$1,058,730,000) to secure the bank loans raised during the year.

27. Available-for-sale Investments

Available-for-sale investments comprise:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Listed securities (note a):			
– Equity securities listed in Hong Kong	**117,621**	5,357	3,303
– Equity securities listed overseas	**–**	–	26
– Debt securities listed in Hong Kong with fixed interest of 5.375 – 5.750% and maturity date in 2012 – 2015 (note b)	**57,616**	56,374	54,617
– Debt securities listed overseas with floating interest and maturity date in 2049	**14,820**	13,728	8,459
	190,057	75,459	66,405
Unlisted securities:			
– Equity securities stated at cost (notes c and d)	**206,896**	40,720	31,764
Total	**396,953**	116,179	98,169

(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) At 31 December 2010, an amount of HK$24,433,000 (2009: HK$24,144,000) included in the carrying amount of debt securities listed in Hong Kong, is debenture issued by a subsidiary of China Overseas Land & Investment Ltd., a fellow subsidiary of the Group.

(c) At 31 December 2010, an amount of HK$27,419,000 (2009: HK$27,419,000) included in the cost of unlisted equity securities, represents the deemed contribution arising from fair value adjustment on interest-free loan advanced to the investee company, Proud Sea International Limited ("Proud Sea"), in proportion to the respective equity interest of its shareholders. The Group holds 10% of the issued capital of Proud Sea, a private entity incorporated in the British Virgin Islands and its principal activity is investment holding. The subsidiaries of Proud Sea are engaged in the property investment and development in the PRC.

27. Available-for-Sale Investments *(continued)*

(d) At 31 December 2010, 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 the end of each reporting period 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 with carrying amount of HK$10,873,000 (2009: HK$10,873,000).

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 investment 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 and engaged in investment holding.

The Group acquired 15% of the issued capital of Omar Property Development Company Limited ("Omar") during the year ended 31 December 2010 at a cash consideration of HK$162,488,000. Omar is a private entity incorporated in Macau and its principal activity is property development in Macau.

For the impairment assessment of listed equity securities, as there were significant decline in the fair values of the equity securities below their costs, impairment loss amounting to HK$6,735,000 was recognised in the profit and loss during the year ended 31 December 2008. No impairment was made during two years ended 31 December 2009 and 2010 as there is no indicator for impairment.

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.

28. Investment in Convertible Bonds

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

The convertible bonds contain embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial assets at FVTPL on initial recognition which were determined in accordance with the Binomial Model. The fair value of the convertible bond is determined by reference to the valuation carried out on 31 December 2010 by CBRE Valuation & Advisory Services – Greater China ("CBRE"). CBRE is an independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar convertible bonds. The major input of the Binomial Model is the fair value of the equity interest of Skyjoy derived by assets approach, which is used as the stock price input into the Binomial Model.

29. Amounts Due From Investee Companies

The amounts due from investee companies are unsecured, interest-free and have no fixed repayment terms. No repayment is expected within next twelve months from the end of the reporting period and, accordingly, the amounts are shown as non-current. The investee companies are engaged in investment holding and property holding and development in Macau (see note 27).

The fair values of these amounts on initial recognition are determined based on effective interest rate of 1.54% (2009: 1.54%) per annum on initial recognition. The difference between the principal amounts and the fair values of approximately HK$27,419,000 (2009: HK$27,419,000) has been included in the cost of the available-for-sale investments as deemed contribution to the investee company.

30. Inventories

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Raw materials and consumables	**76,544**	38,575	47,367
Work in progress	**676**	387	893
Finished goods	**40,491**	4,822	5,707
	117,711	43,784	53,967

31. Amounts Due From (to) Customers for Contract Work

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Contracts in progress at the end of the reporting period			
Contract costs incurred	**11,269,921**	12,277,618	15,879,378
Recognised profits less recognised losses	**421,451**	257,600	98,513
	11,691,372	12,535,218	15,977,891
Less: progress billings	**(12,190,056)**	(12,513,922)	(15,773,234)
	(498,684)	21,296	204,657
Analysed for reporting purposes as:			
Amounts due from contract customers	**194,281**	497,537	448,083
Amounts due to contract customers	**(692,965)**	(476,241)	(243,426)
	(498,684)	21,296	204,657

At 31 December 2010, retentions held by customers for contract work amounted to HK$1,014,650,000 (2009: HK$947,257,000) and have been included in trade and other receivables under current assets. Advances received from customers for contract work amounted to HK$130,234,000 (2009: HK$180,317,000) and have been included in deposits received and receipt in advance under current liabilities.

32. Trade and Other Receivables

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Trade receivables	**3,690,523**	3,026,974	3,222,436
Less: Allowance for doubtful debts	**(14,644)**	(11,808)	(6,674)
	3,675,879	3,015,166	3,215,762
Other receivables (note)	**488,734**	51,174	59,311
Less: Allowance for doubtful debts	**(1,183)**	(1,076)	(1,035)
	487,551	50,098	58,276
Trade and other receivables	**4,163,430**	3,065,264	3,274,038

Note: Included in the balance of other receivables is a loan receivable of HK$352,568,000 (2009: Nil) from an independent third party. The amount is secured by a bank guarantee, carried at prevailing interest rate of the People's Bank of China plus 1% per annum and fully repayable in October 2011. The effective interest rate at 31 December 2010 is 6.85% per annum.

Except for the receivable arising from construction contracts which are payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2009: 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 presented based on the invoice date at the end of the reporting period:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
0 – 30 days	**1,893,809**	1,450,573	1,155,940
31 – 90 days	**312,869**	450,644	918,926
Over 90 days	**454,551**	166,692	158,809
	2,661,229	2,067,909	2,233,675
Retention receivables	**1,014,650**	947,257	982,087
	3,675,879	3,015,166	3,215,762
Retention receivables			
– due within one year	**300,324**	467,419	434,245
– due more than one year	**714,326**	479,838	547,842
	1,014,650	947,257	982,087

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years.

32. Trade and Other Receivables *(continued)*

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:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
91 – 180 days	**42,606**	67,837	122,969
181 – 365 days	**306,770**	53,646	23,003
Over 365 days	**105,175**	45,209	12,837
Total	**454,551**	166,692	158,809

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

The Group allows an average credit period of not exceeding 90 days to its trade customers. Except for the amount of HK$15,827,000 (2009: HK$12,884,000) was provided for doubtful debts for the year ended 31 December 2010, 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 will define credit limits by customers. Limits attributed to customers are reviewed every year.

Trade receivables that are neither past due nor impaired have the good credit rating and low default rate under the internal credit assessment system used by the Group.

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000 (restated)
1 January	**12,884**	7,709
Impairment losses recognised on receivables	**2,943**	5,175
31 December	**15,827**	12,884

33. Amounts Due From (to) Jointly Controlled Entities

Jointly controlled entities

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

The balances are expected to be repaid within twelve months after the end of the reporting period.

34. 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.

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

(a) Pledged bank deposits

At 31 December, 2010, bank deposits amounting to HK$6,420,000 (2009: HK$14,905,000) were pledged and carry fixed interest rates which range from 0.001% to 0.36% (2009: 0.001% to 2%) per annum. The pledged bank deposits will be released upon the completion of construction projects by the end of 2011 (2009: 2010).

(b) Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2009: 1 to 6 months) carried at fixed rate of 0.01% to 0.05% (2009: 0.01% to 1.78%) per annum.

(c) Bank balances

Bank balances, excluding bank current account, carry interest at market rates which range from 0.001% to 1.17% (2009: 0.001% to 3.5%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

36. Trade and Other Payables

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Trade and other payables, aged:			
0-30 days	**1,834,841**	1,634,684	1,533,786
31-90 days	**994,004**	454,875	824,953
Over 90 days	**427,148**	254,639	197,414
	3,255,993	2,344,198	2,556,153
Retention payables	**860,918**	805,849	696,408
	4,116,911	3,150,047	3,252,561
Retention payables			
– due within one year	**431,619**	498,091	418,358
– due more than one year	**429,299**	307,758	278,050
	860,918	805,849	696,408

The average credit period on trade and construction cost payables is 60 days (2009: 60 days). The Group has financial risk management polices in place to ensure that all payables are paid within the credit time-frame.

37. Borrowings

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Bank loans, secured (note a)	**1,880,362**	936,286	–
Bank loans, unsecured (note b)	**1,000,000**	1,000,000	1,000,000
Other loans, unsecured (note c)	**–**	249,100	377,303
	2,880,362	2,185,386	1,377,303
Carrying amount repayable:			
Within one year	**–**	249,100	377,303
More than one year but not exceeding two years	**11,752**	1,000,000	–
More than two years but not more than five years	**1,129,275**	79,500	1,000,000
More than five years	**1,739,335**	856,786	–
	2,880,362	2,185,386	1,377,303
Less: Amount due within one year shown under current liabilities	**–**	(249,100)	(377,303)
Amount due after one year	**2,880,362**	1,936,286	1,000,000

The Group's bank loans are denominated in Hong Kong Dollars and Renminbi whereas the other loans are denominated in Renminbi, all of which are functional currencies of the relevant group entities.

Notes:

(a) Bank loans with carrying amount of HK$1,880,362,000 (2009: HK$936,286,000) are denominated in Renminbi, bear interest at a rate of 5.35% (2009: 4.86%) per annum, based on 90% of the prevailing interest rate of People's Bank of China per annum and will mature in 2030. The loans were secured by the concession operating right of the Yangguan Yangwu Expressway.

(b) Bank loan with carrying amount of HK$1,000,000,000 (2009: HK$1,000,000,000) is denominated in Hong Kong dollars, bears interest with effective interest rate ranging from 0.75% to 1.65% (2009: 0.73% to 1.03%) per annum based on the market rate of HIBOR plus 1.35% per annum and will mature in June 2015.

(c) At 31 December 2009, the other loans with carrying amount of HK$227,144,000 and HK$21,956,000 bore interest at fixed rates of 4.06% and 0.99% per annum, respectively and were fully repaid during the year ended 31 December 2010.

38. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	60,000,000,000	1,500,000
Issued and paid up:		
Balance at 1 January 2009	2,444,767,764	61,119
Issue of ordinary shares upon exercise of share options and warrants	20,165,393	504
Issue of ordinary shares on rights issue (note)	489,639,491	12,241
Balance at 31 December 2009	2,954,572,648	73,864
Issue of ordinary shares upon exercise of share options	24,886,177	622
Balance at 31 December 2010	2,979,458,825	74,486

Note:

On 1 September 2009, the Company completed a rights issue of one rights share for every five shares held by members on the register of members, at an issue price of HK$2.79 per rights share, resulting in the issue of 489,639,491 ordinary shares of HK$0.025 each for a total cash consideration, before expenses of HK$12,971,000, of HK$1,366,094,000. The net cash proceeds were credited to share capital and share premium account of HK$12,241,000 and HK$1,353,853,000, respectively. The new shares rank pari passu with the then existing shares in all respects.

39. Warrants

	Number of warrants	Amount HK$'000
Issued on 1 January 2009	348,140,860	1,305,529
Exercise during the year	(15,772)	(59)
Lapsed during the year	(348,125,088)	(1,305,470)
At 31 December 2009 and 31 December 2010	–	–

39. Warrants *(continued)*

Since 13 June 2008 (the share sub-division date), the warrant holders were 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 2009, 15,772 warrants were exercised and 348,125,088 units of warrants were lapsed. As at 31 December 2009 and 2010, no unit of warrants was outstanding as they were expired on 27 February 2009.

40. Deferred Income

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Deferred income arose from the following:			
Connection service	**254,134**	188,275	172,180

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 services 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:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Deferred income due within one year included in trade and other payables in current liabilities	**10,087**	7,795	6,860
Deferred income due after one year	**244,047**	180,480	165,320
	254,134	188,275	172,180

41. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of PRC subsidiaries and jointly controlled entities HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2009	2,467	–	54,444	14,223	–	71,134
Exchange adjustment	–	–	33	8	–	41
Charge (credit) to consolidated income statement	838	–	4,869	17,577	(1,240)	22,044
At 31 December 2009	3,305	–	59,346	31,808	(1,240)	93,219
Exchange adjustment	–	2,906	(1,578)	–	–	1,328
Charge (credit) to consolidated income statement	4,150	129,483	(9,739)	17,004	(85)	140,813
Reallocated to tax liabilities	–	–	–	(6,547)	–	(6,547)
At 31 December 2010	7,455	132,389	48,029	42,265	(1,325)	228,813

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries and jointly controlled entities amounting to HK$43,129,000 (31 December 2009: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has the following deductible temporary differences and unused tax losses not recognised in the consolidated financial statements:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Unused tax losses (note a)	**257,005**	186,267	284,948
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (note b)	**(2,001)**	5,085	14,202
	255,004	191,352	299,150

41. Deferred Tax Liabilities *(continued)*

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$30,699,000 (2009: HK$8,987,000) 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.

42. Loans From Intermediate Holding Company

The loans from intermediate holding company of HK$1,762,839,000 (2009: HK$1,703,578,000) and HK$707,698,000 (2009: Nil) are unsecured, interest bearing at a fixed rate of 4.86% per annum and will mature in December 2012 and July 2013, respectively.

43. Acquisition of Subsidiaries

On 1 July 2010, the Group had acquired 100% equity interest in 深圳海豐德投資有限公司 ("海豐德") at a consideration of HK$3 from an independent third party. The acquisition is accounted for using the acquisition method. The principal activities of 海豐德 and its subsidiaries are investment holding, manufacturing and trading of asphalt and operating of a ferry pier in the PRC.

Consideration transferred

	HK$'000
Cash	–

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value of acquired assets and liabilities HK$'000
Net assets acquired:	
Property, plant and equipment	63,345
Interests in jointly controlled entities	5,273
Available-for-sale investments	3,688
Prepaid lease payments	9,575
Inventories	33,022
Trade and other receivables	71,851
Deposits and prepayments	36,598
Amounts due from jointly controlled entities	11,568
Bank balances and cash	44,342
Trade and other payables	(252,209)
Deposit received and receipt in advance	(17,003)
Bank borrowings	(10,144)
	(94)

43. Acquisition of Subsidiaries (continued)

The fair value of trade and other receivables and amounts due from jointly controlled entities of acquiree amounted to HK$71,851,000 and HK$11,568,000 respectively. The gross contractual amounts of those trade and other receivables and amounts due from jointly controlled entities acquired amounted to HK$78,505,000 and HK$11,568,000 respectively, at the date of acquisition. The best estimation of the contractual cash flows of trade and other receivables not expected to be collected amounted to HK$6,654,000.

Net cash inflow arising on acquisition of 海豐德 and its subsidiaries:

	HK$'000
Cash consideration paid	–
Cash and cash equivalent balances acquired	44,342
	44,342

It is impractical for the management of the Company to disclose the revenue and profit or loss of the combined entity for the current reporting period as through the acquisition date for all business combination that occurred during the year had been as of the beginning of the annual period.

44. Major Non-Cash Transactions

During the year ended 31 December 2010, the Group recognised concession operating rights of HK$2,864,791,000 (2009 (restated): HK$882,097,000) in respect of consideration for the provision of construction services in a service concession arrangement. The same amount has been accounted for as revenue from construction contracts as set out in note 7.

45. Share-Based Payments

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

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 68,120,000 (2009: 93,006,000) shares, representing approximately 2.3% (2009: 3.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

45. Share-Based Payments *(continued)*

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

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 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 options.

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.

As a result of the rights issue of the Company on 16 July 2009, 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 SEHK. The adjusted exercise price was HK$0.2345 per share. The number of share options was increased by 5,700,673 options.

45. Share-Based Payments *(continued)*

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

	Outstanding at 1 January 2009 '000	Exercised before Rights Issue '000	Forfeited before Rights Issue '000	Adjustment in respect of Rights Issue in September '000	Exercised after Rights Issue '000	Re-classification '000	Forfeited after Rights Issue '000	Outstanding at 31 December 2009 '000	Exercised during the year '000	Forfeited during the year '000	Re-classification '000	Outstanding at 31 December 2010 '000
Directors	13,853	(749)	–	725	–	(701)	–	13,128	(4,216)	–	615	**9,527**
Employees	53,761	(3,216)	(216)	2,783	(8,564)	701	(176)	45,073	(11,217)	–	(615)	**33,241**
Consultants	40,444	(790)	–	2,193	(6,831)	–	(211)	34,805	(9,453)	–	–	**25,352**
	108,058	(4,755)	(216)	5,701	(15,395)	–	(387)	93,006	(24,886)	–	–	**68,120**

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

Option type	Outstanding at 1 January 2009 '000	Exercised before Rights Issue '000	Forfeited before Rights Issue '000	Adjustment in respect of Rights Issue in September '000	Exercised after Rights Issue '000	Forfeited after Rights Issue '000	Outstanding at 31 December 2009 '000	Exercised during the year '000	Outstanding at 31 December 2010 '000
Granted on 14 September 2005									
– with vesting period of 14 September 2005 to 13 September 2006	6,722	(42)	–	370	–	–	7,050	(131)	**6,919**
– with vesting period of 14 September 2005 to 13 September 2007	10,037	(722)	–	515	(12)	–	9,818	(165)	**9,653**
– with vesting period of 14 September 2005 to 13 September 2008	18,665	(3,493)	–	839	(909)	–	15,102	(1,844)	**13,258**
– with vesting period of 14 September 2005 to 13 September 2009	36,317	(249)	(108)	1,988	(14,298)	(44)	23,606	(5,484)	**18,122**
– with vesting period of 14 September 2005 to 13 September 2010	36,317	(249)	(108)	1,989	(176)	(343)	37,430	(17,262)	**20,168**
	108,058	(4,755)	(216)	5,701	(15,395)	(387)	93,006	(24,886)	**68,120**
Exercisable at the end of the year	35,424						55,576		**68,120**

In respect of the share options exercised during the year, the weighted average share price is HK$5.18 (2009: HK$2.94).

45. Share-Based Payments *(continued)*

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

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

The Group recognised the total expenses of HK$362,000 (2009: HK$934,000) for the year ended 31 December 2010 in relation to share options granted by the Company.

46. Operating Lease Arrangements

The Group as lessee

At 31 December 2010 and 2009, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2010 **HK$'000**	2009 HK$'000 (restated)
Within one year	**19,608**	14,921
In the second to fifth year inclusive	**16,477**	23,895
Over five years	**38,507**	39,496
	74,592	78,312

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

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

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$42,038,000 (2009: HK$43,031,000) were let out under operating leases.

Property rental income earned during the year is HK$14,610,000 (2009: HK$6,609,000) 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.

46. Operating Lease Arrangements *(continued)*

The Group as lessor *(continued)*

At 31 December 2010 and 2009, the Group had contracted with tenants for the following future minimum lease payments:

	2010 **HK$'000**	2009 HK$'000
Within one year	**7,742**	7,369
In the second to fifth year inclusive	**15,977**	9,780
	23,719	17,149

47. Commitments

At 31 December 2010 and 2009, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for		
– construction in progress	**131,833**	167,310
– loans advance to investee companies	**278,147**	260,349

48. Related Party Transactions

Apart from the balances due from or to related parties set out in notes 27(b), 33, 34 and 42, the Group had the following transactions with related parties during the year:

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

Transactions	2010 HK$'000	2009 HK$'000 (restated)
Fellow subsidiaries		
Underwriting fee expenses included in rights issue expenses	–	12,696
Rental income	1,517	1,500
Rental expenses	9,427	9,265
Security service payment	15,354	12,910
Construction fee income	176,508	115,062
Project management service income	36,919	38,553
Construction costs	64,291	3,043
Insurance premium income	2,035	1,524
Associates		
Purchase of construction materials	167,567	73,630
Partner of jointly controlled entities		
Waiver of amount due to a partner of jointly controlled entities	–	18,483
Jointly controlled entities		
Construction fee income	5,055	75
Rental income from lease of machinery	248	246
Purchase of materials	54,099	43,171
Sales of building materials	–	338
Service income	9,678	14,635
Insurance premium income	83	45,645
Other state-owned entities		
Revenue from construction contracts	183,401	21,298
Interest income	6,816	–
Intermediate holding company		
Interest expense	99,995	4,144
Commission income	3,735	15,429
Construction costs	1,926,957	628,179

48. Related Party Transactions *(continued)*

(b) The Group acquired entire interests in 陽五高速 and COTHL under common control combinations from its intermediate holding company and a fellow subsidiary during the year as set out in note 1.

(c) During the year ended 31 December 2010 and 2009, the employer of a construction project undertaken by a jointly controlled entity of the Group required COHL, the immediate holding company of the Company, to provide a guarantee for the due performance of the construction projects undertaken by that jointly controlled entity.

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

Certain of the Group's business are operated in an economic environment currently predominated by entities directly or indirectly owned 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.

(e) ### Compensation of key management personnel

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

	2010 **HK$'000**	2009 HK$'000
Short-term benefits	**47,947**	33,785
Post-employment benefits	**197**	182
Share-based payments	**97**	251
	48,241	34,218

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

49. Event After the Reporting Period

On 18 January 2011, the Group and CSCECL entered into a joint venture agreement, pursuant to which both parties agreed to form a joint venture company on a 40:60 basis for carrying out financing and construction of the build-transfer infrastructure project in respect of the ancillary facilities and infrastructure of Taiyuan South Station West Front Square in Taiyuan city, Shanxi Province, the PRC. The joint venture agreement sets out the capital injection and profit sharing arrangement of each joint venture partner, while the details of the role and responsibility of each joint venture partner is under the process of negotiation up to the date of which these consolidated financial statements were authorised to issue.

50. Statement of Financial Position of the Company

	2010 **HK$'000**	2009 HK$'000
Non-current Assets		
Property, plant and equipment	**–**	–
Interests in subsidiaries	**2,171,869**	2,021,869
	2,171,869	2,021,869
Current Assets		
Deposits and prepayments	**20,250**	–
Amounts due from subsidiaries	**2,791,502**	1,658,951
Bank balances	**2,659**	388,486
	2,814,411	2,047,437
Current Liabilities		
Other payables	**8,777**	6,362
Amounts due to subsidiaries	**930,712**	579,643
Tax liabilities	**92**	238
	939,581	586,243
Net Current Assets	**1,874,830**	1,461,194
	4,046,699	3,483,063
Capital and Reserves		
Share capital	**74,486**	73,864
Reserves	**2,972,213**	2,409,199
	3,046,699	2,483,063
Non-current Liability		
Borrowings	**1,000,000**	1,000,000
	4,046,699	3,483,063

Under the Companies Law of the Cayman Islands, the distributable reserves of the Company amounted to HK$2,968,000,000 as at 31 December 2010 (2009: HK$2,404,000,000).

51. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2010 %	2009 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	150,000,000 ordinary shares of HK$1 each	**100**	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$1 each	**100**	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	155,569,190 ordinary shares of HK$1 each and 844,430,810 non-voting deferred shares of HK$ 1 each	**100**	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Lease of machinery and investment holding
Zetson Enterprises Ltd	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Indirectly held by the Company:					
ALCHMEX International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares @ GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management
Barkgate Enterprises Limited	British Virgin Islands/ Hong Kong	200 ordinary shares of US$1 each	**100**	100	Investment holding
Best Inherit Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China Construction Engineering (Macau) Company Limited	Macau	MOP 200,000	**100**	100	Building construction and civil engineering works, properties holding and investment holding

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2010 %	2009 %	Principal activities
Indirectly held by the Company: *(continued)*					
China Overseas Building Construction Limited	Hong Kong	4,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	**100**	100	Building construction, project management and investment holding
China Overseas Public Utility Investment Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China Overseas Technology Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
China State Civil Engineering Limited	Hong Kong	1,019,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	**100**	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	**100**	100	Foundation engineering works and project management
China State Construction Limited	Hong Kong	5,000,000 ordinary shares of HK$10 each	**100**	100	Investment holding, building construction, project management and provision of management services
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**100**	100	Mechanical and electrical engineering works, project management
Citycharm Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2010 %	2009 %	Principal activities
Indirectly held by the Company: *(continued)*					
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP 200,000	**100**	100	Investment holding
CSFE (Macau) Limited	Macau	MOP 200,000	**100**	100	Foundation engineering works
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	**100**	100	Building construction and road contracting
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Holding of trade marks
CSME (Macau) Limited	Macau	MOP 200,000	**100**	100	Mechanical and electrical engineering works and investment holding
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Ever Power Group Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Magnified Industries Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Perfect Castle Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Building construction and project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Building construction

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2010 %	2009 %	Principal activities
Indirectly held by the Company: *(continued)*					
Value Idea Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
Weedon International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
中建(珠海)有限公司 (i)	PRC	HK$10,700,000	**100**	100	Property investment and management
瀋陽皇姑熱電有限公司 (i)	PRC	RMB414,600,000	**100**	100	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司 (ii)	PRC	RMB8,000,000	**100**	100	Manufacturing and sales of coal products
深圳中海建築有限公司 (i)	PRC	RMB350,000,000	**100**	100	Building construction and investment holding
深圳市中海建設監理有限公司 (ii)	PRC	RMB50,000,000	**100**	100	Provision of project consultant
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
中建陽泉基礎設施投資有限公司 (ii)	PRC	RMB100,000,000	**100**	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	PRC	RMB202,000,000	**100**	100	Infrastructure construction and operation
深圳海豐德投資有限公司 (ii)	PRC	RMB100,000,000	**100**	–	Investment holding

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2010	2009	
			%	%	
Indirectly held by the Company: *(continued)*					
天津港悦基建發展有限公司 (i)	PRC	US$15,000,000	**100**	–	Infrastructure investment
深圳市中建宏達投資有限公司 (ii)	PRC	RMB200,000,000	**100**	–	Investment holding
深圳市中海投資有限公司 (ii)	PRC	RMB500,000,000	**100**	100	Investment holding
中海創業投資(深圳)有限公司 (i)	PRC	US$29,800,000	**100**	100	Investment holding

(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 Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Five Year Financial Summary

Consolidated Results

	2006 HK$'000 (restated)	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	**2010 HK$'000**
	For the year ended 31 December				
Group Revenue	9,450,851	9,047,199	9,544,054	9,706,121	**11,982,871**
Share of revenue of jointly controlled entities	1,711,120	1,183,682	1,510,119	2,966,949	**1,983,966**
	11,161,971	10,230,881	11,054,173	12,673,070	**13,966,837**
Operating profit	438,005	450,326	332,792	492,925	**1,006,855**
Share of profits of associates	6,860	8,788	9,445	11,592	**20,419**
Share of profits of jointly controlled entities	123,778	253,818	281,126	309,310	**321,745**
Finance costs	(9,186)	(1,662)	(19,537)	(12,956)	**(15,552)**
Profit before tax	559,457	711,270	603,826	800,871	**1,333,467**
Income tax expense	(48,885)	(63,848)	(39,866)	(72,390)	**(213,218)**
Profit for the year	510,572	647,422	563,960	728,481	**1,120,249**
Attributable to:					
Owners of the Company	467,171	525,265	521,249	674,066	**1,036,278**
Non-controlling interests	43,401	122,157	42,711	54,415	**83,971**
	510,572	647,422	563,960	728,481	**1,120,249**

Consolidated Net Assets

	2006 HK$'000 (restated)	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	**2010 HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	882,244	967,309	1,105,066	1,122,980	**1,454,445**
Investment properties	10,065	9,705	44,692	43,031	**42,038**
Investment in lands consolidation	–	–	49,814	–	**–**
Interests in infrastructure project investment	498,496	482,659	466,876	553,762	**673,575**
Prepaid lease payments	12,448	60,327	78,536	76,551	**172,258**
Interests in associates	44,894	35,071	41,258	35,175	**34,552**
Interests in jointly controlled entities	1,219,861	1,518,313	1,859,274	1,981,995	**2,350,893**
Intangible asset	–	–	–	9,950	**9,950**
Concession operating rights	–	913	32,698	1,058,730	**4,046,058**
Availiable-for-sale investments	129,329	111,295	98,169	116,179	**396,953**
Investment in convertible bonds	–	–	–	–	**219,686**
Amounts due from investee companies	10,908	10,908	181,940	250,142	**362,247**
	2,808,245	3,196,500	3,958,323	5,248,495	**9,762,655**
CURRENT ASSETS	6,177,457	6,656,588	6,915,874	10,064,491	**8,916,767**
TOTAL ASSETS	8,985,702	9,853,088	10,874,197	15,312,986	**18,679,422**
NON-CURRENT LIABILITIES					
Deferred income	(91,515)	(118,593)	(165,320)	(180,480)	**(244,047)**
Deferred tax liabilities	(54,863)	(67,437)	(71,134)	(93,219)	**(228,813)**
Borrowings	(50,441)	(21,165)	(1,000,000)	(1,936,286)	**(2,880,362)**
Loans from intermediate holding company	–	–	–	(1,703,578)	**(2,470,537)**
	(196,819)	(207,195)	(1,236,454)	(3,913,563)	**(5,823,759)**
CURRENT LIABILITIES	(8,790,875)	(8,342,032)	(7,872,118)	(7,735,433)	**(8,232,263)**
TOTAL LIABILITIES	(8,987,694)	(8,549,227)	(9,108,572)	(11,648,996)	**(14,056,022)**
NET ASSETS (LIABILITIES)	(1,992)	1,303,861	1,765,625	3,663,990	**4,623,400**

Particulars of Investment Properties

	Address	Use	Lease Term	Approximate gross floor area (sq.ft)	Group's interest %
(a)	11th, 12th and 13th Floors, China Construction Commercial Building, Rua do Campo No: 88–96 and Rua de Santa Clara No: 1–3A, Macau	Commercial	Freehold	15,672	100
(b)	1st, 2nd, 3rd, 22nd and 23rd Floors, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, PRC	Commercial	Medium-term lease	39,057	100
(c)	No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbai District, Zhuhai, Guangdong Province, PRC	Commercial	Medium-term lease	1,057	100
(d)	Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road South Gongbai District, Zhuhai Guangdong Province, PRC	Commercial	Medium-term lease	1,134	100
(e)	Shop A on Ground Floor and Car Parking Spaces Nos. 1 to 24 on 1st Floor, Fu Po Garden, Estrada Marginal do Hipodromo No: 70–76, Macau	Commercial	Medium-term lease	6,542	100
(f)	Shops on Basement, Ground Floor and 1st Floor, Car Parking Spaces Nos. 1 to 6 on 1st Floor and Nos. 15 to 16 on 2nd Floor, Edificio Ou Va, Rua do Ribeira do Patane No: 109–115, Avenida Marginal do Patane No: 26–36, Macau	Commercial	Freehold	16,175	100

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