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

Stock Code：03311

Exercise caution in details and implementation

Build a strong foundation to seek greater success

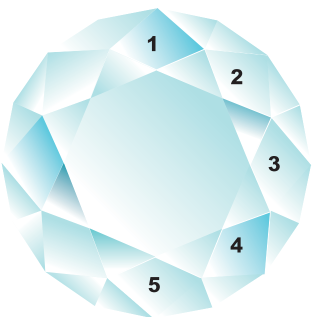
Annual Report **2011**

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. Wuxi Huishan Vocational Park Relocation Housing

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

3. Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City

4. Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories

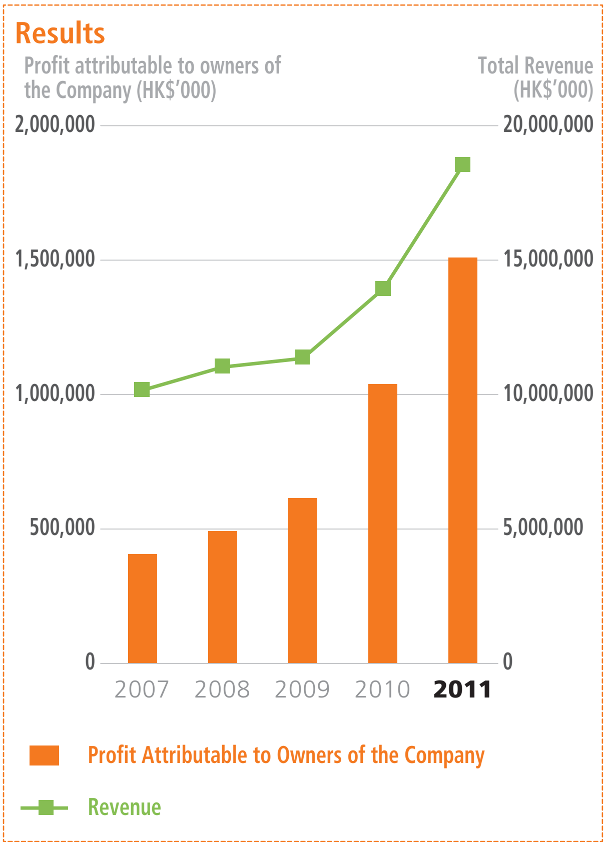
5. Proposed Residential Development at TPTL 186, Pak Shek Kok, Tai Po, New Territories

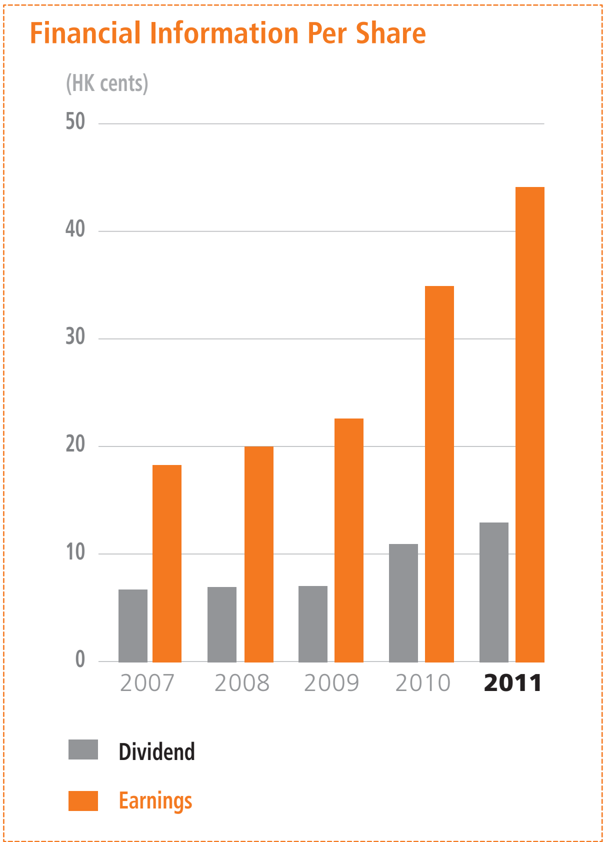
CONTENTS

FINANCIAL HIGHLIGHTS

	Per Annual Report For the year ended 31 December				
	2007	2008	2009	2010	**2011**
RESULTS (HK$'000)					
Group Revenue	8,984,639	9,448,033	8,824,024	11,982,871	**16,379,311**
Share of revenue of jointly controlled entities	1,183,682	1,573,372	2,517,974	1,983,966	**2,202,768**
	10,168,321	11,021,405	11,341,998	13,966,837	**18,582,079**
Profit attributable to owners of the Company	404,893	489,321	612,531	1,036,278	**1,507,405**
FINANCIAL RATIOS					
Net margin (%)	4.5%	5.2%	6.9%	8.6%	**9.2%**
Current ratio (times)	1.20	1.32	1.98	1.08	**1.24**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	18.32	20.06	22.65	33.62 (note)	**44.22**
Dividend (HK cents)	6.75	7.00	7.10	11.00	**13.00**
Net assets (HK$)	0.89	1.03	1.46	1.55	**2.65**
OTHER INFORMATION					
Value of incomplete contracts as at 31 December (HK$ billion)	20.22	21.13	24.67	35.48	**48.92**

Note: The calculation of the basis earnings per share for the year ended 31 December 2011 has accounted for the bonus element of rights issue which was effective from 16 May 2011. The weighted average number of ordinary shares of 2010 has been retrospectively adjusted to reflect the bonus element of rights issue.





CORPORATE STRUCTURE

* As at 28 February 2012, the Company interested in approximately 53.07% of the issued share capital of Far East Global Group Limited.

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Chairman and Non-executive Director
Kong Qingping

Executive Directors
Zhou Yong *(Vice-chairman and Chief Executive Officer)*
Zhang Yifeng
Zhou Hancheng
Tian Shuchen
Hung Cheung Shew

Non-executive Directors
Cheong Chit Sun *(Re-designated on 2 March 2012)*
Li Jian

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

Committees

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

Remuneration Committee
Adrian David Li Man Kiu *(Chairman)*
Zhou Yong
Raymond Ho Chung Tai
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 609
Grand Cayman KY1-1107
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 – Annual General Meeting
24 May 2012 to 28 May 2012
(both days inclusive)

Annual General Meeting
28 May 2012

Closure of Register of Members – Final Dividend
1 June 2012 to 4 June 2012
(both days inclusive)

Payment of Proposed Final Dividend
12 June 2012

MAJOR EVENTS OF THE YEAR 2011

January

Over 400 staff joined the annual charity event of Community Chest Walks for Millions on Hong Kong Island and Kowloon.

The mainland subsidiaries of China State Construction International Holdings Limited jointly organized a welcome party for 2011. The Company conferred certificates of merit to outstanding staff of mainland subsidiaries and gold medals to staff representatives for their long service. To recognize the outstanding result achieved by staff in the Constructor examination, the list of staff passing the Constructor examination in 2010 was also announced during the party.

March

China State Construction International Holdings Limited was conferred the "Caring Company Logo" for three consecutive years, and it has met the criteria in three scopes, namely "Caring for the Community", "Caring for the Employees" and "Caring for the Environment".

商界展關懷
caringcompany 2008-11
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

China State Construction International Holdings Limited planned to raise capital of HK$3,584 million through rights issue. The rights issue will enhance the capital base of the Company, and provide equal opportunity to all eligible shareholders to participate in the future development of the Company, which is in the interest of the Company and its shareholders.

Announcement of 2010 annual results on 18 March 2011. For the year ended 31 December 2010, the audited profit attributable to owners of the Company was HK$1,036 million, with a revenue of HK$13,967 million. Earnings per share was HK34.99 cents, up 54.5% year on year. The Group secured 35 new projects in the year 2010, with an aggregated contract value of HK$24.93 billion.

April

Fujian Zhangzhou Ecological Park Relocation Housing BT project of the PRC. (The owner is the People's Government of Zhangzhou, Fujian, and the project has a total attributed contract sum of approximately HK$3,000 million, GFA of approximately 770,000 sq.m for the relocation housing project, and approximately 1,300 mu for public ecological park and exhibition hall).

Shanxi Yangquan Yangwu Expressway (Yangquan to Yu Xian section), acquired by the Company in May 2010, was completed and commenced toll operation recently. It is the first BOT project of the Company commencing operation.

May

China Construction Engineering (Macau) Company Limited celebrated its 30th anniversary. The celebration party, held at the Macau Tower, with numerous officials, dignitaries and guests attending, was a good opportunity to demonstrate the company's results and strength, laying a solid foundation for a long-term future development.

Morgan Stanley Capital International announced the adjustment of its global indices, in which China State Construction International Holdings Limited was selected as a constituent of its China Index.

China State Construction International Holdings Limited officially joined the Chamber of Hong Kong Listed Companies and signed the Hong Kong Corporate Governance Charter. The joining and signing will provide the Company with an exchange platform for more standardized and systematic corporate governance.

August

The 2011 interim results were announced on 19 August 2011. For the six months ended 30 June 2011, the unaudited profit attributable to the owners of the Company was HK$653 million, with a revenue of HK$6,071 million. Earnings per share was HK20.06 cents, an increase of 33.1% over the corresponding period of last year.

September

China State Construction International Holdings Limited entered into a continuing connected transactions agreement with its holding company for the continual development of the PRC market. The transaction will provide the Company with a new means to invest in the affordable housing and infrastructure businesses and will enhance the Company's rapid business development in the Mainland China. The transaction will also enable the Company to leverage on the extensive construction experience and resources of China State Construction Engineering Corporation Limited in the Mainland China which will facilitate the development of the Company's business development in the Mainland China.

China State Construction International Holdings Limited was selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, which mainly includes listed companies with outstanding performance in corporate social responsibility. The selection is a recognition of the Company's consistent high standard and performance in environmental protection, social responsibility and corporate governance.

Hang Seng Corporate Sustainability Index Series Member 2011-2012

October

The project company, which undertook the Wuxian Highway Reconstruction and Shahu Passageway Project through BT model in 2009, received the first repurchase payment in October 2011. The Company considered that the early repurchase by the Wuhan government is an indication of the strong financial strength of governments where the Company's BT projects are located, and that the Company has good risk control ability for BT project repurchases.

The Group was conferred a number of awards in the "Election of Outstanding Construction Manager of Hong Kong". Among the six awards given out by the organizing institution, the subsidiaries and site manager of China State Construction International Holdings Limited received two awards for excellent management and contribution to the industry.

The Company was awarded a BT contract for relocation housing in Hangzhou. The employer of the projects is the government of Xiaoshan District, Hangzhou, and the project has a total attributed contract sum of approximately HK$1,738 million, GFA of approximately 500,000 sq.m and a construction period of approximately 24 months.

November

Launching ceremony held by China State Construction International Holdings Limited for the promotional activities of low carbon construction. The design for the Construction of Public Rental Housing Development at Kai Tak Site 1A Phase 1 and 2 adopted green concepts with many advanced environmental designs. The Construction of Public Rental Housing Development at Kai Tak Site 1A Phase 1 and 2 project, together with the Hong Kong Housing Authority, prepared CD-ROM and brochures describing various low carbon construction methods and initiatives adopted at the Site to share the experience with peers, and promote their implementation in other public housing sites with a view to advance the development and progress of sustainable construction in the sector.

December

China State Construction International Holdings Limited was conferred the "Gold Award of Outstanding Contractor" by Hong Kong Housing Authority for three consecutive years.

Recorded new contract value awarded of HK$30.28 billion in 2011, representing a year on year growth of 21.5% and accomplishment of the full year target. Received the first repurchase payment of RMB300 million in December 2011 as scheduled under the Company's construction projects of affordable housing in Tianjin through BT model.

CHAIRMAN'S STATEMENT

In the year, the Group secured

37 new contracts

with attributable contract value of approximately

HK$30.28 billion.

CHAIRMAN'S STATEMENT

Mr. Kong Qingping
Chairman and Non-executive Director

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.

A Trusted Brand Growing through Diligence and Care

Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2011 was HK$1,507 million, representing an increase of 45.5% over last year. The revenue was HK$16,379 million, representing an increase of 36.7% while earnings per share increased by 31.5% to HK44.22 cents.

Final Dividend

The Board recommends the payment of a final dividend of HK7.00 cents per share for the year ended 31 December 2011, contributing to the annual total dividends per share amounting to HK13.00 cents, representing an increase of 18.2% as compared to last year.

Review of Operation

In 2011, domestic and international economic situation have become extremely complex. The weak recovery of the U.S. economy alongside the spread of European sovereign debt crisis, political instability in key regions, economic overheating and rising inflation in emerging markets, natural disasters and drastic financial market adjustment have all created great impact on world economy, triggering volatility in the global economy. Adhering to the principle of "Cool Response, Self-strengthening, Innovative Adjustment and Steady Operation", the Group grasped the opportunities to ensure sound development in response to the changing situations, which achieved significant results in the dual-core business of infrastructure investment and construction and substantial growth in business scale and operation efficiency.

Market Conditions

The Hong Kong and Macau construction market remained buoyant. The tightening macroeconomic regulation and control and monetary policy resulted in economy slowdown in Mainland China. Given the market changes brought about by Mainland China's macroeconomic regulation and control, the Group made timely adjustment to its business strategy and successfully resolved the main risks inflicted by the external economic and market environment, thereby achieving sustainable and healthy development of the construction investment business.

1. Hong Kong and Macau Regions

As the "Ten Mega Infrastructure Projects" are propelling in thorough progress, the private construction market is also on the upswing, adding steam to Hong Kong's construction market. In view of the increasing labor and material costs for the construction industry, a greater number of large and complex projects and more fierce competition in the industry, the Group actively grasped the market development trend and placed tender risk control as its first priority while focusing on the building construction and foundation engineering markets and controlling the expansion efforts in civil engineering business. Through meticulous planning and by seising the opportunity, our Hong Kong and Macau housing development performed better than our expectation. In 2011, new contracts for construction business in Hong Kong and Macau continued to exceed HK$10 billion during the year, which further consolidates the Group's leading market position in Hong Kong and Macau.

Macau's gaming revenue has been increasing during recent years. The increase in public projects launched in Macau has driven up private investment. The Macau subsidiaries captured the "Golden Five Years" opportunity in Macau and participated in vigorous competition in the market, which achieved great success in its business development through the synergy effect between Hong Kong and Macau.

2. Mainland China Market

In 2011, the Group's infrastructure investment grasped the opportunities to invest in affordable housing in Mainland China, securing sizeable affordable housing projects in Chongqing, Zhangzhou, Wuxi, Hangzhou respectively, with its investment in new projects in Mainland China amounting to HK$21,100 million, achieving its business expansion goal of 3-million-sq.m. affordable housing for the year. As for infrastructure development, two large investment projects, namely Shanxi Wuyu Expressway and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province, had been successfully finalised on schedule. Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) BOT Project officially commenced operation on 8 May 2011. Tangshan Binhai Avenue BT Project has become operational and will be repurchased, whilst Wuxian Highway Reconstruction and Shahu Passageway BT Project have entered the repurchase stage.

The stable growth of the infrastructure construction business in Mainland China provides promising cash flow and profit growth. The toll revenue and profit for Nanjing No. 2 Yangtze River Bridge has reached a new high in 2011. Being one of the largest heat suppliers in Shenyang by heat supply area, Shenyang Huanggu Thermoelectricity Company Limited (瀋陽皇姑熱電有限公司) provides quality services that are highly recognised and well-received by municipal and district government authorities and the general public. The Group's project consultancy business in Mainland China continued to implement a strategy of "Big Market, Big Client, Big Project", enhancing the quality in bidding for site supervision contracts, under which different projects were propelling moderately.

3. Overseas Market

In 2011, the Indian economy showed moderate recovery. The Group closely monitored the Indian market, searched for sound joint-venture partners, studied and explored the feasibility of infrastructure investment in the Indian market. The real estate and construction market of the United Arab Emirates ("UAE") remained sluggish, and the Group ceased to undertake new projects in the UAE market since 2008. The Group continued to concentrate on progress payment and commercial management of the projects in progress.

Completed Projects during the Year

In 2011, the Group completed 28 projects.

New Projects Awarded During the Year

The Group secured 37 new projects in 2011, with an aggregated attributable contract value of HK$30.28 billion of which the Hong Kong market accounted for 18.9%, the Mainland China market accounted for 65.4% and other markets accounted for 15.7%.

10 new contracts were awarded after the reporting date with a aggregated attributable contract value of about HK$6.16 billion.

Projects in Progress

At 31 December 2011, the Group had a total of 90 projects in progress, with an aggregated attributable contract value of HK$73.95 billion. The attributable contract value of incomplete projects was HK$48.92 billion.

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 Company 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, continued to improve corporate governance and standardise operation. It also adjusted its strategic planning in a timely manner in order to cope with the complication market conditions. The function and role of each dedicated decision-making team have been enhanced and the regionalisation of business units and specialisation of management capabilities were strengthened to improve management efficiency.

Risk Management

The special management team continued to enhance and carry out full-scale monitoring and controlling of risks; persisted in centralisation of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the "Examination by Three Departments" mechanism, and emphasised the balance between control and efficiency. Effectively building a linkage mechanism on risk management between the Group, relevant operating units and projects, the Group created a risk management system to deal with procedures such as risk identification, alert, prevention and disposition. The Group holds regular quarterly meetings for every operating unit, fully implement the mechanism of centralised decision making in regular meetings of general managers and the "Three Centralisation" management models, enhancing the headquarters' management function in terms of human resources, financial resources and material resources and increasing the Group's ability in risk management on construction and investment projects. As for overseas market, the Group has been keeping its eyes on the market trend, focusing on avoiding market risk as well as currency exchange 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 2011, the Group had bank balances of HK$5.46 billion and total borrowings of HK$6.26 billion, and a net gearing ratio of 8.4%. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unutilised borrowing facilities of HK$3.70 billion to meet the need of the Group's business development.

By holding half-yearly 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 utilised the regional platform of Hong Kong, Macau and Mainland China to raise and manage capital, enhanced the synergy between the headquarters and the subsidiaries in investment and financing, and raised the level of financial management through the strengthening of cost management, the emphasis of financial planning and stressing on the time value of funds, effectively supporting the development of business operation.

Human Resources Management

The Group has launched a new performance appraisal system and staff ranking system, increased efforts in salary and benefits reform, improved the remuneration system and created a more market-based remuneration system. It further implemented the construction site contract responsibility system and examined the practicability of the investment project contract responsibility system. Through campus recruitment and personnel nomination incentive scheme, the Group actively engaged in recruitment, further improved the internal talent training and promotion mechanism, enhanced the effort in the transfer of talents from Hong Kong construction to Mainland China investments and strengthened the protection of human resources.

Equity Funding

Riding on the favorable capital market conditions in 2011, the Group undertook equity financing by completing its capital raising through rights issue in mid of May 2011, raising a total of HK$3.58 billion. The rights issue arrangement effectively enhanced the capital base of the Company, optimised the overall financial structure and secured a strong financial position for the Group to commence affordable housing and infrastructure investment business in Mainland China.

On 2 February 2012, the Group made an announcement on The Stock Exchange of Hong Kong in respect of the proposed acquisition up to 51.0% shareholding of Far East Global Group Limited, a listed company in Hong Kong by subscribing for newly issued shares for a consideration of approximately HK$640 million. The acquisition will effectively enhance the diversification of the Group's related business and obtained synergies from both parties.

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. Owing to the effectiveness of the Group's innovative safety management reward system, the accident incident rate dropped to a new low, making the Group a leader in the industry. The Group has extensively utilised energy saving, low carbon emission and environmental-friendly construction technologies, building up a harmonious living environment, playing a leading role and setting a good example for the industry. The Group also put high emphasis on the localisation of its regional companies, in order to build a friendly and harmonious working environment for its staff members. The Group's outstanding performance in persistent fulfillment of social responsibility has been recognised by the capital markets and was selected as a constituent of Hang Seng Corporate Sustainability Benchmark Index in September 2011.

Key Awards

The Group has received a number of important awards in 2011, of which the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 received the Building Sites (Public Contract) Gold Award in the "Construction Safety Award Scheme 2010-2011" organised by the Labour Department of Hong Kong; the Decking of Jordan Valley Nullah in Kwun Tong Flower Market Road Nullah in Mong Kok and Tonkin Street Nullah in Sham Shui Po were honoured with the Considerate Contractors Site Award-Gold Award and the Outstanding Environmental Management & Performance Award-Gold Award in the "Considerate Contractors Site Award Scheme 2010" organised by the Development Bureau of Hong Kong; the Construction of Public Rental Housing Development at Kai Tak Site 1A Phase 1 and 2 was honoured with the "Best Safety Culture Site – Gold Award" in the "Construction Safety and Health Promotional Campaign in 2011" organised by the Occupational Safety and Health Council. In particular, the Group has been the first contractor honoured with the "Outstanding Contractor Gold Award (Building)" by the Hong Kong Housing Authority for three years in a row, which further promotes to the Group's corporate image and brand building.

Business Prospects

In 2012, the global economic situation will be more complicated and grim. Affected by the slow recovery of developed economies, the sovereign debt crisis of the euro zone, slowdown in economic growth in emerging economies, volatility in capital market and the escalation of tensions in the Middle East, the global economy is expected to be unpredictable and the overall environment in 2012 will remain difficult. The Group will close monitor the macroeconomic development trends in Mainland China and make timely adjustment of key strategies while focusing on sound operation.

Market Conditions

2012 is the second year for the implementation of The Twelfth Five Year Plan by China and different development proposals has currently been planned for infrastructure investment. Among which, the target for affordable housing has become a mandatory benchmark for the government at all levels for policy assessment. The newly-set construction target for affordable housing in 2012 is 7 million units, with proposed investment amounting to approximately RMB1 trillion. As the key implementation target for The Twelfth Five Year Plan of China, the construction of affordable housing will be strongly supported by the State's policy, which provides an opportunity for the Group to invest in and expand the business of affordable housing in Mainland China.

In 2012, the construction industry in Hong Kong will continue to flourish driven by various government projects. In view of the further introduction of the "Ten Mega Infrastructure Projects" and other major infrastructure projects, construction program for government public housing, the new revitalisation policy of the Home Ownership Scheme flats and optimisation of the "My Home Purchase Plan", the amount of housing construction launched by the government will remain considerable. Meanwhile, the labor and material costs for the construction industry in Hong Kong will continue to rise and inflation will persist. The macroeconomic trend in Mainland China has also induced uncertainties to Hong Kong's economic growth prospects.

Buoyed up by the launching of a large number of government public projects and numerous private projects concurrently, the construction market in Macau continues to blossom. While endeavoring to expand the contracting business, the Group actively explores the opportunities for investment-driven contracting projects.

Under the grave impacts of political instability in the Middle East coupled with weak market sentiment after the economic crisis, the UAE market has yet to recover. In response to the heightened risk of economic downturn, India intends to launch a new round of economic stimulus plan in early 2012, with infrastructure construction as its top development priority.

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 international and domestic prospective. The Group will work hard towards its pre-determined targets, grasp opportunities, mitigate risks, pursue an enhanced management and protection standard and reinforce the dual-core business of infrastructure investment and construction. The Group will also effectively increase its shareholders' value and market competitiveness.

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 and insist on differentiated tendering strategy. Capturing our advantages in technology and design and the timing for the "Ten Mega Infrastructure Projects" and other major construction projects, the Group will maintain proper coordination with joint-venture partners and avoid any tendering and inflation exposure to secure its position as one of the largest contractors in Hong Kong. In Macau, we will focus on projects including large scale building and government public housings while improving our business diversification and cross-region operation and management, striving to achieve a breakthrough in investment-driven contracting.

As a major platform of China State Construction Engineering Corporation Limited for the infrastructure investment and operation in Mainland China, the Group will continue its efforts in its investments in Mainland China's infrastructure construction, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth of the Group's operating results. The Group will closely follow State policies and focus on affordable housing to expand its investments in Mainland China under the favorable conditions of the State's enhanced efforts in building more affordable housing.

As for overseas market, after balancing the risk and profit, the Group will focus on capital operation and investment business targeting the markets in Europe, America and India and accelerate its overseas investment process.

Operation Management

The Group has engaged in the construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group put great emphasis in the promotion of the "5+3" project management model (i.e. coordinated management by the five elements of progress, quality, cost, safety and environmental protection and the three systems of flow guarantee system, procedure guarantee system and responsibility guarantee system) to actively launch different projects with balance and refine its management of projects. We will continue to explore regional management model and perfect the performance assessment system of the target operation responsibility system. By upholding the principle of prudence, moderation, control and profitability, we maintain a dynamic balance in our investment structure. The Group gives preference to cash flow management to accelerate capital returns and actively raise funds. To further improve the human resources management system, we are committed to creating a competent and efficient team of international talents with clearly-defined structure at all levels. By strengthening the development of our information computerisation, the Group actively promotes the implementation of the CRM customer relationship management system, the CDMS cost management system and the NC system.

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, 23 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Zhou Yong
Vice-Chairman and Chief Executive Officer

Revenue and profit attributable to the owners of the Company were HK$16,379 million and HK$1,507 million, representing a growth of 36.7% and 45.5% respectively as compared with last year.

Overall Performance

For the year ended 31 December 2011, the Group's revenue recorded HK$16,379 million, representing a year-on-year increase of 36.7% and a net profit attributable to owners of the Company for the year amounted to HK$1,507 million, an increase of 45.5% over last year. Basic earnings per share were HK44.22 cents (2010 (restated): HK33.62 cents), an increase of 31.5%.

Construction

In 2011, construction business including affordable housing projects recorded growth in all three key performance indicators: new projects awarded, revenue and segment profit results. The Group's construction business contributed revenue of HK$12,487 million (2010: HK$8,632 million) representing an increment of 44.7% and the gross profit of HK$1,052 million (2010: HK$613 million) which increased 71.6%.

1. Hong Kong Market

With the ten major infrastructure projects being rolled out in phases as scheduled and the Government of the HKSAR committed to increase the supply of land for both private and public housing development, undertake large-scale infrastructure projects to improve the local transportation system and promote long-term development of arts and culture for the next few years. The Group expects these will provide continuing drive to the construction activities in Hong Kong.

The revenue arising from Hong Kong market for the year was HK$8,708 million (2010: HK$6,237 million).

2. Mainland China Market

In 2011, the Group's construction business in Mainland China continued to benefit from massive affordable housing projects which are launched by the Central Government to relieve the overheated property market in Mainland China. These projects target for building more housing units for low-income families and renovation of housing units in run-down areas. The division reported a revenue of HK$3,655 million (2010: HK$1,474 million).

3. Macau Market

The economy of the Macau market has fully recovered during the year due to raising gaming business. The increase in public housing projects launched in Macau has driven up private investments. It recorded a growth in revenue during the year of HK$243 million (2010: HK$83 million). In view of the current projects on hand and the market trend, the Group expects to maintain a continuous and steady growth in the coming years.

4. Overseas Market

In 2011, the Indian economy showed moderate recovery. The Group will closely monitor the Indian Market, seek for sound potential partners, study and explore the feasibility of infrastructure investment in the Indian market. On contrast, the construction market of the United Arab Emirates ("UAE") remained sluggish, and the Group ceased to undertake new projects in Dubai since 2008.

Infrastructure Investment

During 2011, the Group maintained its portfolio of infrastructure investment businesses. The division contributed revenue of HK$3,892 million (2010: HK$3,351 million) and the gross profit of HK$746 million (2010: HK$702 million).

1. The increase in revenue was mainly contributed by a newly awarded project, Shanxi Wuyu Expressway and the satisfactory progress of Shanxi Class 1 Highway from Yangquan to Niangziguan. Meanwhile, Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section), being our Group's first completed BOT project, commenced operation and generated toll revenue in 2011.

2. The Group takes advantage of BT projects which have better payback periods and stable return. During the year, one new BT project, Taiyuan South Station Western Square, was awarded in Taiyuan.

3. During the year, supply of heat and electricity recorded a revenue of HK$455 million, representing an increase of 15.8% over last year. As at 31 December 2011, the total heat supply areas in Shenyang is approximately 11,055,000 sq.m, which is increased by 17.1% from 9,440,000 sq.m in last year. The Thermal Power Plant Phase V is developing for the increasing demand of local market.

Profit before Taxation

1. Gross profit margin

Gross profit margin for the year was maintained at around 11.0%. The Group continued to enhance operationally efficiency, strengthen our relationship with subcontractors and implement tighter control over project costs and corporate overhead to maintain the profitability of existing contracts to cope with the rising costs.

2. Share of profits of Jointly Controlled Entities

The Group operates with joint venture partners for the construction business and infrastructure projects investments, share of profits of jointly controlled entities ("JCE") for current year was mainly derived from Nanjing No. 2 Yangtze River Bridge project and Tangshan Binhai Avenue project. During the year, the revenue and the profit after tax contributed from JCE were HK$2,203 million (2010: HK$1,984 million) and HK$380 million (2010: HK$322 million), respectively.

3. Administrative expenses

Administrative expenses increased by 15.4% to HK$539 million (2010: HK$467 million) in 2011. Increase in costs was mainly attributable to the expansion of the Group's operation in Mainland China, the increase in staff costs and vigorous inflation rate over the year.

4. Finance costs

Finance costs increased to HK$193 million for the year from HK$16 million for last year, mainly because of the cessation of capitalisation of interest on construction loan for Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) upon its completion in 2010 and the increase in bank borrowings.

Earnings Per Share

For the year ended 31 December 2011, the basic earnings per share was HK44.22 cents, increased by 31.5% from HK33.62 cents (restated) of last year. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,507 million (2010: HK$1,036 million) and on the weighted average number of 3,408,962,000 (2010 (restated): 3,081,999,000) ordinary shares in issue during the year. The increase in the weighted average number of issued shares in current year was the result of the rights issue in May 2011 and the exercise of share options during the year. The calculation of the basic earnings per share for the year ended 31 December 2011 has accounted for the impact of rights issue which was effective from 16 May 2011. The weighted average number of ordinary shares of 2010 has been retrospectively adjusted to reflect the bonus element of the rights issue.

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.

Financial Position of the Group

1. Shareholders' Equity

The Group maintains a sound financial position, the shareholders' equity reached HK$9,490 million as at 31 December 2011 from HK$4,619 million on 31 December 2010. This was mainly attributable to the rights issue and net profits of HK$1,507 million. In May 2011, the Company successfully raised approximately HK$3,584 million (before expenses) by way of rights issue.

2. Bank Balances and Cash

As at 31 December 2011, the Group had bank balances and cash of HK$5,458 million (2010: HK$3,728 million). The portfolio of the currencies of bank deposits is listed as follow:

	2011 **%**	2010 %
Hong Kong Dollars	**39**	41
Renminbi	**59**	55
Macao Patacas	**1**	3
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.

3. Borrowings

During the year, the Group has drawn down HK$2,000 million syndicated loan which bears interest at HIBOR plus 1.35% per annum and will mature in June 2015. This facility was applied for general operating purposes and investment in the Mainland China projects. Meanwhile, the Group drew on a project loan of RMB280 million through its wholly-owned subsidiary, Yangquan Yangwu Expressway Investment Management Limited (陽泉市陽五高速公路投資管理有限公司) to finance its BOT projects in Shanxi.

As at 31 December 2011, the total borrowings of the Group including bank borrowings and loans from intermediate holding company amounted to approximately HK$6,259 million (2010: HK$5,350 million), of which 20.7% was repayable within one year and 79.3% was repayable over one year.

During the year, the Group had repaid the loans from intermediate holding company of RMB1,364 million.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2011 and 2010:

	2011 **HK$'million**	2010 HK$'million
Bank borrowings		
On demand or within one year	**358**	–
More than one year but not exceeding two years	**24**	12
More than two years but not more than five years	**3,173**	1,129
More than five years	**1,764**	1,739
Total bank borrowings	**5,319**	2,880
Loans from intermediate holding company		
On demand or within one year	**940**	–
More than two years but not more than five years	**–**	2,470
Total borrowings	**6,259**	5,350

As at 31 December 2011, the Group had net borrowings of HK$801 million (2010: HK$1,622 million), and as a result of rights issue, net gearing ratio was improved from 35.0% in 2010 to 8.4% in 2011. In addition, the Group has committed and unutilsed loan and working capital facilities of HK$3,700 million and guarantee facilities of HK$4,532 million, the Group had sufficient financial resources to meet its business development opportunity in Hong Kong and the Mainland China markets.

Utilisation of Financial Resources

In order to utilise financial resources effectively and efficiently, the Group captured valuable opportunities arising from the affordable housing projects and infrastructure projects 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 Mainland China.

(1) In January 2011, the Group and the controlling shareholder China State Construction Engineering Corporation Limited, ("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 BT infrastructure project in respect of the Taiyuan South Station Western Square in Taiyuan City, Shanxi Province with the estimated attributable contract sum HK$1.13 billion.

(2) In April 2011, the Group set up a wholly-owned subsidiary, 重慶海建投資有限公司, which entered into a construction agreement through BT model with the local government for a relocation and public rental housing project with the estimated total investment amount of HK$2.27 billion.

(3) In June 2011, the Group set up a wholly-owned subsidiary, China State (Zhangzhou) Construction Development Limited (中建(漳州)建設開發有限公司) which entered into a construction agreement through BT model with the Government of Zhangzhou for a relocation housing project with the estimated total investment amount of HK$3.00 billion.

(4) The Group invested in Shanxi Wuyu Expressway of total contract sum of HK$7.17 billion.

(5) In October 2011, the Group and the 杭州市蕭山區政府 signed a construction agreement of a BT project for a relocation housing project with the estimated total contract sum of HK$1.74 billion.

(6) During the year, the Group continually invested in Shenyang Huanggu Thermal Power Plant Phase V to increase the production capacity for a newly acquired residential zone.

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.

Subsequent to the year end date, the Group entered into a subscription agreement with Far East Global Group Limited ("FEG") which shares are listed on the Stock Exchange of Hong Kong. Pursuant to the subscription agreement, the Group agreed to subscribe for 1,038,550,000 new shares of FEG at a consideration of HK$0.62 per share in cash (the "Subscription").

The Subscription was completed on 28 February 2012. The Group held approximately 53.07% of the enlarged share capital of FEG and FEG became a subsidiary of the Group.

On 2 March 2012, the Group made an unconditional cash offer (the "Offer") for all the issued shares in FEG, other than those already held by the Group on the basis of HK$1.18 per share in cash. The Offer will close on 23 March 2012.

The Management believes that the acquisition of FEG will provide a controlling position in an internationally advanced curtain wall systems company, and will provide the Group with related diverse business and markets development opportunities and allow the Group to seek investment opportunities throughout the international markets.

Management Polices for Financial Risk

1. Interest Rate Risk

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

2. Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's trade and other receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. Credit extended to business associated 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 organisations and certain reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

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

3. Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities and convertible bond which classified as either available-for-sale investments of financial assets and at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks and with higher ranking. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the property market in Mainland China for the convertible bond. In addition, management will closely monitor the equity price risk and will consider hedging the risk exposure should the need arise.

BUSINESS REVIEW

At the end of 2011, the Group has

90 projects in progress

with an aggregated attributable contract value of

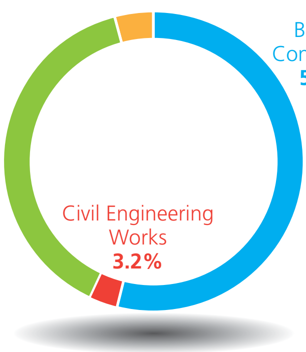
HK$73.95 billion.

BUSINESS REVIEW

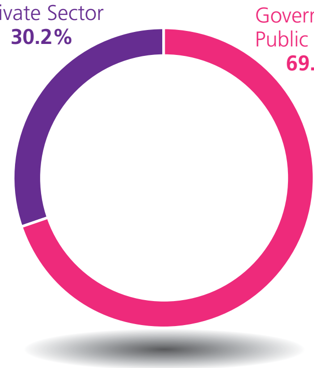
Major Completed Projects in 2011

No.	Project Name	Government/ Public Sector	Private Sector
	Building Construction		
1	Construction of Choi Wan Road Site 2 Phase 2 (Non-Domestic Portion), Site 3A and District Open Space Site A	●	
2	Construction of Tin Shui Wai Public Library cum Indoor Recreation Centre at Tin Shui Wai	●	
3	Construction of Sun Yat Sen Memorial Park and Swimming Pool	●	
4	Construction of Hung Home Estate Phase 2 and Ma Hang Headland Park	●	
5	Proposed Industrial Redevelopment at No.2 Heung Yip Road, Hong Kong		●
6	Construction of Tseung Kwan O Complex in Area 44, Tseung Kwan O	●	
7	Construction of Sports Centre in Area 28A, Fanling / Sheung Shui	●	
	Civil Engineering Works		
8	Replacement and Rehabilitation of Water Mains, Stage 2 - Mains in West Kowloon and Kowloon City	●	
	BT		
9	Tangshan Binhai Avenue Project	●	
10	Wuxian Highway Reconstruction and Shahu Passageway Project	●	

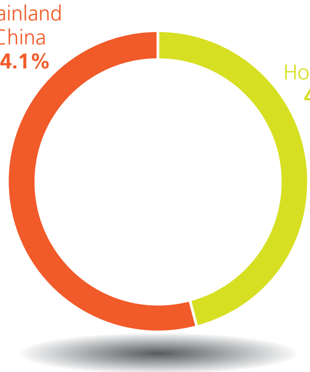
By Project Categories



By Customers



By Market

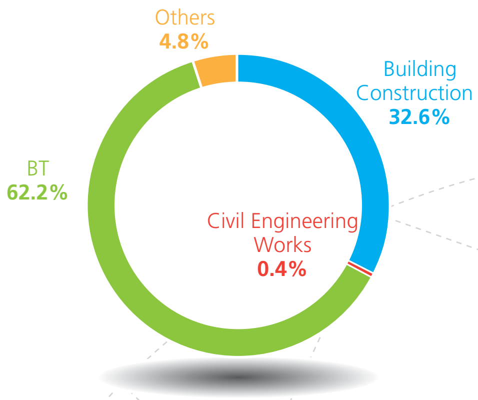


New Projects Awarded in 2011

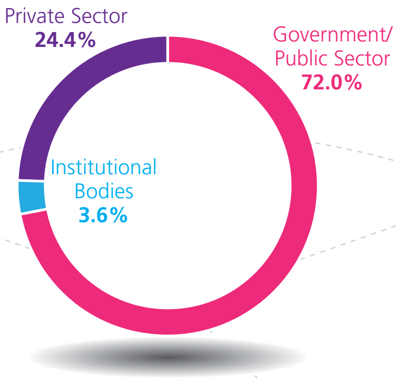
Summary for the year

- 37 new projects awarded
- Attributable contract value for new projects awarded was HK$30.28 billion

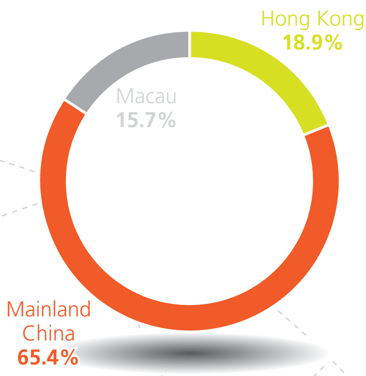
By Project Categories



By Customers



By Market



From 1 January 2012 to the date of this report

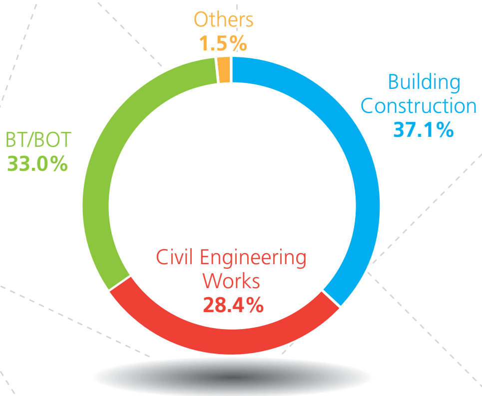
- 10 new projects awarded with a total attributable contract value of HK$6.16 billion

Projects in Progress at the End of 2011

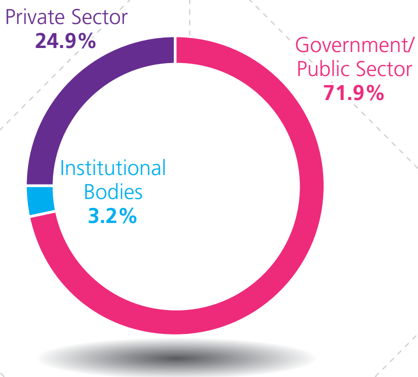
Summary at the end of 2011

- 90 projects in progress
- Total attributable contract value of projects was HK$73.95 billion
- Attributable contract value for incomplete works was HK$48.92 billion

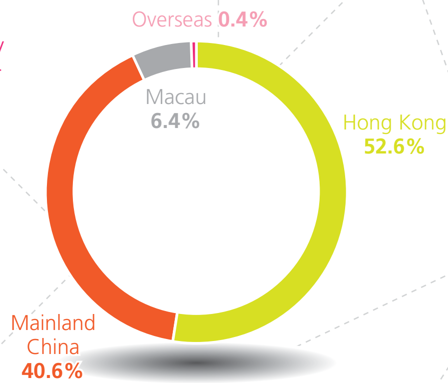
By Project Categories



By Customers



By Market



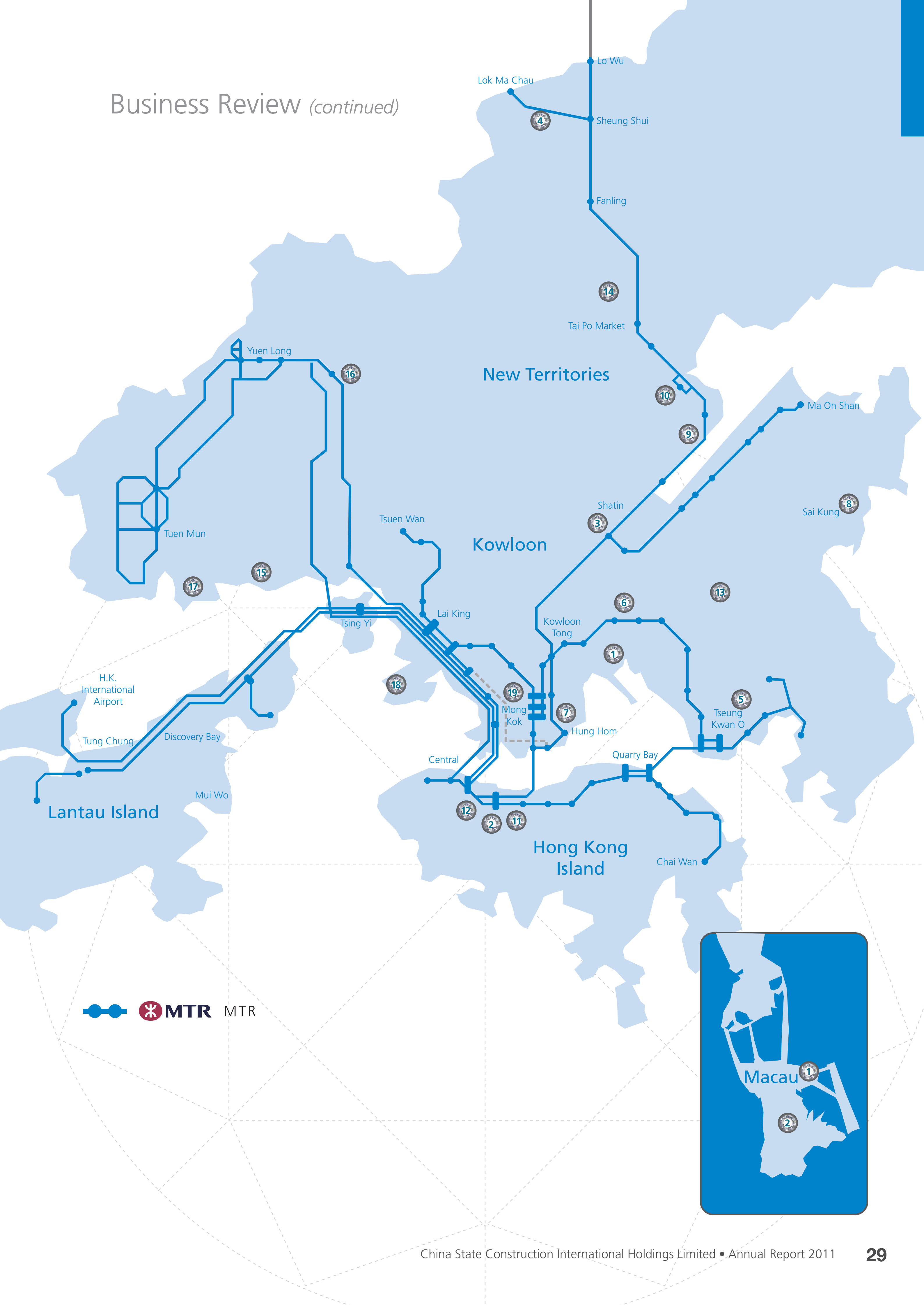
Projects in Progress at the End of 2011 *(continued)*

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	Lee Tung Street / McGregory Street, Wanchai, Hong Kong, Super-Structure Main Contract (For Site A & B)	1,545
3	Construction of Public Rental Housing at Sha Tin Area 52 Phase 1	1,323
4	Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories	1,272
5	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	1,188
6	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street , Wong Tai Sin	1,140
7	The Hong Kong Polytechnic University - Phase 8 Development	856
8	Site Formation, Foundation and Superstructure Main Contract Works for New Academic Building and Residential Accommodation for HKUST	767
9	Proposed Residential Development at TPTL 188, Pak Shek Kok, Tai Po, New Territories	656
10	Proposed Residential Development at TPTL 186, Pak Shek Kok, Tai Po, New Territories	637
	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 Island Sewage Treatment Works - Sludge Dewatering Facilities	766
19	Replacement and Rehabilitation of Water Mains, Stage 3 - Mains in West Kowloon (Package A)	660

MAJOR PROJECTS IN PROGRESS – **MACAU**

No.	Project Name	Attributable Contract Value HK$'million
	Building Construction	
1	Main Contract Works for the Proposed Residential Development (Phase 1) next to Avenida Wai Long, Cotai	2,743
2	石排灣公共房屋CN5a地段工程	951



Lo Wu
Lok Ma Chau
Sheung Shui
Fanling
Tai Po Market
New Territories
Yuen Long
Ma On Shan
Sai Kung
Shatin
Tsuen Wan
Kowloon
Tuen Mun
Lai King
Tsing Yi
Kowloon Tong
H.K. International Airport
Mong Kok
Hung Hom
Tseung Kwan O
Tung Chung
Discovery Bay
Central
Quarry Bay
Mui Wo
Lantau Island
Hong Kong Island
Chai Wan
Macau
MTR

Projects in Progress at the End of 2011 *(continued)*

MAJOR BUSINESSES – **MAINLAND CHINA**

No.	Project Name	Attributable Contract Value HK$'million
A	**Building Construction**	
1	Management Contract Project at Pazhou PZB1401, Guangzhou City	1,987
2	成都西錦城二期上蓋工程	546
B	**BT/BOT**	
1	Shanxi Wuyu Expressway	
2	Zhangzhou Ecological Park Relocation Housing	
3	Chongqing Hechuan Relocation Housing and Public Rental Housing	
4	Wuxi Huishan Vocational Park Relocation Housing	
5	Hangzhou Xiaoshan Beigan Relocation Housing	
6	Class 1 Highway from Yangquan to Niangziguan, Shanxi Province	
7	天津軍糧城保障性住房項目(Affordable Housing Projects in Junliang Cheng in Tianjin)	
8	Taiyuan South Station Western Square	
9	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City	
10	天津金鐘街保障性住房項目(Affordable Housing Projects in Jinzhong Jie in Tianjin)	
11	Hangzhou Xiaoshan Relocation Housing	
12	Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section)	
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
B7, B10
Yellow River
B1, B6, B12
B8
Mainland China
C1
B4
B5, B11
A2
B9
C2
B3
Yangtze River
Pearl River
B2
A1
D

Business in Mainland China

Zhangzhou Ecological Park Relocation Housing

- **Location: Zhangzhou, Fujian**
- **Nature of Business: Build-Transfer Project**

Wuxi Huishan Vocational Park Relocation Housing

- **Location: Wuxi, Jiangsu**
- **Nature of Business: Build-Transfer Project**

Business in Mainland China *(continued)*

Hangzhou Xiaoshan Beigan Relocation Housing
- **Location: Hangzhou, Zhejiang**
- **Nature of Business: Build-Transfer Project**

Taiyuan South Station Western Square
- **Location: Taiyuan, Shanxi**
- **Nature of Business: Build-Transfer Project**

Business in Mainland China *(continued)*

Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City
- **Location: Wuhan, Hubei**
- **Nature of Business: Build-Transfer Project**

Hangzhou Xiaoshan Relocation Housing
- **Location: Hangzhou, Zhejiang**
- **Nature of Business: Build-Transfer Project**

Business in Mainland China *(continued)*

Chongqing Hechuan Relocation Housing and Public Rental Housing

- **Location: Chongqing**
- **Nature of Business: Build-Transfer Project**

Shenzhen Hailong Construction Products Plant

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

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**

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)*

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**

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**

Major Projects in Hong Kong *(continued)*

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**

Design, Build and Operate Pillar Point Sewage Treatment Works

- **Customer Category: Government/Public Sector**
- **Project Commencement Date: July 2010**
- **Attributable Contract Value: HK$869 million**

Major Projects in Hong Kong *(continued)*

Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities

- **Customer Category: Government/Public Sector**
- **Project Commencement Date: August 2010**
- **Attributable Contract Value: HK$766 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)*

Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin

- **Customer Category: Private Sector**
- **Project Commencement Date: March 2010**
- **Contract Value: HK$1,140 million**

Proposed Residential Development at TPTL 186, Pak Shek Kok, Taipo, New Territories

- **Customer Category: Private Sector**
- **Project Commencement Date: December 2010**
- **Attributable Contract Value: HK$637 million**

Major Projects in Hong Kong *(continued)*

Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories

- **Customer Category: Private Sector**
- **Project Commencement Date: August 2010**
- **Contract Value: HK$1,272 million**

Construction of Public Rental Housing Development at Kai Tak Site 1A Phase 1 and 2

- **Customer Category: Government/Public Sector**
- **Project Commencement Date: July 2010**
- **Contract Value: HK$1,747 million**

Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4

- **Customer Category: Government/Public Sector**
- **Project Commencement Date: May 2009**
- **Contract Value: HK$1,188 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 2011, the Company has applied and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Board of Directors

The Company and its subsidiaries (the "Group") is governed by the Board. The Board is responsible for overall management of the Group's business. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group. 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
Chairman and Non-executive Director		
Kong Qingping		3/4
Executive Directors		
Zhou Yong	*(Vice-chairman & Chief Executive Officer)*	4/4
Yip Chung Nam	*(retired on 7 June 2011)*	2/2
Zhang Yifeng		4/4
Cheong Chit Sun*		4/4
Zhou Hancheng		4/4
Tian Shuchen		4/4
Hung Cheung Shew	*(appointed on 8 June 2011)*	2/2
Non-executive Director		
Li Jian	*(appointed on 19 October 2011)*	1/1
Independent Non-executive Directors		
Raymond Ho Chung Tai		3/4
Adrian David Li Man Kiu		4/4
Raymond Leung Hai Ming		4/4
Lee Shing See		4/4

* Dr. Cheong Chit Sun re-designated as Non-executive Director of the Company on 2 March 2012.

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.

The Company has arranged directors' and officers' liability insurance in respect of any legal action against Directors.

Other than non-executive directors, all executive directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to comply their responsibilities as directors of the Company and their common law duty as directors. 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.

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 executive director, vice-chairman and chief executive officer of the Company and is responsible for the operations of the Group. The chief executive officer together with other 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 approving 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, three Remuneration Committee meetings were held to renew the employment letters of the non-executive director and independent non-executive directors, review and discuss the remuneration policy and annual bonus policy of the Company and consider the terms of the appointment, remuneration and employment letter of the newly appointed non-executive director. The individual attendance of each director is set out below:

Name		Attended/ Eligible to Attend
Kong Qingping	*(resigned as Chairman and member on 6 December 2011)*	3/3
Adrian David Li Man Kiu*	*(Chairman)*	3/3
Zhou Yong	*(appointed on 6 December 2011)*	0/0
Raymond Ho Chung Tai		2/3
Raymond Leung Hai Ming		3/3
Lee Shing See		3/3

* Mr. Adrian David Li Man Kiu, member of the Remuneration Committee, was appointed as Chairman of the Remuneration Committee on 6 December 2011.

The human resources department reviews the remuneration data of the market and formulates the remuneration policy of the Group and then proposing to the Remuneration Committee for consideration and seeking approval. The remuneration of directors and senior management of the Company is determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

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)*	1/2
Zhou Yong		2/2
Zhang Yifeng		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

During the year, the Nomination Committee evaluated the composition and structure of the Board, reviewed the independence of the independent non-executive directors and considered the appointments of Mr. Hung Cheung Shew ("Mr. Hung") as an executive director and Mr. Li Jian (''Mr. Li'') as a non-executive director.

Mr. Yip Chung Nam retired and did not offer himself for re-election at the annual general meeting of the Company which held on 7 June 2011. Mr. Hung and Mr. Li were appointed as executive director and non-executive director on 8 June 2011 and 19 October 2011 respectively. Details of Mr. Hung's and Mr. Li's qualifications and experiences had been submitted to the Nomination Committee for consideration and were approved by the Board. The newly appointed directors 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 them written guideline on dealing in the Company's securities. The Company provided a directors training seminar on 19 October 2011 for all the directors of the Company. The training materials and presentation were arranged by the Company's legal advisor.

Auditor's Remuneration

For the year ended 31 December 2011, the audit fees received by the auditor of the Company totaled approximately HK$5.77 million, including audit service fees of the Company of approximate HK$5.15 million and non-audit service fees of approximate HK$0.62 million.

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		4/4
Raymond Leung Hai Ming		4/4
Lee Shing See		4/4

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2010, the connected transactions and the internal control reports of the Group, the re-appointment of auditor, the Group's 2011 unaudited first quarter results, the Group accounts for the six months ended 30 June 2011 and the Group's 2011 unaudited third quarter results. 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.

Directors' Securities Transactions

The Company has adopted a code on securities transactions by directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("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.

As at 31 December 2011, 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 were as follows.

As at 31 December 2011, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Mr. Zhou Hancheng, Mr. Tian Shuchen, Mr. Hung Cheung Shew and Dr. Cheong Chit Sun held 3,060,400; 5,073,780; 696,000; 3,955,640; 5,136,111; 581,584 and 2,415,872 shares of the Company respectively. In addition, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Mr. Zhou Hancheng, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,288,848; 959,247; 61; 639,498; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. All the shares and share options held by the directors in the capacity of beneficial owners.

As at 31 December 2011, Mr. Kong Qingping, Mr. Hung Cheung Shew and Dr. Cheong Chit Sun held 3,935,760; 166,000 and 10,000 shares in China Overseas Land & Investment Limited ("COLI", an associated corporation of the Company). In addition, Mr. Kong Qingping and Mr. Hung Cheung Shew held 1,359,334 and 97,095 share options of COLI. All the shares and share options held by the directors in the capacity of beneficial owners (except 20,000 shares out of 166,000 shares in COLI held by Dr. Cheong Chit Sun were jointly held by him and his spouse). The date of grant, exercise price and exercise period of share options of COLI is 18 June 2004; HK$1.118 and 18 June 2005 to 17 June 2014 respectively.

Save as disclosed above, as at 31 December 2011, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

As at 1 January 2011, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Mr. Zhou Hancheng, Dr. Cheong Chit Sun, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,160,834; 1,843,820; 58; 614,606; 395,104; 878,010; 878,010; 878,010 and 878,010 share options of the Company respectively. During the year, Mr. Zhou Yong and Dr. Cheong Chit Sun exercised 921,910 and 411,106 share options of the Company respectively. After the completion of Rights Issue of the Company in May 2011, the share options held by Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Mr. Zhou Hancheng, Dr. Cheong Chit Sun, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See were adjusted and increased 128,014; 37,337; 3; 24,892; 16,002; 35,559; 35,559; 35,559 and 35,559 respectively. All the share options held by the directors in the capacity of beneficial owners. The share options were granted on 14 September 2005 and the exercise price per share option is HK$0.2254 (The exercise price per option on 14 September 2005 was HK$1.03. The exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK$0.2254 immediately after the completion of right issue on 16 May 2011.). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive). No share options were cancelled and lapsed during the year.

During the year, an aggregate of 9,920,037 share option of the Company were exercised. The date of exercise of the share options, the total number of share options exercised on each date and the weighted average closing price of the Company's share immediately before each of the exercise were 12 January 2011, 25 January 2011, 10 February 2011, 28 February 2011, 4 March 2011, 18 April 2011, 9 May 2011 and 22 June 2011; 219,502, 2,458,426, 3,922,677, 632,167, 131,701, 2,010,979, 87,801, 456,784; and HK$7.4963, 7.7187, 7.6080, 7.3826, 7.3477, 7.3133, 7.3527 and 7.4905.

Save as the share options disclosed above, at no time during the year ended 31 December 2011 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Accountability and Audit

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

The Management 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 2011, 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 2011 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 three construction sites/subsidiary of the Group, and conducted two trial internal control tests for the head office, construction site and subsidiaries. The Intendance and Audit Department reviewed and assessed the fixed assets management, financial reporting, purchasing and inventories management, cost control and human resources system 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. Quality control procedures also introduced.

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. The Procurement Department also conducted independent internal control assessment on worksites quarterly. They mainly focused on the protection on facture and reduction in wastage of major construction materials.

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 and data management 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 worksite civilization construction competition. The Company recorded good result in last year's "Mid-summer Rainbow" safety promotion activity and it was spread out again in July 2011. "Zero prosecution, zero accident" incentive policy for front-line site management staffs also recorded satisfactorily. Apart from the aforesaid, the Company emphasis on carried out workers safety incentive policy in 2011. "Worksite Safety Stamp Award Activity" and "Safety Worker Award Scheme" were implemented and the message of site safety was promoted successfully to construction workers. In order to enhance employer satisfaction, incentive policy in this aspect also revised. In order to maintain a balance in marine ecosystems, the Company encouraged "Shark-free Banquet" and issued internal memo to deliver this message to all employees.

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 Group's employees and open letter to all the sub-contractors and suppliers of the Group 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 Group'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 an extraordinary general meeting during 2011. At the general meetings, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2011 Annual General Meeting was held on 7 June 2011. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman of the Board and 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 in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Stock Exchange and the Company on the same day of the meeting.

An extraordinary general meeting was held on 26 October 2011. The notice of meeting and the circular containing information on the proposed resolutions were sent to shareholders more than 10 clear business days prior to the meeting. The chairman of the meeting and members of the independent board committee were available to answer questions from the shareholders at the meeting. At the meeting, separate 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 websites of the Stock Exchange and the Company on the same day of the meeting.

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, 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 2011, the Company actively pushed forward with the promotion of the listed company, organized meetings with analysts and investors over 1,000 persons-time, and attended post – results road shows in Europe, US, Japan, Singapore, Mainland China 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 2012, 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 2011

Month	Activities
January	The 11th UBS Greater China Conference
	Nomura Property Corporate Day
	JP Morgan Corporate Day
February	Capital International China Conference
March	2010 Annual Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong and Singapore
April	Road Show in Europe and US
May	The 3rd Macquarie China Conference
	The 16th CLSA China Forum
	BOCI China Forum and Investor Tour to Affordable Housing Site
June	The 7th JP Morgan China Conference
	UBS Summer Seminar
	Daiwa Capital Markets Hong Kong Seminar
	BAML Cement, Metal and Mining Corporate Day
August	2011 Interim Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong, Mainland China, Japan and Singapore
September	Investor Tour to Infrastructure and Affordable Housing Sites
	JP Morgan Corporate Day
	Citigroup "12th Five Year Plan" Investor Conference
	Kingsway Financial Hong Kong Conference
October	The 18th BNP Paribas China Economy Development Forum
	Citigroup Greater China Investor Conference
November	BAML Annual China Conference
	Daiwa Investor Conference Hong Kong
	Macquarie Infrastructure Sector Annual Conference
	CICC Annual Strategy Conference
	JP Morgan Corporate Day

AWARDS AND ACCOLADES 2011

	Company	Prize	Organization
1	Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4	The Construction Safety Award Scheme 2010–11 Building Sites (Public Sector) – Gold Award	Labour Department of Hong Kong etc.
2	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin	The Construction Safety Award Scheme 2010–11 Building Sites (Private Sector) – Silver Award	Labour Department of Hong Kong etc.
3	Construction of Un Chau Estate Phase 5	The Construction Safety Award Scheme 2010–11 Building Sites (Private Sector) – Meritorious Award	Labour Department of Hong Kong etc.
4	Construction of Yuen Long South Branch Sewers and Expansion of Ha Tsuen Sewage Pumping Station	The Construction Safety Award Scheme 2010–11 Civil Engineering Sites – Meritorious Award	Labour Department of Hong Kong etc.
5	Decking of Jordan Valley Nullah in Kwun Tong Flower Market Road Nullah in Mong Kok and Tonkin Street Nullah in Sham Shui Po	Considerate Contractors Site Award Scheme 2010 Considerate Contractors Site Award – Gold Award Outstanding Environmental Management and Performance Award – Gold Award	Development Bureau of Hong Kong etc.
6	Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	Considerate Contractors Site Award Scheme 2010 Considerate Contractors Site Award & Outstanding – Silver Award Environmental Management and Performance Award – Silver Award	Development Bureau of Hong Kong etc.
7	Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling	Considerate Contractors Site Award Scheme 2010 Considerate Contractors Site Award – Meritorious Award	Development Bureau of Hong Kong etc.
8	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	Best Safety Culture Site – Gold Award	Occupational Safety & Health Council
9	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	Best Safety Working Cycle Site – Silver Award	Occupational Safety & Health Council

Awards And Accolades 2011 *(continued)*

	Company	Prize	Organization
10	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	The Best Safety Culture Activity Team – Silver	Occupational Safety & Health Council
11	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin	Best Performance – Silver	Occupational Safety & Health Council
12	Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin	Best Safety Working Cycle Site – Meritorious	Occupational Safety & Health Council
13	Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	Best Short Video on Site Safety Exercise and Safety Briefing – Bronze	Occupational Safety & Health Council
14	Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5	Best Safety Culture Site – Gold	Occupational Safety & Health Council
15	China State Construction Engineering (HK) Ltd	Safety Management System Award (Construction Sector) – Silver	Occupational Safety & Health Council
16	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 & 2	Pointing and Calling Award – Silver	Occupational Safety & Health Council
17	Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5	Good Housekeeping Competition – Bronze	Occupational Safety & Health Council
18	Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5	Occupational Health Award 2010/11– Excellence Award	Occupational Safety & Health Council
19	Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5	Hong Kong Awards for Environmental Excellence (construction) Industry – Certificate of Merit	Environmental Protection Department, etc

CORPORATE CITIZENSHIP

For a successful construction project,
other than cost control, safety, quality and progress,

Environmental protection

also plays an important role.
As a socially responsible contractor, the Group

must champion **Green management**

in construction planning in order to

Create a pleasant environment

to our society.

CORPORATE CITIZENSHIP

Staff Development and Personal Growth

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

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. We provide our people with job transfer opportunities among our global locations. A total of 74 employees had been rotated worldwide over the last 3 years. As of end of 2011, the Group had a total of 6,350 employees (excluding staff of our joint-venture projects), of which, 3,155 persons were in Hong Kong, 2,850 of them were in the Mainland China, 174 were in Macau and 171 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 4 universities in Hong Kong. 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 the Group to recruit outstanding young talents from other establishments in an effective manner.

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self value-adding. The Group has put aside capital to set up the "Staff Education Fund". 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 3,400 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.

The Group encourages its staff to show their care to the society through various kinds of activities.

Annual Dinner was held as an appreciation to the staff for their hardwork and contribution to the Group.

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

Incentive Mechanism

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, the Group 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 "2011 Annual Dinner" during the year to share the joy with the staff in recognition of their hardwork and contribution to the Group. Activities including tuition classes under "The Gas Station for Schoolwork" which was co-organized with Hong Kong Single Parents Association, "Walk for Environment 2011" were organized to encourage staff members to care about society and contribute back to society. The Group also took part in the "2011 Hong Kong Walk for Millions" and "Community Chest Sports Corporate Challenge 2011". Such activities 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.

Environmental Protection and Promotion

The Group was conferred a number of awards with the hardwork of all staff.

Regular meetings are held to discuss environmental issues for projects in progress.

A certificate was given to the Group by the Conservancy Association.

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 technologically innovative measures and green practices to reduce carbon footprint and help avert global warming, take up our corporate responsibility to improve the environment.

The Group used the Construction of Public Rental Housing Development at Kai Tak 1A Phases 1 & 2 Project as a pioneer working closely with the Client – The Housing Department to explore and utilize a series of green technologies such as Volumetric Precast Kitchen, Building Integrated Photovoltaic Panels, Marine Mud Paving Blocks, use of Electric Vehicle and Bio-diesel in construction project, contribute to set a new model for application and development of environmental-friendly technologies in the industry.

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 2011 and to enhance mutual communications.

With the concerted efforts of the Group, the results were remarkable. In 2011, the Group' projects won a number of awards including the Merit Awards in "Sectoral Awards" and Class of Excellence in "Environmental Labels" under "The Hong Kong Awards for Environmental Excellence", "Considerate Contractors Site Awards" and "Outstanding Environmental Management and Performance Award" .

Same as previous years, the Group actively organized environmental activities. In 2011, the Group participated The Conservancy Association's Act for Long Valley's Sustainable Development Programme and the yearly "China State Environmental Protection Day" joint the "Eco-and heritage tour in Long Valley" to raise the environmental awareness of staff.

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 were also encouraged to explore and adopt low carbon and innovative construction methods to save energy and resources throughout the execution of the construction project, thereby achieving continual improvement and cost saving in the long run.

The Group and Community

"Serve the Community" has always been the Group's corporate objective. The Group has been committed to constructing various kinds of projects, and 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 2011", the "Community Chest Sports Corporate Challenge 2011", the "Family Fun Day on 8th of March", "Walk for the Environment 2011" 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 2011

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 2011.

Staff participation in the annual charity event "Community Chest Walks for Millions".

"The Community Chest Sports Corporate Challenge 2011" organized by the Community Chest of Hong Kong

The Group deployed a strong team of 10 staff to undertake the challenge. They all gave the full play of their potential and fighting spirit. After conquering the challenges of five competition events, our team won the overall runner-up. In the event, the Company not only demonstrated its team spirit, but also its active participation in social charity activities, and upheld the objective of a good corporate citizen. The funds raised will be used to support "Children and Youth Services".

Family Fun Day on 8th of March

The women branch of the Group's staff association held the "Family Fun Day on 8th of March" at the training center. Besides inviting staff members and their children, the organizer also invited students and parents from the tuition classes of "The Gas Station for Schoolwork", which is co-organized on a long-term basis by the Group and the Single Parents Association, to join the fun activities on the Women's Day, taking a breather from their busy working and studying schedules.

We are honoured to have Dr. Joanne Chan, assistant professor of psychology from the Nethersole School of Nursing, The Chinese University of Hong Kong, to give a talk on "Psychology for success in learning (學習必勝心理攻略)". Furthermore, the Single Parents Association arranged a workshop for the making of Osmanthus cake (桂花糕), participants enjoyed their own home made dessert.

Our team gave the full play of their potential and fighting spirit and won the overall runner-up in the challenge.

Our staff members, students and their parents joined together to celebrate Woman's Day on 8th of March.

Tuition Classes under "The Gas Station for Schoolwork"

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.

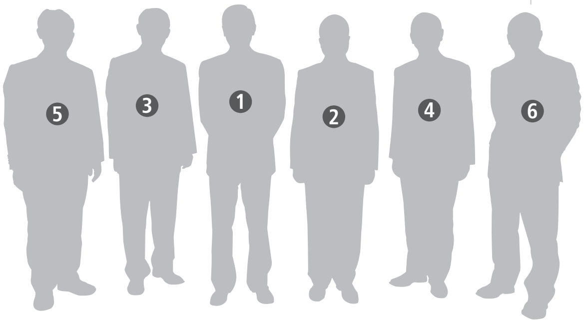
The two-year tuition classes were provided to help students with their English language and homework.

"Walk for the Environment 2011" organized by the Conservancy Association

Over 100 staff members and their families were arranged to participate in "Walk for the Environment 2011" 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.

"Walk for the Environment 2011" gave our staff members opportunities to get close to the nature outside office.

DIRECTORS AND ORGANIZATION



1. Mr. Kong Qingping, 2. Mr. Zhou Yong, 3. Mr. Zhang Yifeng, 4. Mr. Zhou Hancheng, 5. Mr. Tian Shuchen, 6. Mr. Hung Cheung Shew.

Board of Directors

Mr. KONG Qingping

Chairman and Non-executive Director

Chairman of Nomination Committee

Aged 56, 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 30 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 ("CSCECL", 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 (the "Stock Exchange"). In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. 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

Executive Director

Vice-chairman and Chief Executive Officer

Remuneration Committee Member

Nomination Committee Member

Aged 41, 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 appointed as chairman and non-executive director of Far East Global Group Limited ("Far East", a subsidiary of the Company and listed on the main board of the Stock Exchange) on 2 March 2012. He was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 19 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. ZHANG Yifeng

Executive Director

Nomination Committee Member

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

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 42, 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 16 years' experience in corporate finance, financial accounting and investment management.

Mr. TIAN Shuchen

Executive Director

Aged 46, 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 23 years' experience in construction engineering and project management.

Mr. HUNG Cheung Shew

Executive Director

Aged 53, was appointed as an Executive Director of the Company on 8 June 2011. Mr. Hung graduated from the Plymouth Polytechnic (UK). He is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers (UK). Mr. Hung joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2000. Currently, Mr. Hung is a non-executive director of Far East. He has over 30 years' experience in construction management and planning.

Dr. CHEONG Chit Sun

Non-executive Director

Aged 60, was appointed as an Executive Director of the Company on 12 October 2005 and re-designated as a Non-executive Director of the Company on 2 March 2012. Dr. 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. Dr. Cheong joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2004. Dr. Cheong was appointed as an executive director, vice-chairman and chief executive officer of Far East on 2 March 2012. Dr. Cheong has over 38 years' experience in engineering, construction and project management in Hong Kong and overseas.

Mr. LI Jian

Non-executive Director

Aged 52, was appointed as a Non-executive Director of the Company on 19 October 2011. Mr. Li graduated from Chongqing Institute of Architectural Engineering (now known as Chongqing University), obtained a certificate of completion in Executive Master of Business Administration (EMBA) Series of Courses from Guanghua School of Management, Peking University and was awarded the title of professor level senior engineer. Mr. Li is a member of The Chartered Institute of Building (MCIOB). He joined CSCEC in 1982 and assigned to work overseas. Currently, Mr. Li is a Deputy Chief Economist and an Executive General Manager (Overseas Operations) of CSCECL. Mr. Li has more than 35 years' experience in Mainland China and overseas construction engineering. Mr. Li was granted "Outstanding Project Manager of National Construction Enterprises" and "International Excellent Project Manager" titles.

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 73, 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 Hong Kong, 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

Chairman of the Remuneration Committee

Audit Committee Member

Nomination Committee Member

Aged 38, 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, 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"), 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, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. Mr. Li is a Board Member of The Community Chest of Hong Kong, Chairman of the Vocational Training Council's Banking and Finance Industry Training Board, and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. Furthermore, Mr. Li is a member of the Election Committee responsible for electing the Chief Executive of the Hong Kong Special Administrative Region. Mr. Li is currently 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 57, 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 35 years of experience in engineering, investment, construction and project management. Currently, Dr. Leung 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 boards of the Stock Exchange and Singapore Exchange Securities Trading Limited. Dr. Leung is also the chairman and 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 69, 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, a Board Member of the Airport Authority Hong Kong and the Convener of the Panel on Promoting Testing and Certification Services in Construction Materials Trade of Hong Kong Council for Testing and Certification. Mr. Lee has over 46 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. PAN Shujie
Deputy General Manager

Aged 47. 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 20 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 48. 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 29 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 54. 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 25 years' experience in construction engineering and contract management. He assists in managing the Group's overseas operations.

Mr. WU Mingqing
Assistant General Manager

Aged 47. He graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Accountant. Mr. Wu joined CSCEC in 1986 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2002. Mr. Wu has over 25 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 45. 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 23 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 38. 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 15 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 52. 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), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed by Planning and Lands Branch, Development Bureau as a member of the Appeal Tribunal Panel (Buildings Ordinance). Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 30 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

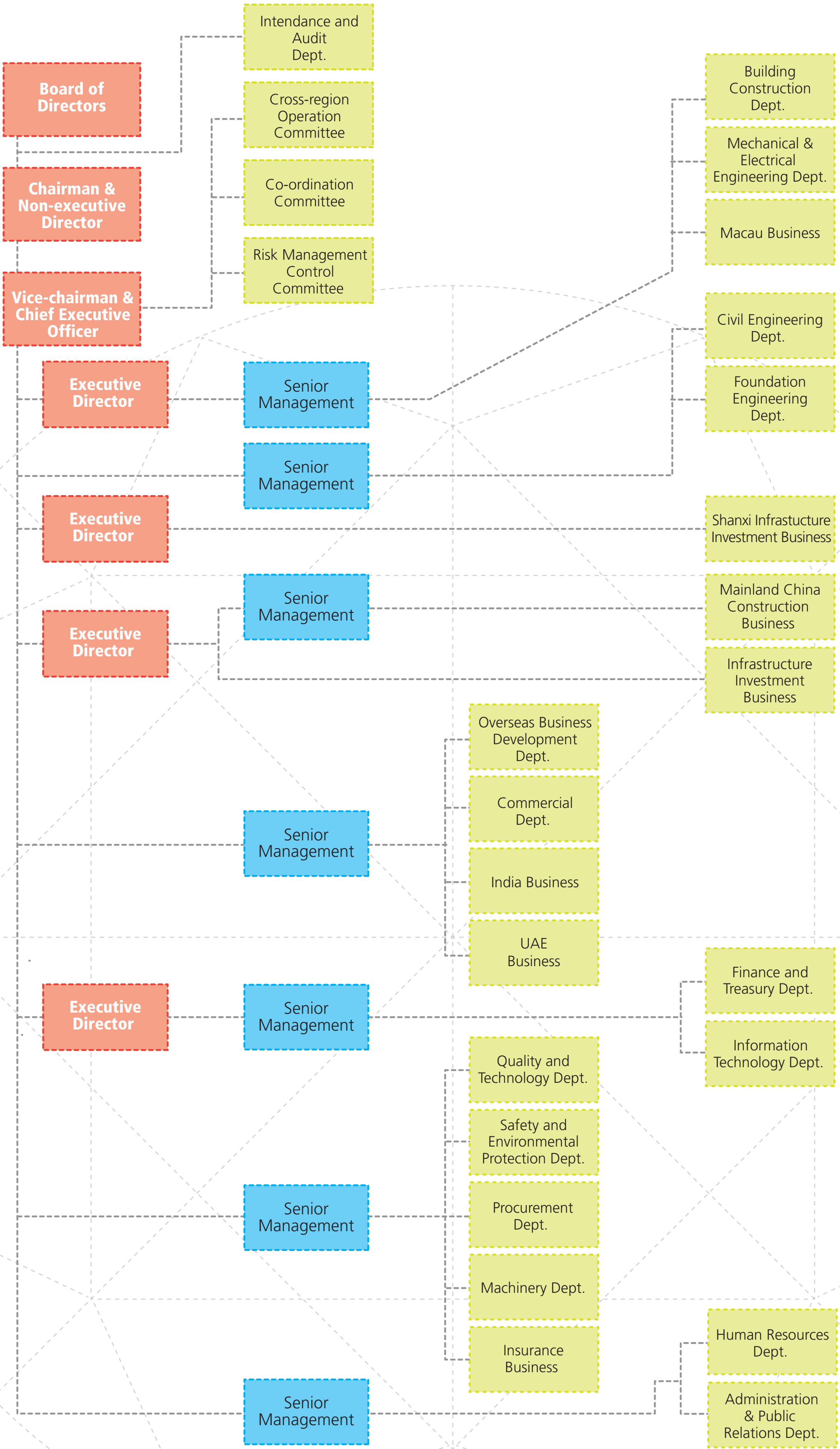
Aged 54. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and City University of Hong Kong. Mr. Chan is a member of The Hong Kong Institution of Engineers and Registered Professional Engineer (Civil) of the Hong Kong Engineers Registration Board. He is also a Chartered Engineer of The Engineering Council (UK) and member of The Institution of Civil Engineers. He joined the Group in 1989 and has been a director of certain subsidiaries of the Group since 1998. Mr. Chan has over 32 years' experience in contract and project management. He assists in managing the Group's civil engineering operations.

Mr. QIN Jidong

Deputy Chairman & General Manager of CSHK Dubai Contracting LLC

Aged 43. 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 20 years' experience in international construction project management. He is responsible for the Group's operations in Dubai.

Organization Chart



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

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 49, 22 and 23 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 87 and 88 respectively.

An interim dividend of HK6.00 cents per share amounting to HK$215,205,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK7.00 cents per share to the shareholders on the register of members on 4 June 2012, amounting to approximately HK$251,072,000.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 178 and 179.

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 180.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 37 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:

Chairman and Non-executive Director
Mr. Kong Qingping

Executive Directors

Mr. Zhou Yong	*(Vice-chairman and Chief Executive Officer)*
Mr. Zhang Yifeng	
Mr. Zhou Hancheng	
Mr. Tian Shuchen	
Mr. Hung Cheung Shew	*(Appointed on 8 June 2011)*

Non-executive Directors

Dr. Cheong Chit Sun	*(Re-designated from Executive Director to Non-executive Director on 2 March 2012)*
Mr. Li Jian	*(Appointed on 19 October 2011)*

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. Zhang Yifeng, Mr. Zhou Hancheng, Dr. Cheong Chit Sun and Mr. Lee Shing See, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Hung Cheung Shew and Mr. Li Jian 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 September 2011, the monthly salaries of both Mr. Zhou Hancheng and Mr. Tian Shuchen were changed from HK$80,000 to HK$97,000. With effect from 1 February 2012, the monthly salary of Mr. Hung Cheung Shew was changed from HK$138,600 to HK$146,200. With effect from 1 February 2012, the monthly salary of Dr. Cheong Chit Sun ("Dr. Cheong") was changed from HK$153,500 to HK$161,900. Starting from 3 March 2012, Dr. Cheong received a director's fee of HK$300,000 per annum and would not be entitled to monthly salary. The directors' fees of Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhang Yifeng, Mr. Li Jian, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See remain unchanged.

Confirmation of Independence

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

Directors' Service Contracts

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

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 2011, the register of substantial shareholders maintained by the Company under Section 336 of the Securities and Futures Ordinance ("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	2,218,813,659	2,218,813,659	61.862
China State Construction Engineering Corporation Limited[3] ("CSCECL")	Interest of a controlled corporation/beneficial owner	2,218,813,659	2,218,813,659	61.862
China State Construction Engineering Corporation[4] ("CSCEC")	Interest of a controlled corporation/beneficial owner	2,218,813,659	2,218,813,659	61.862

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2011 (i.e. 3,586,743,521 ordinary shares).

2. Amongst the total number of 2,218,813,659 Shares held by COHL, 2,122,675,308 Shares was held as beneficial owner while the balance of 96,138,351 Shares was interests of controlled corporations.

3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 2,218,813,659 Shares directly owned by COHL.

4. CSCECL is held as to 54.28% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,218,813,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2011, 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 78 to 84. Save as the related party transactions disclosed in note 46 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, Mr. Zhou Yong, Mr. Hung Cheung Shew and Dr. Cheong Chit Sun held directorship in the Company's ultimate holding company, and/or its subsidiaries which are engaged in construction, property development and related business.

The board of directors of the Group operates independently of the boards of these companies. The Group is capable of carrying on its business independently of, and at arms length from the businesses of these companies.

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 43 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$41.28 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$114,500 (2010: HK$519,000).

Major Customers and Suppliers

In 2011, the Group's largest customer accounted for approximately 21.2% (2010: 25.4%) of the Group's revenue. The five largest customers of the Group accounted for approximately 57.0% of the Group's revenue. The Group's largest supplier accounted for approximately 1.7% (2010: 3.3%) of the Group's purchases. The five largest suppliers of the Group accounted for 6.2% 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 2011, 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 2011 is set out below:

	HK$'000
Non-current assets	8,325
Current assets	1,234,482
Current liabilities	(1,275,402)
Net Liabilities	(32,595)
Reserves	(32,595)
Total Equity	(32,595)

As at 31 December 2011, the Group shared the accumulated losses of these unincorporated affiliated companies amounted to HK$58,226.

Event After the Reporting Period

Details of significant events occurring after the balance sheet date are set out in note 47 to the consolidated financial statements.

Auditor

Messrs. Deloitte Touche Tohmatsu has acted as auditor of the Company for the past three years and will retire at the forthcoming Annual General Meeting.

A resolution to appoint PricewaterhouseCoopers 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
Kong Qingping
Chairman and Non-executive Director

Hong Kong, 23 March 2012

CONNECTED TRANSACTIONS

A. Connected transaction falling under Rule 14A.16(2) of the Listing Rules

Formation of Taiyuan JV with 中國建築股份有限公司(China State Construction Engineering Corporation Limited) ("CSCECL")

On 18 January 2011 a joint venture formation cooperation agreement was entered into between 深圳市中建宏達投資有限公司(Shenzhen China State Grand Wealth Investment Limited ("SZCS Grand Wealth", a wholly-owned subsidiary of the Company) and CSCECL (the intermediate holding company of the Company), whereby SZCS Grand Wealth and CSCECL shall form a Taiyuan joint venture (the "Taiyuan JV") 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 (太原南站站前西廣場) in Taiyuan city, Shanxi Province, the PRC (the "Project").

The registered capital of the Taiyuan JV shall be RMB110,000,000 (approximately HK$129,411,765), which is to be paid into the Taiyuan JV by CSCECL and SZCS Grand Wealth in cash in proportion to their respective equity interests in the Taiyuan JV. Such amount of registered capital is determined after arm's length negotiations between CSCECL and SZCS Grand Wealth with reference to their proposed capital requirements of the Taiyuan JV.

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

Details of the Taiyuan JV were disclosed in an announcement dated 18 January 2011.

B. Continuing connected transactions under the Listing Rules

B.1 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 then 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 despatched 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.

Due to the expansion of scope of business transactions with CSCECL, the Sub-construction Engagement Agreement was terminated on 31 October 2011 and replaced by a CSCECL Sub-construction Engagement Agreement. Details refer to paragraph B.7 below.

For the period from 1 January 2011 to 31 October 2011, 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$1,682,474,578. For the period from 1 January 2011 to 31 October 2011, the total contract sum awarded by the CSCECL Group to the Group under the Sub-construction Engagement Agreement (i.e. CSC Sub-construction Engagement Cap) was HK$3,961,348,493.

B.2 CSC Group Engagement Agreement

In November 2005, the Group entered into various construction engagement agreements with China Overseas Land & Investment Ltd. ("COLI", an associate of the Company) 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 then 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 despatched to the shareholders of the Company. The CSC Group Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 27 May 2009.

For the year ended 31 December 2011, the total contract sum awarded to the Group under the CSC Group Engagement Agreement was HK$167,800,447.

B.3 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 then 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 2011, the total contract sum awarded to the COLI Group under the Master Security Services Agreement was HK$17,181,896.

B.4 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 then 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 2011, the aggregate amount made by the Group to the COLI Group under the Master Lease Agreement amounted to HK$10,416,900.

B.5 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 million, for the period between 1 January 2011 and 31 December 2011 shall not exceed HK$150 million, and for the period between 1 January 2012 and 31 December 2012 shall not exceed HK$150 million (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 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 year ended 31 December 2011, the total contract sum awarded to the Group under the Agreement was HK$25,301,205.

B.6 Renewal of the 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.

As the initial term of the Master Dubai Construction Agreement expired on 31 December 2010, the Company and CSCEC agreed in writing to renew the Master Dubai Construction Agreement for a further term of three years commencing from 1 January 2011 to 31 December 2013 ("Renewed Term").

During the Renewed Term, the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2013 shall not exceed HK$5,000 million. The relevant fee thereon calculated on 2.5% basis would be HK$125 million (i.e. the " New Annual Caps").

The Fee receivable under the Master Dubai Construction Agreement is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. The Company is required to comply with the reporting and announcement requirements and is exempted from the independent shareholders' approval requirements, under the Listing Rules.

An announcement containing the particulars of the renewal of the Master Dubai Construction Agreement was made on 17 November 2010.

For the year ended 31 December 2011, 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.

B.7 CSCECL Sub-construction Engagement Agreement

On 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement, whereby: (i) the Company and CSCECL agreed to terminate the Previous Engagement Agreement (engagement agreement entered into between the Company and CSCECL on 2 April 2009) upon the taking effect of the CSCECL Sub-construction Engagement Agreement; (ii) the Group may engage the CSCECL Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 November 2011 and 31 December 2011 shall not exceed HK$13,000 million, for the financial year ending 31 December 2012 shall not exceed HK$8,000 million, for the financial year ending 31 December 2013 shall not exceed HK$10,000 million and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK$12,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and (iii) the CSCECL Group may engage the Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 November 2011 and 31 December 2011 is nil, for each of the two financial years ending 31 December 2013 shall not exceed HK$3,000 million, and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK$3,000 million (i.e. the CSC Sub-construction Engagement Cap).

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

A circular dated 7 October 2011 containing details of the CSCECL Sub-construction Engagement Agreement has been despatched to the shareholders of the Company. The CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 October 2011.

For the period from 1 November 2011 to 31 December 2011, the total contract sum awarded by the Group to the CSCECL Group under CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Sub-construction Engagement Cap) was HK$6,338,273,308. There was no contract awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSC Sub-construction Engagement Cap).

B.8 COHL Construction Engagement Agreement

On 20 September 2011, the Company and China Overseas Holdings Limited ("COHL") entered into the COHL Construction Engagement Agreement, whereby the COHL Group may engage the Group as contractor (on the basis of "Build-Transfer" mode) for the COHL Group's construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the COHL Group to the Group for the period between 1 November 2011 and 31 December 2011 shall not exceed RMB5,000 million (approximately HK$6,097 million), for each of the two financial years ending 31 December 2013 shall not exceed RMB5,000 million (approximately HK$6,097 million), and for the period between 1 January 2014 and 31 October 2014 shall not exceed RMB5,000 million (approximately HK$6,097 million) (i.e. the COHL Construction Engagement Cap).

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

A circular dated 7 October 2011 containing details of the COHL Construction Engagement Agreement has been despatched to the shareholders of the Company. The COHL Construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 October 2011.

For the period from 1 November 2011 to 31 December 2011, there was no contract awarded by the COHL Group to the Group under the COHL Construction Engagement Agreement (i.e. COHL Construction Engagement Cap).

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 78 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, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(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 78 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, 18 June 2010, 17 November 2010 and 20 September 2011 and circulars dated 23 April 2009 and 7 October 2011, 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 177, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Report

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 2011, 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
23 March 2012

Consolidated Income Statement

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Group revenue	7	**16,379,311**	11,982,871
Share of revenue of jointly controlled entities	7	**2,202,768**	1,983,966
		18,582,079	13,966,837
Group revenue	7	**16,379,311**	11,982,871
Costs of sales		**(14,581,127)**	(10,667,017)
Gross profit		**1,798,184**	1,315,854
Investment income	9	**316,296**	85,580
Other income	10	**85,705**	83,623
Gain on fair value changes of investment in convertible bonds		**20,314**	19,686
Administrative expenses		**(538,680)**	(466,766)
Distribution and selling expenses		**(15,523)**	(4,736)
Other expenses		**(22,954)**	(26,386)
Share of profits of associates		**13,702**	20,419
Share of profits of jointly controlled entities		**379,947**	321,745
Finance costs	11	**(192,690)**	(15,552)
Profit before tax		**1,844,301**	1,333,467
Income tax expense	14	**(334,122)**	(213,218)
Profit for the year	15	**1,510,179**	1,120,249
Attributable to:			
Owners of the Company		**1,507,405**	1,036,278
Non-controlling interests		**2,774**	83,971
		1,510,179	1,120,249
			(restated)
Earnings per share (HK cents)	17		
Basic		**44.22**	33.62
Diluted		**43.45**	32.74

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**1,510,179**	1,120,249
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**254,118**	93,789
Loss on fair value changes of available-for-sale investments	**(11,777)**	(9,265)
Other comprehensive income for the year	**242,341**	84,524
Total comprehensive income for the year	**1,752,520**	1,204,773
Total comprehensive income attributable to:		
Owners of the Company	**1,749,746**	1,112,594
Non-controlling interests	**2,774**	92,179
	1,752,520	1,204,773

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	18	**1,870,033**	1,454,445
Investment properties	19	**41,063**	42,038
Interests in infrastructure project investments	20	**673,224**	673,575
Trade receivables	31	**919,473**	-
Prepaid lease payments	21	**180,197**	172,258
Interests in associates	22	**29,237**	34,552
Interests in jointly controlled entities	23	**2,589,828**	2,350,893
Intangible asset	24	**9,950**	9,950
Concession operating rights	25	**4,926,465**	4,046,058
Available-for-sale investments	26	**490,842**	396,953
Investment in convertible bonds	27	**240,000**	219,686
Amounts due from investee companies	28	**356,085**	362,247
		12,326,397	9,762,655
Current Assets			
Interests in infrastructure project investments	20	**23,490**	19,244
Prepaid lease payments	21	**4,781**	4,236
Inventories	29	**149,559**	117,711
Properties held for sale		**158,608**	8,130
Amounts due from customers for contract work	30	**2,937,900**	194,281
Trade and other receivables	31	**4,736,191**	4,163,430
Deposits and prepayments		**234,679**	282,947
Amounts due from jointly controlled entities	32	**185,237**	220,567
Amounts due from fellow subsidiaries	33	**423,284**	148,096
Amount due from intermediate holding company	33	**72,159**	17,863
Amount due from a related company	33	**10,990**	–
Tax recoverable		**6,217**	4,099
Pledged bank deposits	34	**4,992**	6,420
Deposits with financial institutions	34	**848**	1,639
Bank balances and cash	34	**5,457,812**	3,728,104
		14,406,747	8,916,767

Consolidated Statement of Financial Position *(continued)*

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Current Liabilities			
Amounts due to customers for contract work	30	**1,282,035**	692,965
Trade and other payables	35	**5,175,888**	4,116,911
Deposits received and receipt in advance		**699,874**	688,845
Amounts due to jointly controlled entities	32	**501,666**	326,041
Amounts due to fellow subsidiaries	33	**1,398,076**	958,600
Amount due to immediate holding company	33	**208,218**	157,000
Amount due to intermediate holding company	33	**676,461**	1,130,294
Amount due to an associate	33	**6,125**	49,245
Amount due to a related company	33	**16,851**	–
Tax liabilities		**313,787**	112,362
Borrowings	36	**357,716**	–
Loan from intermediate holding company	40	**940,151**	–
		11,576,848	8,232,263
Net Current Assets		**2,829,899**	684,504
Total Assets less Current Liabilities		**15,156,296**	10,447,159
Capital and Reserves			
Share capital	37	**89,668**	74,486
Share premium and reserves		**9,400,684**	4,544,964
Equity attributable to owners of the Company		**9,490,352**	4,619,450
Non-controlling interests		**6,724**	3,950
		9,497,076	4,623,400
Non-current Liabilities			
Deferred income	38	**421,938**	244,047
Deferred tax liabilities	39	**276,014**	228,813
Borrowings	36	**4,961,268**	2,880,362
Loans from intermediate holding company	40	**–**	2,470,537
		5,659,220	5,823,759
		15,156,296	10,447,159

The consolidated financial statements on pages 87 to 177 were approved and authorised for issue by the board of directors on 23 March 2012 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 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 (note a)	Special reserve HK$'000 (note b)	Capital redemption reserve HK$'000	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 2010	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
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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,507,405**	**1,507,405**	**2,774**	**1,510,179**
Loss on fair value changes of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(11,777)**	**–**	**–**	**–**	**(11,777)**	**–**	**(11,777)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**254,118**	**–**	**–**	**254,118**	**–**	**254,118**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(11,777)**	**254,118**	**–**	**1,507,405**	**1,749,746**	**2,774**	**1,752,520**
Issue of ordinary shares upon exercise of share options	**248**	**2,682**	**–**	**–**	**(609)**	**–**	**–**	**–**	**–**	**2,321**	**–**	**2,321**
Issue of ordinary shares upon right issues	**14,934**	**3,569,254**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,584,188**	**–**	**3,584,188**
Share issue expenses	**–**	**(34,971)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,971)**	**–**	**(34,971)**
2010 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(215,177)**	**(215,177)**	**–**	**(215,177)**
2011 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(215,205)**	**(215,205)**	**–**	**(215,205)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,600**	**(48,600)**	**–**	**–**	**–**
At 31 December 2011	**89,668**	**5,895,009**	**(1,473,655)**	**337**	**3,181**	**(16,654)**	**517,308**	**68,146**	**4,407,012**	**9,490,352**	**6,724**	**9,497,076**

Consolidated Statement of Changes in Equity *(continued)*

For The Year Ended 31 December 2011

Notes:

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

(b) Capital redemption reserve represents the amount by which the Company's issued share capital was diminished on cancellation of the ordinary shares repurchased.

(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, 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 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**1,844,301**	1,333,467
Adjustments for:		
Finance costs	**192,690**	15,552
Investment income	**(316,296)**	(85,580)
Gain on disposal of property, plant and equipment	**(16,139)**	(12,540)
Gain on fair value changes of investment in convertible bonds	**(20,314)**	(19,686)
Allowance for doubtful debts on trade and other receivables	**1,074**	2,943
Share of profits of associates	**(13,702)**	(20,419)
Share of profits of jointly controlled entities	**(379,947)**	(321,745)
Depreciation of property, plant and equipment	**83,859**	76,659
Depreciation of investment properties	**1,058**	1,052
Exchange gain (net)	**(2,417)**	(26,466)
Amortisation of concession operating rights	**90,267**	–
Amortisation of prepaid lease payments	**4,674**	3,516
Share-based payment expenses	**–**	362
Operating cash flows before movements in working capital	**1,469,108**	947,115
Decrease (increase) in income receivables from infrastructure project investments	**48,342**	(19,106)
Increase in concession operating rights	**(669,070)**	(2,756,342)
Increase in inventories	**(31,848)**	(40,905)
(Increase) decrease in amounts due from customers for contract work	**(2,743,619)**	303,256
Increase in trade and other receivables	**(1,475,544)**	(677,451)
Decrease in deposits and prepayments	**48,268**	130,671
Increase in amounts due from fellow subsidiaries	**(275,188)**	(86,423)
Increase in amount due from a related company	**(10,990)**	–
(Decrease) increase in amount due to intermediate holding company	**(508,129)**	1,083,467
Increase in amounts due to customers for contract work	**662,323**	273,241
Increase in trade and other payables	**1,058,977**	712,363
Increase in amount due to immediate holding company	**51,218**	–
Increase in deposits received and receipt in advance	**11,029**	36,831
Increase in amounts due to fellow subsidiaries	**1,284,476**	100,284
Increase in amount due to a related company	**16,851**	–
(Decrease) increase in amount due to an associate	**(43,120)**	24,034
Increase in deferred income	**157,536**	65,859
Cash (used in) generated from operations	**(949,380)**	96,894
Income taxes paid	**(60,943)**	(55,871)
Income taxes refunded	**5,828**	–
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(1,004,495)**	41,023

Consolidated Statement of Cash Flows *(continued)*

For The Year Ended 31 December 2011

	NOTE	**2011**	2010
		HK$'000	HK$'000
INVESTING ACTIVITIES			
Interest received		**58,568**	37,570
Purchases of property, plant and equipment		**(522,200)**	(364,538)
Proceeds from disposal of property, plant and equipment		**30,108**	14,862
Proceeds from properties held for sale		**910**	–
Acquisition of properties held for sale		**(150,985)**	–
Advance to jointly controlled entities		**(13,149)**	(119,673)
Decrease in pledged bank deposits		**1,428**	8,485
Decrease (increase) in deposits with financial institutions		**791**	(193)
Dividends received from associates		**19,017**	21,042
Dividends received from jointly controlled entities		**297,447**	641,319
Dividends received from unlisted available-for-sale investments		**139,660**	34,951
Dividends received from listed available-for-sale investments		**1,754**	1,654
Acquisition of unlisted available-for-sale investments		**–**	(162,488)
Acquisition of listed available-for-sale investments		**(54,192)**	(123,863)
Proceeds from disposal of a jointly controlled entity		**39,557**	–
Addition of prepaid lease payments		**(4,506)**	(86,821)
Increase in interests in infrastructure project investments		**(52,237)**	(104,143)
Advance to investee companies		**–**	(101,990)
Acquisition of subsidiaries	41	**–**	44,342
Investment in convertible bonds		**–**	(200,000)
Repayment of loan receivables		**352,568**	–
Increase in loan receivables		**(308,375)**	(352,568)
Additional contribution to a jointly controlled entity		**–**	(612,893)
NET CASH USED IN INVESTING ACTIVITIES		**(163,836)**	(1,424,945)

Consolidated Statement of Cash Flows *(continued)*

For The Year Ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Finance costs paid		**(277,856)**	(209,708)
Dividend paid to owners of the Company		**(430,382)**	(251,561)
Repayment to jointly controlled entities		**164,889**	(214,658)
Payment to intermediate holding company pursuant to common control combination		**–**	(1,471,264)
Payment to a fellow subsidiary pursuant to common control combination	1	**(845,000)**	(845,000)
(Repayment to) loans from intermediate holding company		**(1,614,458)**	707,698
Advance from intermediate holding company		**–**	1,051,450
Advance from immediate holding company		**–**	157,000
Repayment to fellow subsidiaries		**–**	(392,073)
Repayment of other borrowings		**–**	(259,244)
New bank loan raised		**2,345,381**	1,944,076
Repayment of bank loan		**–**	(1,000,000)
Share issue expenses paid		**(34,971)**	–
Proceeds from issue of ordinary shares on exercise of share options		**2,321**	5,836
Proceeds from issue of ordinary shares on rights issue		**3,584,188**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**2,894,112**	(777,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,725,781**	(2,161,370)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,728,104**	5,857,851
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,927**	31,623
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**5,457,812**	3,728,104
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**5,457,812**	3,728,104

1. General and Basis of Preparation of Consolidated Financial Statements

The Company is a public limited company incorporated in the 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 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 49, 22 and 23, respectively.

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

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 up 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 and repairs and maintenance of the Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) ("Yangquan Yangwu Expressway") and holds the concession operating rights related to the 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 China Overseas Road and Bridge Holdings Limited ("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 China Overseas Technology Holdings Limited ("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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following aspect:

The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whist the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control or significant influence over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

In addition, HKAS 24 (as revised in 2009) has changed the definition of a related party. HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior periods. The related party disclosures are set out in note 46 to the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures-Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax-Recovery of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[4]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 Financial Instruments (continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

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

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 Disclosures-Transfers of Financial Assets

The amendments to HKFRS 7 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 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.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation-Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

3. Significant 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are 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 are included in the consolidated income statement from the effective date of acquisition and 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.

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

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 (effective from 1 January 2010 onwards).

Business combinations

Common control combinations

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

Business combinations other than common control combinations

Business combinations

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 share-based payment arrangements of the Group entered into replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); 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.

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, when applicable on the basis specified in another standard.

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods, or for administrative purpose, other than construction in progress are stated in the consolidated statement of financial position 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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

3. Significant 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 Group 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. Significant Accounting Policies *(continued)*

Investments in associates *(continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's 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 statement of financial position of the relevant entity 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 and their amount can be measured reliably.

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.

3. Significant Accounting Policies *(continued)*

Joint ventures *(continued)*

Jointly controlled entities (continued)

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.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

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's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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 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.

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment on tangible and intangible assets below).

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

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

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

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 with finite useful lives 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). When 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in 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 (other than financial assets or financial liabilities at fair value through profit or loss) 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss *(continued)*

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 interests in infrastructure project investments, amounts due from investee companies, trade and other receivables, amounts due from jointly controlled entities, fellow subsidiaries, intermediate holding company and a related company, pledged bank deposits, deposits with financial institutions and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at 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).

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets *(continued)*

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 considered to be 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
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 through profit or loss. 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 through profit or loss 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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. Significant 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, immediate holding company, intermediate holding company, an associate and a related company, 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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

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, and a reliable estimate can be made of the amount of the 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 of the time value of money 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.

Properties held for sale

Properties acquired for subsequent resale are stated at the lower of cost and net realisable value. Net realisable value is determined by the management based on prevailing market conditions.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

3. Significant Accounting Policies *(continued)*

Construction contracts *(continued)*

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 in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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.

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 or the Mandatory Provident Fund Scheme are recognised as an expenses when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies *(continued)*

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 impact of the revision of the original estimates during the vesting period, if any, is recognised in consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

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

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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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.

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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

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 income 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).

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 proportionally over the period of coverage.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

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.

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.

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

(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 receivables and amounts due from related parties

The policy for allowance for bad and doubtful debt of the Group is determined by the management based on the evaluation of collectability and aging analysis of accounts and management's 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 2011 at HK$9,950,000 (2010: 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.

(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 36 and 40, 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

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**12,863,785**	9,341,185
Investment in convertible bonds classified as financial assets at FVTPL	**240,000**	219,686
Available-for-sale investments	**490,842**	396,953
Financial liabilities		
Financial liabilities at amortised cost	**14,225,929**	12,078,905

6b. Financial risk management objectives

The Group's major financial instruments include equity and debt securities, trade and other receivables, interest in infrastructure project investments, amounts due from (to) related parties, trade and other payables, borrowings, loans from intermediate holding company 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.

6. Financial Instruments *(continued)*

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

i) Market risk

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from its variable-rate borrowings denominated in Hong Kong dollar, London Interbank Offered Rate ("LIBOR") arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings denominated in RMB and trade and other receivables. Please see notes 26, 31 and 36 for details of debt securities, trade and other receivables and borrowings.

The Group is also exposed to fair value interest rate risk in relation to fixed interest debt securities, fixed-rate loans from intermediate holding company 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 trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2010: 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 (2010: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by HK$18,653,000 (2010: decrease/increase by HK$14,328,000).

Price risk

The Group is exposed to price risk through its investments in listed equity securities and investment in convertible bonds. Unlisted equity securities 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.

6. Financial Instruments *(continued)*

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

i) Market risk (continued)

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% (2010: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK$10,882,000 (2010: increase/decrease by HK$11,762,000).

If the input to the valuation of convertible bonds for the fair value of the underlying unquoted shares of the issuer of convertible bonds had been 10% (2010: 10%) higher/lower, the Group's profit for the year would increase by HK$26,675,000/decrease by HK$16,169,000 (2010: increase by HK$10,585,000/decrease by HK$7,714,000).

ii) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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.

The credit risk on interests in infrastructure project investments and long term trade receivables are limited because the counterparties are PRC government-related entities. The credit risk on loan receivable is limited because the counterparty is a PRC government-related entity with good settlement history and the loan is covered by a bank guarantee.

Other than concentration of credit risk on liquid funds, interests in infrastructure project investments and amounts due from investee companies, long term trade receivables and loan receivable, the Group does not have any other significant concentration of credit risk. Trade receivables, amounts due from investee companies, jointly controlled entities, fellow subsidiaries, intermediate holding company and a related 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 2011								
Non-interest bearing	**N/A**	**7,222,248**	**300,768**	**241,481**	**184,325**	**17,972**	**7,966,794**	**7,966,794**
Fixed interest rate instruments	**5.15**	**373,103**	**961,373**	**–**	**–**	**–**	**1,334,476**	**1,285,532**
Variable interest rate instruments	**3.06**	**80,990**	**83,457**	**174,802**	**3,534,271**	**2,259,510**	**6,133,030**	**4,973,603**
		7,676,341	**1,345,598**	**416,283**	**3,718,596**	**2,277,482**	**15,434,300**	**14,225,929**
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

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 consolidated 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).

6. Financial Instruments *(continued)*

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

iv) Fair value (continued)

		31 December 2011	
	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial assets at FVTPL			
Investment in convertible bonds	**–**	**240,000**	**240,000**
Available-for-sale financial assets			
Listed equity and debt securities	**232,473**	**–**	**232,473**
	232,473	**240,000**	**472,473**

		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

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, toll revenue, 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 in Group revenue.

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

	2011	2010
	HK$'000	HK$'000
Revenue from construction contracts	**14,431,313**	8,262,808
Revenue from construction contracts under service concession arrangements	**748,750**	2,864,791
Revenue from project management service income	**228,640**	216,882
Revenue from supply of heat and electricity	**439,070**	383,521
Revenue from provision of connection services	**15,866**	9,866
Revenue from infrastructure project investments	**132,734**	93,325
Toll revenue	**26,695**	–
Sales of precast structures, building materials and asphalts	**252,289**	122,512
Others	**103,954**	29,166
Group revenue	**16,379,311**	11,982,871
Share of revenue of jointly controlled entities	**2,202,768**	1,983,966
	18,582,079	13,966,837

Others mainly comprises 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 and 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.

Segment revenue and results for the years ended 31 December 2011 and 2010 for the four operating and reportable segments of the Group are as follows:

	Segment revenue		Gross profit (loss)		Segment result	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating and reportable segment						
Hong Kong	**8,707,677**	6,236,555	**637,389**	395,184	**522,002**	292,524
Regions in the PRC	**7,547,348**	4,825,313	**1,209,908**	919,943	**1,124,244**	833,709
Macau	**243,086**	82,986	**71,188**	25,791	**224,480**	42,921
Overseas (note)	**(118,800)**	838,017	**(120,301)**	(25,064)	**(94,692)**	(55,704)
Consolidated total	**16,379,311**	11,982,871	**1,798,184**	1,315,854	**1,776,034**	1,113,450
Unallocated corporate expenses					**(167,285)**	(163,328)
Non-recurring investment income and other income					**14,279**	37,047
Share of profits of associates					**13,702**	20,419
Share of profits of jointly controlled entities					**379,947**	321,745
Gain on fair value changes of investment in convertible bonds					**20,314**	19,686
Finance costs					**(192,690)**	(15,552)
Profit before tax					**1,844,301**	1,333,467

Note: The negative revenue of the operating and reportable segment of overseas segment in 2011 represents the reversal of revenue from certain construction contracts.

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.

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue from construction contracts while the segment revenue of regions in PRC comprises the revenue from construction contracts, construction contracts under service concession arrangements, project management service income, supply of heat and electricity, provision of connection services, infrastructure project investments, toll revenue, sales of precast structures, building materials and asphalts.

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.

Operating and 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Allowance for doubtful debts on trade and other receivables	**–**	–	**1,074**	2,943	**–**	–	**–**	–	**1,074**	2,943
Depreciation of property, plant and equipment and investment properties and amortisation of prepaid lease payments and concession operating rights	**4,178**	2,048	**172,518**	76,594	**2,770**	1,874	**392**	711	**179,858**	81,227
Gain on disposal of property, plant and equipment	**8,533**	8,803	**387**	3,583	**–**	84	**7,219**	70	**16,139**	12,540

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**286,207**	209,645	**138,686**	179,297
Regions in the PRC	**6,574,924**	5,425,120	**295,125**	241,536
Macau	**136,055**	51,198	**88,296**	2,899
Overseas	**30,522**	38,786	**93**	4,151
	7,027,708	5,724,749	**522,200**	427,883

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 three (2010: two) customers in Hong Kong operating and reportable segment amounted to approximately HK$3,474,000,000, HK$2,529,000,000 and HK$2,121,000,000 (2010: HK$3,040,000,000 and HK$1,224,000,000), which individually represent more than 10 per cent of the Group's total revenue.

9. Investment Income

	2011	2010
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**54,277**	26,511
Debt securities	**5,154**	4,117
Imputed interest on amounts due from investee companies	**45,124**	10,115
Loan receivables	**24,975**	6,942
Trade receivables	**44,885**	–
	174,415	47,685
Dividend income from listed available-for-sale investments	**1,754**	1,654
Dividend income from unlisted available-for-sale investments	**139,660**	34,951
Others	**467**	1,290
	316,296	85,580

10. Other Income

	2011 HK$'000	2010 HK$'000
Service income earned from a jointly controlled entity	**2,823**	9,678
Commission income	**3,334**	3,735
Rental of properties	**7,755**	13,433
Service income	**34,901**	5,879
Gain on disposal of property, plant and equipment	**16,139**	12,540
Sales of scrapped materials	**6,475**	2,604
Exchange gain (net)	**2,417**	26,466
Others	**11,861**	9,288
	85,705	83,623

11. Finance Costs

	2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	**60,315**	10,633
Interest on bank loan not wholly repayable within five years	**123,440**	95,753
Interest on other loans wholly repayable within five years	**–**	107
Interest on loans from intermediate holding company	**85,166**	99,995
Other financial expenses	**8,935**	3,220
Total finance costs	**277,856**	209,708
Less: Amounts capitalised in concession operating rights	**(85,166)**	(194,156)
	192,690	15,552

12. Directors' Emoluments

The emoluments paid or payable to each of the thirteen (2010: eleven) directors were as follows:

For the year ended 31 December 2011

	Kong Qingping HK$'000	Zhou Yong HK$'000	Yip Chung Nam HK$'000 (note a)	Zhang Yifeng HK$'000	Cheong Chit Sun HK$'000	Zhou Hancheng HK$'000	Tian Shuchen HK$'000 (note b)	Hung Cheung Shew HK$'000 (note c)	Li Jian HK$'000 (note d)	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2011 HK$'000
Fees	1,000	-	-	-	-	-	-	-	75	360	250	250	250	2,185
Other emoluments														
Salaries and allowances	-	2,760	877	1,200	1,853	1,056	960	970	-	-	-	-	-	9,676
Contributions to retirement benefit schemes	-	12	5	12	12	12	12	7	-	-	-	-	-	72
Performance related incentive payments (note e)	-	3,481	200	2,200	800	2,400	2,400	1,000	-	-	-	-	-	12,481
Total emoluments	1,000	6,253	1,082	3,412	2,665	3,468	3,372	1,977	75	360	250	250	250	24,414

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$'000 (note b)	Raymond Ho Chung Tai HK$'000	Adrian David Li Man Kiu HK$'000	Raymond Leung Hai Ming HK$'000	Lee Shing See HK$'000	Total 2010 HK$'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 e)	–	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

12. Directors' Emoluments *(continued)*

Notes:

(a) Mr. Yip Chung Nam resigned as an executive director of the Company on 7 June 2011.

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

(c) Mr. Hung Cheung Shew was appointed as an executive director of the Company on 8 June 2011.

(d) Mr. Li Jian was appointed as a non-executive director of the Company on 19 October 2011.

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

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation of loss of office. None of the directors waived any emolument during the years ended 31 December 2011 and 2010.

13. Employees' Emoluments

The highest emolument individuals in the Group are all directors of the Company in both years whose emoluments are included in the disclosures in note 12 above.

14. Income Tax Expense

	2011	2010
	HK$'000	HK$'000
Current tax:		
Hong Kong	**41,165**	32,499
Other jurisdictions	**278,189**	40,739
PRC withholding tax	**1,974**	6,547
	321,328	79,785
(Over) underprovision in prior years:		
Hong Kong	**(32,946)**	(2,830)
Other jurisdictions	**5,512**	(4,550)
	(27,434)	(7,380)
Deferred tax:		
Current year (note 39)	**40,228**	140,813
Income tax expense for the year	**334,122**	213,218

14. Income Tax Expense *(continued)*

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdiction.

According to a joint circular of the Ministry of Finance and State Administration of Taxation-Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax and is withheld by the PRC entity. Deferred tax of HK$24,851,000 (2010: HK$17,004,000) on the undistributed earnings has been charged to the consolidated income statement for the year (note 39).

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

	2011 **HK$'000**	2010 HK$'000
Profit before tax	**1,844,301**	1,333,467
Tax at domestic income tax rate of 16.5% (2010: 16.5%)	**304,310**	220,022
Tax effect of share of profits of associates	**(2,261)**	(3,369)
Tax effect of share of profits of jointly controlled entities	**(62,691)**	(53,088)
Tax effect of expenses not deductible for tax purpose	**9,574**	5,413
Tax effect of income not taxable for tax purpose	**(38,062)**	(24,438)
Overprovision in prior years	**(27,434)**	(7,380)
Tax effect of tax losses not recognised	**44,077**	35,287
Tax effect of deductible temporary differences not recognised	**117**	(1,169)
Tax effect of utilisation of tax losses	**(9,529)**	(23,615)
Effect of different tax rates of profit arising from other jurisdictions	**74,493**	62,840
Deferred taxation on undistributed earnings of PRC subsidiaries and jointly controlled entities (note 39)	**24,851**	17,004
Others	**16,677**	(14,289)
Tax charge for the year	**334,122**	213,218

15. Profit for the Year

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
Current year	6,572	6,453
Under (over) provided in prior year	747	(19)
	7,319	6,434
Depreciation of property, plant and equipment	157,112	133,176
Less: Amounts included in contracts in progress costs	(73,253)	(56,517)
	83,859	76,659
Gross rental income from investment properties	(9,241)	(14,610)
Less: Direct expenses from investment properties that generated rental income during the year	1,486	1,177
	(7,755)	(13,433)
Employee benefits expense including directors' emoluments:		
Staff costs	1,320,287	1,051,553
Contributions to retirement benefit plans	41,281	32,506
Equity-settled share-based payments	–	362
Less: Amounts included in contracts in progress costs	(790,201)	(625,470)
	571,367	458,951
Depreciation of investment properties	1,058	1,052
Amortisation of concession operating rights (included in costs of sales)	90,267	–
Amortisation of prepaid lease payments	4,674	3,516
Allowance for doubtful debts on trade and other receivables	1,074	2,943
Share of tax of associates (included in share of profits of associates)	2,675	4,325
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	124,367	96,058
Operating lease rentals in respect of:		
Plant and machinery	194,697	128,165
Land and buildings	23,625	95,948
	218,322	224,113
Less: Amounts included in contracts in progress costs	(196,655)	(194,762)
	21,667	29,351
Contracts in progress costs recognised as expense	14,075,160	10,259,269

16. Dividends

	2011 HK$'000	2010 HK$'000
Dividends recognised as distributions during the year:		
2010 Final, paid-HK6.00 cents (2010: 2009 Final HK3.50 cents) per share	**215,177**	103,570
2011 Interim, paid-HK6.00 cents (2010: 2010 Interim HK5.00 cents) per share	**215,205**	147,991
	430,382	251,561

The final dividend of HK7.00 cents (2010: HK6.00 cents) per share amounting to HK$251,072,000 (2010: HK$215,177,000) 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 owners of the Company is based on the following data:

Earnings

	2011 HK$'000	2010 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**1,507,405**	1,036,278

Number of shares

	2011 '000	2010 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,408,962**	3,081,999
Effect of dilutive potential ordinary shares in respect of share options	**60,047**	83,509
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,469,009**	3,165,508

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the year ended 31 December 2011 has accounted for the bonus element of the rights issue which was completed on 16 May 2011. The basic and diluted earnings per share for the corresponding year of 2010 have been retrospectively adjusted to reflect the bonus element of the rights issue.

18. Property, Plant and Equipment

	Land and 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 2010	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
Exchange adjustments	15,410	60,912	5,420	1,821	1,640	6,481	91,684
Additions	85,457	57,067	124,163	30,998	28,106	196,409	522,200
Transfer from construction in progress	–	117,281	1,693	–	–	(118,974)	–
Disposals	(807)	(1,251)	(63,516)	(8,233)	(18,533)	–	(92,340)
At 31 December 2011	444,944	1,379,296	718,869	116,476	78,546	195,023	2,933,154
DEPRECIATION							
At 1 January 2010	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
Exchange adjustments	4,631	16,716	3,775	1,119	974	–	27,215
Provided for the year	18,584	58,196	55,556	11,249	13,527	–	157,112
Eliminated on disposals	(262)	(484)	(57,386)	(7,296)	(12,943)	–	(78,371)
At 31 December 2011	101,153	383,840	467,177	71,263	39,688	–	1,063,121
CARRYING VALUES							
At 31 December 2011	343,791	995,456	251,692	45,213	38,858	195,023	1,870,033
At 31 December 2010	266,684	835,875	185,877	25,699	29,203	111,107	1,454,445

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

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

	2011 **HK$'000**	2010 HK$'000
Land in Hong Kong under medium-term leases	**36,955**	37,968
Land in the PRC under medium-term leases	**222,573**	223,634
Freehold land in Macau	**84,263**	5,082
	343,791	266,684

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

Land and 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 2010	53,843
Exchange adjustments	201
At 31 December 2010	54,044
Exchange adjustments	298
At 31 December 2011	54,342
DEPRECIATION AND IMPAIRMENT	
At 1 January 2010	10,812
Exchange adjustments	142
Provided for the year	1,052
At 31 December 2010	12,006
Exchange adjustments	215
Provided for the year	1,058
At 31 December 2011	13,279
CARRYING VALUES	
At 31 December 2011	41,063
At 31 December 2010	42,038

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

	2011 **HK$'000**	2010 HK$'000
Land in Macau:		
Freehold land	**21,372**	21,869
Medium-term leases	**18,022**	18,448
Land in the PRC under medium-term lease	**1,669**	1,721
	41,063	42,038

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

19. Investment Properties *(continued)*

No depreciation is provided in respect of freehold land. The fair value of the Group's investment properties at 31 December 2011 is HK$121,341,000 (2010: HK$104,122,000).

The fair value of the investment properties located in Macau has been arrived at based on a valuation carried out on that date by CBRE Valuation & Advisory Services – Greater China ("CBRE"). The fair value of the investment properties located in the PRC has been arrived at on the basis of a valuation carried out on that date by 珠海立信資產評估事務所. CBRE and 珠海立信資產評估事務所 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. Interests in Infrastructure Project Investments

	2011 **HK$'000**	2010 HK$'000
Interests in infrastructure project investments	**696,714**	692,819
Less: Portion due within one year included in current assets	**(23,490)**	(19,244)
Portion due after one year	**673,224**	673,575

Interests in infrastructure project investments represent investments in joint ventures for "build and transfer" infrastructure projects, which are mainly toll roads and bridges located in the PRC. The Group is responsible to provide finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 11.70% to 24.92% (2010: 11.70% to 21.00%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2011.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2011 and 2010 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.

21. Prepaid Lease Payments

	2011 HK$'000	2010 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong under medium-term leases	**184,978**	176,494
Analysed for reporting purposes as:		
Non-current assets	**180,197**	172,258
Current assets	**4,781**	4,236
	184,978	176,494

22. Interests in Associates

	2011 HK$'000	2010 HK$'000
Unlisted company:		
Cost of investments in associates	**22,607**	22,607
Share of post-acquisition profits, net of dividends received	**6,630**	11,945
	29,237	34,552

Included in the cost of investments in associates is a goodwill of HK$494,000 (2010: HK$494,000) arising on acquisitions of associates in prior years.

At 31 December 2011 and 2010, 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 2011	2010	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

22. Interests in Associates *(continued)*

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

	2011 HK$'000	2010 HK$'000
Total assets	**273,752**	294,841
Total liabilities	**(175,999)**	(179,668)
Net assets	**97,753**	115,173
Group's share of net assets of associates	**28,743**	34,058

	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000
Revenue	**455,879**	468,103
Profit for the year and total comprehensive income for the year	**42,872**	64,624
Group's share of profits of associates for the year	**13,702**	20,419

23. Interests in Jointly Controlled Entities

	2011 HK$'000	2010 HK$'000
Cost of investments, unlisted	**1,153,198**	1,134,102
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,436,630**	1,216,791
	2,589,828	2,350,893

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

Set out below are the particulars of the principal jointly controlled entities at 31 December 2011 and 2010, 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 2011 % (note a)	2010 % (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**	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

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

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2011 % (note a)	2010 % (note a)	Principal activities
China State & Shanghai Tunnel Foundation Joint Venture	Unincorporated	Hong Kong	**50**	50	Foundation engineering works
Maeda-China State Joint Venture	Unincorporated	Hong Kong	**30**	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
Penta-Ocean-Concentric-Alchmex Joint Venture	Unincorporated	Hong Kong	**26**	–	Civil engineering works
Krueger-China State M&E Joint Venture	Unincorporated	Hong Kong	**50**	–	Mechanical and electrical engineering works

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 2010.

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

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

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 2011 HK$'000	31 December 2010 HK$'000
Current assets	**1,248,985**	2,199,894
Non-current assets	**5,060,264**	3,864,667
Current liabilities	**1,561,051**	1,656,060
Non-current liabilities	**2,154,866**	2,061,698

	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000
Income recognised in profit or loss	**2,259,064**	2,050,205
Expenses recognised in profit or loss	**1,879,117**	1,728,460

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

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.

Particulars regarding the joint ventures as at 31 December 2011 and 2010 are as follows:

Name of joint venture	Form of business structure	Place of establishment	Percentage of interest held by the Group 2011 % (note)	2010 % (note)	Principal activities
Atal-Degrement-China State Joint Venture	Unincorporated	Hong Kong	**32.5**	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**	56.4	Civil engineering works
China State Joint Venture	Unincorporated	Hong Kong	**–**	70.0	Civil engineering works
China State-Shanghai Tunnel Joint venture	Unincorporated	Hong Kong	**76.7**	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 revenue and expenses for the joint venture project. The percentage of interest held by each joint venturer was solely for common cost allocation purposes.

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

At 31 December 2011 and 2010, 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:

	2011 **HK$'000**	2010 HK$'000
Assets	**77,701**	37,912
Liabilities	**77,469**	37,560

	Year ended **31 December** **2011** **HK$'000**	Year ended 31 December 2010 HK$'000
Income	**436,403**	22,110
Expenses	**368,025**	18,890

24. Intangible Asset

	HK$'000
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	9,950
AMORTISATION	
At 1 January 2010, 31 December 2010 and 31 December 2011	–
CARRYING VALUES	
At 1 January 2010, 31 December 2010 and 31 December 2011	9,950

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

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.

24. Intangible Asset *(continued)*

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 covering a 5 years period approved by the management.

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

Based on the impairment testing at the end of the reporting period, the management considered that these are no impairment of the construction licenses.

25. Concession Operating Rights

	HK$'000
COST	
At 1 January 2010	1,058,730
Exchange adjustments	36,830
Additions	2,950,498
At 31 December 2010	4,046,058
Exchange adjustments	218,586
Additions	754,237
At 31 December 2011	5,018,881
AMORTISATION	
At 1 January and 31 December 2010	–
Charge for the year	90,267
Exchange adjustments	2,149
At 31 December 2011	92,416
CARRYING VALUES	
At 31 December 2011	4,926,465
At 31 December 2010	4,046,058

25. Concession Operating Rights *(continued)*

The concession operating rights related to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) ("Yangquan Yangwu Expressway") and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province ("Yangquan Expressway") with carrying amounts of HK$4,066,313,000 (2010: HK$3,953,376,000) and HK$860,152,000 (2010: HK$92,682,000) respectively, both of which are located in PRC. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by reference to the similar projects 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. The operation of Yangquan Yangwu Expressway is from 8 May 2011 to 7 May 2041. 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 in December 2010 and commenced commercial operation in May 2011. Yangquan Expressway is under construction as at 31 December 2011 and is expected to be completed in 2012. The amortisation of concession operating rights commenced from the date the toll expressway is launched for commercial operation.

At 31 December 2011 and 2010, the concession operating rights related to Yangquan Yangwu Expressway with carrying amount of HK$4,066,313,000 (2010: HK$3,953,376,000) had been pledged to secure the bank loan with carrying amounts of HK$1,973,603,000.

26. Available-For-Sale Investments

Available-for-sale investments comprise:

	2011 HK$'000	2010 HK$'000
Listed securities (note a):		
Equity securities listed in Hong Kong	**108,815**	117,621
Debt securities listed in Hong Kong with fixed interest of 5.375-5.750% and maturity date in 2012-2015 (note b)	**56,206**	57,616
Debt securities listed in Hong Kong with fixed interest of 4.625% and maturity date in 2016	**53,541**	–
Debt securities listed overseas with floating interest and maturity date in 2049	**13,911**	14,820
	232,473	190,057
Unlisted securities:		
Equity securities stated at cost (notes c and d)	**258,369**	206,896
Total	**490,842**	396,953

26. Available-For-Sale Investments *(continued)*

(a) The fair values of listed equity, debt securities and debenture are determined based on the quoted market bid prices available on the relevant exchange except for certain equity listed securities amounting to HK$103,920,000 which were suspended from trading as at 31 December 2011 and therefore the fair value has been arrived at based on the director's valuation carried out as at that date.

(b) At 31 December 2011, an amount of HK$23,658,000 (2010: HK$24,433,000) 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 2011, an amount of HK$39,013,000 (2010: 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.

(d) At 31 December 2011, 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 the ordinary share capital of 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 (2010: 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 with carrying amount of HK$1,456,000 (2010: HK$1,456,000). During the year, SKW paid dividend of HK$ 135,000,000 (2010: HK$29,126,000) to the Group.

The Group holds 10% of the ordinary share capital of 中聯實業有限公司 ("中聯實業") with carrying amount of HK$971,000 (2010: HK$971,000) whose principal activity is investment holding. 中聯實業 is a private entity incorporated in Macau whereby its investee is engaged in the operating of Macau airport.

The Group acquired 15% of the issued capital of Omar Property Development Company Limited ("Omar") with carrying amount of HK$202,180,000 (2010: HK$162,488,000). During the year, an amount of HK$39,692,000 (2010: Nil) represents the deemed contribution arising from fair value adjustment on loan advanced to Omar with effective interest rate of 12.64% per annum. 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 in previous years. No impairment was made during the two years ended 31 December 2010 and 2011 as there is no objective evidence of impairment loss.

26. Available-For-Sale Investments *(continued)*

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.

27. 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 2011 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 asset approach, which is used as the stock price input into the Binomial Model.

28. 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 and PRC (see note 26).

The fair values of these amounts on initial recognition are determined based on effective interest rate of 1.54% and 12.64% (2010: 1.54%) per annum on initial recognition for Proud Sea and Omar respectively. The difference between the principal amounts and the fair values of approximately HK$78,705,000 (2010: HK$27,419,000) has been included in the cost of the available-for-sale investments as deemed contribution to the investee companies.

29. Inventories

	2011 **HK$'000**	2010 HK$'000
Raw materials and consumables	**125,840**	76,544
Work in progress	**1,434**	676
Finished goods	**22,285**	40,491
	149,559	117,711

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

	2011 **HK$'000**	2010 HK$'000
Contracts in progress at the end of the reporting periods		
Contract costs incurred	**21,528,428**	11,269,921
Recognised profits less recognised losses	**1,388,033**	421,451
	22,916,461	11,691,372
Less: progress billings	**(21,260,596)**	(12,190,056)
	1,655,865	(498,684)
Analysed for reporting purposes as:		
Amounts due from contract customers	**2,937,900**	194,281
Amounts due to contract customers	**(1,282,035)**	(692,965)
	1,655,865	(498,684)

Included in amounts due from customers for contract work is a balance of HK$2,706,447,000 relating to a construction contract whereby the Group has undertaken to perform all the obligations and obtained all the rights of the Company's intermediate holding company in relation to the latter's role as the main contractor under the construction contract. This construction contract is for a construction project for a toll road situated in the PRC which commenced in 2011, whereby billing would only be made by the Group at the completion of the construction project. Other than the amount relating to this construction contract entered into with the intermediate holding company, the remaining balance is expected to be recovered within one year.

At 31 December 2011, retentions held by customers for contract work amounted to HK$1,350,703,000 (2010: HK$1,014,650,000) and have been included in trade and other receivables under current assets. Advances received from customers for contract work not yet commenced at 31 December 2011 amounted to HK$55,486,000 (2010: HK$130,234,000) and have been included in deposits received and receipt in advance under current liabilities.

31. Trade and Other Receivables

	2011 **HK$'000**	2010 HK$'000
Trade receivables (note a)	**5,241,018**	3,690,523
Less: Allowance for doubtful debts	**(15,379)**	(14,644)
	5,225,639	3,675,879
Other receivables (note b)	**431,547**	488,734
Less: Allowance for doubtful debts	**(1,522)**	(1,183)
	430,025	487,551
Trade and other receivables	**5,655,664**	4,163,430
Portion classified as current assets	**(4,736,191)**	(4,163,430)
Non-current portion	**919,473**	–

Notes:

(a) Included in trade receivables as at year ended 31 December 2011 are receivables of HK$919,473,000 which arose from certain affordable housing construction projects in the PRC which are unsecured, interest bearing at 130% of the prevailing interest rate of the People's Bank of China per annum and repayable in 2013. Therefore, the balances are classified as non-current assets.

(b) Included in other receivables is a loan receivable of HK$309,706,000 (2010: HK$352,568,000) advanced in 2011 to an entity which is a government related entity (as defined in note 2). The balance is secured by a bank guarantee (2010: a bank guarantee), carried interest at prevailing interest rate of the People's Bank of China plus 1% per annum (2010: prevailing interest rate of the People's Bank of China plus 1% per annum) and fully repayable in April 2012 (2010: October 2011). The effective interest rate at 31 December 2011 is 7.45% (2010: 6.85%) per annum.

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2010: 90 days) to its trade customers and the retention receivables are repayable approximately one year after the expiry of defect liability period of construction projects.

31. Trade and Other Receivables *(continued)*

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 periods:

	2011 HK$'000	2010 HK$'000
0-30 days	**2,834,776**	1,893,809
31-90 days	**456,701**	312,869
Over 90 days	**583,459**	454,551
	3,874,936	2,661,229
Retention receivables	**1,350,703**	1,014,650
	5,225,639	3,675,879
Retention receivables:		
Due within one year	**613,537**	300,324
Due more than one year	**737,166**	714,326
	1,350,703	1,014,650

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

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:

	2011 HK$'000	2010 HK$'000
91-180 days	**216,013**	42,606
181-365 days	**42,152**	306,770
Over 365 days	**325,294**	105,175
Total	**583,459**	454,551

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

Except for the amount of HK$16,901,000 (2010: HK$15,827,000) was provided for doubtful debts for the year ended 31 December 2011, 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.

31. Trade and Other Receivables *(continued)*

Included in trade receivables that are past due but not impaired are receivables arising from offshore construction contracts of HK$365,725,000 (2010: HK$405,676,000) which are under final account negotiation with the customers, which the management considers that the amount would be fully recovered. The remaining trade receivables that are past due but not impaired have good repayment history and low default rate under the internal credit assessment system used by the Group.

Movement in the allowance for doubtful debts

	2011 **HK$'000**	2010 HK$'000
1 January	**15,827**	12,884
Impairment losses recognised on receivables	**1,074**	2,943
31 December	**16,901**	15,827

32. Amounts Due From (to) 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.

33. Amounts Due From (to) Fellow Subsidiaries/Immediate Holding Company/Intermediate Holding Company/An Associate/A Related Company

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

The amount due from related company represents balance due from a jointly controlled entity of the Company's immediate holding company.

The amount due to related company represents balances due to a wholly owned subsidiary of the Group's jointly controlled entity.

34. Pledged Bank Deposits/Deposits with Financial Institutions/Bank Balances

(a) Pledged bank deposits

At 31 December, 2011, bank deposits amounting to HK$4,992,000 (2010: HK$6,420,000) are pledged and carry interest at fixed rates ranging from 0.001% to 0.3625% (2010: 0.001% to 0.3600%) per annum.

(b) Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2010: 1 to 6 months) carrying interest at fixed rate ranging 0.0029% to 1.8948% (2010: 0.01% to 0.05%) per annum.

(c) Bank balances

Bank balances, excluding bank current accounts, carry interest at market rates which range from 0.001% to 3.05% (2010: 0.001% to 1.17%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

35. 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:

	2011 **HK$'000**	2010 HK$'000
Trade and other payables, aged:		
0-30 days	**3,055,107**	1,834,841
31-90 days	**755,182**	994,004
Over 90 days	**270,961**	427,148
	4,081,250	3,255,993
Retention payables	**1,094,638**	860,918
	5,175,888	4,116,911
Retention payables:		
Due within one year	**650,859**	431,619
Due more than one year	**443,779**	429,299
	1,094,638	860,918

Other payables included in the trade and other payables amounted to HK$526,756,000 (2010: HK$574,290,000), which comprise primarily staff cost, other tax and other operating expenses payable.

The average credit period on trade and construction cost payables is 60 days (2010: 60 days). The Group has financial risk management polices in place to ensure that all payables are paid within the credit time-frame.

36. Borrowings

	2011	2010
	HK$'000	HK$'000
Bank loans, secured (note a)	**1,973,603**	1,880,362
Bank loans, unsecured (note b)	**3,345,381**	1,000,000
	5,318,984	2,880,362
Carrying amount repayable:		
Within one year	**357,716**	–
More than one year but not exceeding two years	**24,670**	11,752
More than two years but not more than five years	**3,172,690**	1,129,275
More than five years	**1,763,908**	1,739,335
	5,318,984	2,880,362
Less: Amount due within one year shown under current liabilities	**(357,716)**	–
Amount due after one year	**4,961,268**	2,880,362

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

Notes:

(a) Bank loans with carrying amount of HK$1,973,603,000 (2010: HK$1,880,362,000) are denominated in Renminbi, bear interest at a rate of 5.76% (2010: 5.35%) per annum, based on 90% of the prevailing interest rate of the People's Bank of China per annum and will mature in 2030 (2010: 2030). The loans are secured by the concession operating rights of the Yangquan Yangwu Expressway.

(b) Bank loan with carrying amount of HK$3,000,000,000 (2010: HK$1,000,000,000) is denominated in Hong Kong dollars, bears interest with effective interest rate ranging from 1.42% to 1.68% (2010: 0.75% to 1.65%) per annum based on the market rate of HIBOR plus 1.35% per annum and will mature in June 2015 (2010: June 2015).

Bank loan with carrying amount of HK$345,381,000 (2010: Nil) is denominated in Renminbi, bear interest at a fixed rate of 5.94% per annum, and will mature in 2012.

37. 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 2010	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
Issue of ordinary shares upon exercise of share options	9,920,037	248
Issue of ordinary shares on rights issue (note)	597,364,659	14,934
Balance at 31 December 2011	3,586,743,521	89,668

Note:

On 16 May 2011, 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$6.00 per rights share, resulting in the issue of 597,364,659 ordinary shares of HK$0.025 each for a total cash consideration, before expenses of HK$34,971,000, of HK$3,584,188,000. The net cash proceeds were credited to share capital and share premium account of HK$14,934,000 and HK$3,569,254,000, respectively. The new shares rank pari passu with the then existing shares in all respects.

38. Deferred Income

	2011 HK$'000	2010 HK$'000
Deferred income arose from the following:		
Connection service	**438,429**	254,134

Connection fee income is attributable to the connecting pipeline construction for heat transmission and continuing repairs and maintenance services relating to the pipelines. Connection fee income is recorded as deferred income and amortised on a straight-line basis over the expected service period of heat 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.

38. Deferred Income *(continued)*

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

	2011 **HK$'000**	2010 HK$'000
Deferred income due within one year included in trade and other payables in current liabilities	**16,491**	10,087
Deferred income due after one year	**421,938**	244,047
	438,429	254,134

39. Deferred Taxation

The following are the major deferred tax (assets)/liabilities 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 2010	3,305	–	59,346	31,808	(1,240)	93,219
Exchange adjustments	–	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
Exchange adjustments	–	7,245	1,702	–	–	8,947
Charge (credit) to consolidated income statement	9,030	28,585	(22,238)	24,851	–	40,228
Reallocated to tax liabilities	–	–	–	(1,974)	–	(1,974)
At 31 December 2011	16,485	168,219	27,493	65,142	(1,325)	276,014

39. Deferred Taxation *(continued)*

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$51,217,000 (31 December 2010: HK$43,129,000) 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:

	2011 **HK$'000**	2010 HK$'000
Unused tax losses (note a)	**466,388**	257,005
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (note b)	**2,709**	2,001
	469,097	259,006

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$50,094,000 (2010: HK$30,699,000) 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.

40. Loans From Intermediate Holding Company

The loans from intermediate holding company of HK$940,151,000 (2010: HK$1,762,839,000) and Nil (2010: HK$707,698,000) are unsecured, interest bearing at a fixed rate of 4.86% (2010: 4.86%) per annum and will mature in December 2012 (2010: December 2012) and July 2013, respectively. The loans of HK$1,530,386,000 were early repaid during the year ended 31 December 2011.

41. 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 was 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)

The fair value of trade and other receivables and amounts due from jointly controlled entities of acquiree were 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 were 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 was HK$6,654,000.

41. Acquisition of Subsidiaries *(continued)*

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 was 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.

42. Major Non-Cash Transaction

During the year ended 31 December 2011, the Group recognised concession operating rights of HK$748,750,000 (2010: HK$2,864,791,000) 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.

43. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 60,576,000 (2010: 68,120,000), representing approximately 1.69% (2010: 2.3%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer. An amount of HK$1.00 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the option period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the Board in its absolute discretion at the time of grant. The exercise price is determined by the directors of the Company, and will not be less than the 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.

43. Share-Based Payments *(continued)*

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$0.2254	14 September 2005 to 13 September 2006	14 September 2006 to 13 September 2015
HK$0.2254	14 September 2005 to 13 September 2007	14 September 2007 to 13 September 2015
HK$0.2254	14 September 2005 to 13 September 2008	14 September 2008 to 13 September 2015
HK$0.2254	14 September 2005 to 13 September 2009	14 September 2009 to 13 September 2015
HK$0.2254	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.

As a result of the rights issue of the Company on 16 May 2011, 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$0.2254 per share. The number of share options was increased by 2,375,604 options.

43. Share-Based Payments *(continued)*

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

	Outstanding at 1 January 2010 '000	Exercised during the year '000	Re-classification '000	Outstanding at 31 December 2010 '000	Exercised before Rights Issue '000	Adjustment in respect of Rights Issue in May 2011 '000	Exercised after Rights Issue '000	**Outstanding at 31 December 2011 '000**
Directors	13,128	(4,216)	615	9,527	(922)	349	(411)	**8,543**
Employees	45,073	(11,217)	(615)	33,241	(1,668)	1,279	(46)	**32,806**
Consultants	34,805	(9,453)	–	25,352	(6,873)	748	–	**19,227**
	93,006	(24,886)	–	68,120	(9,463)	2,376	(457)	**60,576**

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

Option type	Outstanding at 1 January 2010 '000	Exercised during the year '000	Outstanding at 31 December 2010 '000	Exercised before Rights Issue '000	Adjustment in respect of Rights Issue in May 2011 '000	Exercised after Rights Issue '000	**Outstanding at 31 December 2011 '000**
Granted on 14 September 2005							
– with vesting period of 14 September 2005 to 13 September 2006	7,050	(131)	6,919	–	–	–	**6,919**
– with vesting period of 14 September 2005 to 13 September 2007	9,818	(165)	9,653	(60)	–	–	**9,593**
– with vesting period of 14 September 2005 to 13 September 2008	15,102	(1,844)	13,258	(1,554)	–	–	**11,704**
– with vesting period of 14 September 2005 to 13 September 2009	23,606	(5,484)	18,122	(6,400)	–	–	**11,722**
– with vesting period of 14 September 2005 to 13 September 2010	37,430	(17,262)	20,168	(1,449)	2,376	(457)	**20,638**
	93,006	(24,886)	68,120	(9,463)	2,376	(457)	**60,576**
Exercisable at the end of the year	55,576		68,120				**60,576**

43. Share-Based Payments *(continued)*

In respect of the share options exercised during the year, the weighted average share price is HK$7.22 (2010: HK$5.18).

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 during the year ended 31 December 2010 in relation to share options granted by the Company. No share option was granted during the year ended 31 December 2011.

44. Operating Lease Arrangements

The Group as lessee

At 31 December 2011 and 2010, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2011 **HK$'000**	2010 HK$'000
Within one year	**16,618**	19,608
In the second to fifth year inclusive	**16,562**	16,477
Over five years	**23,468**	38,507
	56,648	74,592

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 the operating leases of these plant and machinery.

44. Operating Lease Arrangements *(continued)*

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$41,063,000 (2010: HK$42,038,000) were let out under operating leases.

Property rental income earned during the year is HK$9,241,000 (2010: HK$14,610,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

At 31 December 2011 and 2010, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	HK$'000	HK$'000
Within one year	**11,190**	7,742
In the second to fifth year inclusive	**20,767**	15,977
	31,957	23,719

45. Commitments

At 31 December 2011 and 2010, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2011	2010
	HK$'000	HK$'000
Contracted but not provided for:		
Construction in progress for property, plant and equipment	**305,321**	131,833
Loans advance to investee companies	**278,147**	278,147

46. Related Party Transactions

Apart from the balances due from or to related parties set out in notes 26(b), 32, 33 and 40, 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, partners of jointly controlled entities and other state-owned entities during the year:

Transactions	**2011 HK$'000**	2010 HK$'000
Fellow subsidiaries		
Underwriting fee expense included in rights issue expense	**34,134**	–
Rental income	**1,590**	1,517
Rental expenses	**10,417**	9,427
Security service payment	**22,173**	15,354
Revenue from construction contracts	**615,242**	176,508
Project management service income	**45,378**	36,919
Construction costs	**604,055**	64,291
Insurance premium income	**2,143**	2,035
Associates		
Purchase of construction materials	**177,023**	167,567
Jointly controlled entities		
Revenue from construction contracts	**35,822**	5,055
Rental income from lease of machinery	**13,333**	248
Purchase of materials	**69,997**	54,099
Sales of building materials	**126,919**	–
Service income	**2,823**	9,678
Insurance premium income	**2,406**	83
Other state-owned entities		
Revenue from construction contracts	**1,191,168**	183,401
Interest income	**24,975**	6,942
Intermediate holding company		
Interest expense	**85,166**	99,995
Commission income	**3,334**	3,735
Construction costs	**1,942,816**	1,926,957
Revenue from construction contracts	**2,529,057**	–

(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 ended 31 December 2010 as set out in note 1.

46. Related Party Transactions *(continued)*

(c) During the year ended 31 December 2010, 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 (the "Guarantee") undertaken by that jointly controlled entity. In the year 2011, the Guarantee was discharged upon the completion of the projects.

(d) Transactions with other government-related entities in the PRC

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

Certain of the Company's subsidiaries had entered into various transactions with state-controlled entities, including general banking facilities transactions with certain banks and financial institutions which are state-controlled entities, in 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:

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**46,645**	47,947
Post-employment benefits	**192**	197
Share-based payments	**–**	97
	46,837	48,241

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

47. Event After the Reporting Period

On 2 February 2012, Add Treasure Holdings Limited ("Add Treasure"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Far East Global Group Limited ("FEG") which is a public limited company incorporated in the Cayman Islands and its shares are listed on the SEHK. Add Treasure will subscribe for 1,038,550,000 new shares of FEG at a consideration of HK$0.62 per share in cash (the "Subscription"). After the subscription, the Group will increase its interest in FEG from 9.3% to 51%. At 31 December 2011, the Group held 103,920,000 shares of the issued share capital of FEG, representing 9.3% interest in the issued share capital of FEG, and is recorded as available-for-sale investments at a valuation amount of HK$103,920,000 as at 31 December 2011, as disclosed in note 26.

The subscription was completed on 28 February 2012 and FEG became a subsidiary of the Company. The financial impact and the disclosures required for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date cannot be estimated in details because the initial accounting for the business combination, for example, valuation of assets acquired and liabilities assumed, is incomplete at the time the consolidated financial statements are authorised for issue. Details of the subscription were included in the joint announcements of the Company and FEG dated 2 February 2012, 28 February 2012 and 2 March 2012.

On 2 March 2012, Deutsche Bank, financial adviser to the Company, on behalf of Add Treasure, made a mandatory unconditional cash offer (the "Offer") for all the issued shares in FEG, other than those already held by the Company Add Treasure, and persons acting in concert with it ("Offer Share"), on the basis of HK$1.18 in cash for each Offer Share; and for the cancellation of all outstanding share options granted by FEG (the "Offer Option"), on the basis of HK$0.66 and HK$0.53 in cash for each Offer Option with the exercise price with HK$0.52 and HK$0.65, respectively. The Offer will close on 23 March 2012 and will not be extended.

48. Statement of Financial Position of the Company

	2011 HK$'000	2010 HK$'000
Non-current Assets		
Property, plant and equipment	–	–
Interests in subsidiaries	2,171,869	2,171,869
	2,171,869	2,171,869
Current Assets		
Deposits and prepayments	15,750	20,250
Amounts due from subsidiaries	7,082,129	2,791,502
Bank balances	131,849	2,659
	7,229,728	2,814,411
Current Liabilities		
Other payables	9,937	8,777
Amounts due to subsidiaries	–	930,712
Tax liabilities	785	92
	10,722	939,581
Net Current Assets	7,219,006	1,874,830
	9,390,875	4,046,699
Capital and Reserves		
Share capital	89,668	74,486
Reserves	6,301,207	2,972,213
	6,390,875	3,046,699
Non-current Liability		
Borrowings	3,000,000	1,000,000
	9,390,875	4,046,699

Under the Companies Law of the Cayman Islands, the distributable reserves of the Company amounted to HK$6,298,000,000 representing the share premium and retained profits as at 31 December 2011 (2010: HK$2,968,000,000).

49. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	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 of GBP1 each	**100**	100	Building construction, civil and marine engineering works, project and construction management

49. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	Principal activities
Indirectly held by the Company: *(continued)*					
Add Treasure Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100**	100	Investment holding
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
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 (Hong Kong) Limited (previously known as 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 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

49. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	Principal activities
Indirectly held by the Company: *(continued)*					
China State Civil Engineering Limited	Hong Kong	1,999,900 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 Grand Wealth Investments Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$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
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

49. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	Principal activities
Indirectly held by the Company: *(continued)*					
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
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

49. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	Principal activities
Indirectly held by the Company: *(continued)*					
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**	100	Investment holding
天津港悅基建發展有限公司(i)	PRC	US$15,000,000	**100**	100	Infrastructure investment
深圳市中建宏達投資有限公司(ii)	PRC	RMB200,000,000	**100**	100	Investment holding
深圳市中海投資有限公司(ii)	PRC	RMB500,000,000	**100**	100	Investment holding
中海創業投資(深圳)有限公司(i)	PRC	US$29,800,000	**100**	100	Investment holding
中建宏達投資(中國)有限公司(ii)	PRC	US$298,000,000	**100**	–	Investment holding

49. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2011 %	2010 %	Principal activities
Indirectly held by the Company: *(continued)*					
China State (Zhangzhou) Construction Development Limited (ii)	PRC	US$16,000,000	**100**	–	Building investment
重慶海建投資有限公司(ii)	PRC	RMB10,000,000	**100**	–	Building investment
山西五盂高速公路有限公司(ii)	PRC	US$70,000,000	**100**	–	Infrastructure construction
重慶海勝基建發展有限公司(ii) (iii)	PRC	Nil	**100**	–	Infrastructure investment
杭州海嘉建設有限公司(ii)	PRC	RMB75,000,000	**100**	–	Infrastructure investment

(i) Registered as foreign owned enterprise.
(ii) Limited liability company registered in the PRC.
(iii) The capital verification for this subsidiary was not yet completed as at 31 December 2011.

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 Years Financial Summary

Consolidated Results

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)	(restated)		
Group Revenue	9,047,199	9,544,054	9,706,121	11,982,871	**16,379,311**
Share of revenue of jointly controlled entities	1,183,682	1,510,119	2,966,949	1,983,966	**2,202,768**
	10,230,881	11,054,173	12,673,070	13,966,837	**18,582,079**
Operating profit	450,326	332,792	492,925	1,006,855	**1,643,342**
Share of profits of associates	8,788	9,445	11,592	20,419	**13,702**
Share of profits of jointly controlled entities	253,818	281,126	309,310	321,745	**379,947**
Finance costs	(1,662)	(19,537)	(12,956)	(15,552)	**(192,690)**
Profit before tax	711,270	603,826	800,871	1,333,467	**1,844,301**
Income tax expense	(63,848)	(39,866)	(72,390)	(213,218)	**(334,122)**
Profit for the year	647,422	563,960	728,481	1,120,249	**1,510,179**
Attributable to:					
Owners of the Company	525,265	521,249	674,066	1,036,278	**1,507,405**
Non-controlling interests	122,157	42,711	54,415	83,971	**2,774**
	647,422	563,960	728,481	1,120,249	**1,510,179**

Five Years Financial Summary *(continued)*

Consolidated Net Assets

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)	(restated)		
NON-CURRENT ASSETS					
Property, plant and equipment	967,309	1,105,066	1,122,980	1,454,445	**1,870,033**
Investment properties	9,705	44,692	43,031	42,038	**41,063**
Investment in lands consolidation	–	49,814	–	–	**–**
Interests in infrastructure project investment	482,659	466,876	553,762	673,575	**673,224**
Trade receivables	–	–	–	–	**919,473**
Prepaid lease payments	60,327	78,536	76,551	172,258	**180,197**
Interests in associates	35,071	41,258	35,175	34,552	**29,237**
Interests in jointly controlled entities	1,518,313	1,859,274	1,981,995	2,350,893	**2,589,828**
Intangible asset	–	–	9,950	9,950	**9,950**
Concession operating rights	913	32,698	1,058,730	4,046,058	**4,926,465**
Availiable-for-sale investments	111,295	98,169	116,179	396,953	**490,842**
Investment in convertible bonds	–	–	–	219,686	**240,000**
Amounts due from investee companies	10,908	181,940	250,142	362,247	**356,085**
	3,196,500	3,958,323	5,248,495	9,762,655	**12,326,397**
CURRENT ASSETS	6,656,588	6,915,874	10,064,491	8,916,767	**14,406,747**
TOTAL ASSETS	9,853,088	10,874,197	15,312,986	18,679,422	**26,733,144**
NON-CURRENT LIABILITIES					
Deferred income	(118,593)	(165,320)	(180,480)	(244,047)	**(421,938)**
Deferred tax liabilities	(67,437)	(71,134)	(93,219)	(228,813)	**(276,014)**
Borrowings	(21,165)	(1,000,000)	(1,936,286)	(2,880,362)	**(4,961,268)**
Loans from intermediate holding company	–	–	(1,703,578)	(2,470,537)	**–**
	(207,195)	(1,236,454)	(3,913,563)	(5,823,759)	**(5,659,220)**
CURRENT LIABILITIES	(8,342,032)	(7,872,118)	(7,735,433)	(8,232,263)	**(11,576,848)**
TOTAL LIABILITIES	(8,549,227)	(9,108,572)	(11,648,996)	(14,056,022)	**(17,236,068)**
NET ASSETS	1,303,861	1,765,625	3,663,990	4,623,400	**9,497,076**

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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