1. General

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

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

The transfer of the entire interests in Fuller Sky and Value Idea (the "Acquired Companies") as mentioned above are common control combinations and the Group and the Acquired Companies are regarded as continuing entities. Accordingly, the consolidated financial statements of the Group have been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the transfer of the controlling interests in Acquired Companies has been completed as at 1 January 2007. Accordingly, the comparative figures of the consolidated financial statements have been restated.

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

	For the year ended 31 December 2007 (previously stated) HK$'000	Combination of Acquired Companies HK$'000	Combination adjustments HK$'000	For the year ended 31 December 2007 (restated) HK$'000
Revenue	10,168,321	64,561		10,232,882
Contract costs	(9,089,599)	—		(9,089,599)
Other costs of sales	(312,606)	—		(312,606)
Gross profit	766,116	64,561		830,677
Other income and expenses	(235,806)	(11)		(235,817)
Profit before tax	530,310	64,550		594,860
Income tax expense	(82,355)	—		(82,355)
Profit for the year	447,955	64,550		512,505
Attributable to:				
Equity holders of the Company	404,893	48,771		453,664
Minority interests	43,062	15,779		58,841
	447,955	64,550		512,505

1. General *(continued)*

	At 31 December 2007 (previously stated) HK$'000	Combination of Acquired Companies HK$'000	Combination adjustments (note) HK$'000	At 31 December 2007 (restated) HK$'000
Non-current assets				
Property, plant and equipment	971,953	—		971,953
Interests in infrastructure project investment	—	482,658		482,658
Other non-current assets	363,170	1		363,171
	1,335,123	482,659		1,817,782
Current assets				
Interests in infrastructure project investment	—	15,837		15,837
Trade and other receivables	3,339,204	24,693		3,363,897
Bank balances and cash	1,545,000	—		1,545,000
Other current assets	1,388,180	—		1,388,180
	6,272,384	40,530		6,312,914
Current liabilities				
Amounts due to customers for contract work	425,864	—		425,864
Trade and other payables	3,759,933	—		3,759,933
Amounts due to fellow subsidiaries	12,389	286,791	152,324	451,504
Other current liabilities	1,046,340	—		1,046,340
	5,244,526	286,791		5,683,641
Net current assets (liabilities)	1,027,858	(246,261)		629,273
Total assets less current liabilities	2,362,981	236,398		2,447,055
Total capital and minority interests	2,155,683	236,398	(152,324)	2,239,757
Non-current liabilities	207,298	—		207,298
	2,362,981	236,398		2,447,055

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

1. General *(continued)*

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

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

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

The principal activities of the Company and its subsidiaries (the "Group") are the construction business, project consultancy services, insurance business, generation and supply of heat and electricity, trading of building materials and infrastructure project investment. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 44, 23 and 29, respectively.

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

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

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

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

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

(continued)

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

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

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Company's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Principal Accounting Policies

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

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

Basis of consolidation

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

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

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

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

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

Business combinations

Common control combinations

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

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

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

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

3. Principal Accounting Policies *(continued)*

Business combinations *(continued)*

Business combinations other than common control combinations

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

Property, plant and equipment

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

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals.

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

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

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

3. Principal Accounting Policies *(continued)*

Investments in associates

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

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

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

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

Joint ventures

Jointly controlled operations

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

Jointly controlled entities

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

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

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

Financial instruments

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

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets

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

Effective interest method

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Other financial liabilities

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

3. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Equity instruments

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

Derecognition

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

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

Provisions

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

Impairment

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

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

Investment in lands consolidation

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

Interests in infrastructure project investment

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

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

3. Principal Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. Principal Accounting Policies *(continued)*

Foreign currencies

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

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

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

Deferred income

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

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

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

3. Principal Accounting Policies *(continued)*

Leasehold land and building

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

Retirement benefit costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

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

Share options granted to consultants

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

Taxation

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

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

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

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

3. Principal Accounting Policies *(continued)*

Taxation *(continued)*

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

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

Revenue recognition

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

Revenue from sale of properties

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

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

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

Construction contracts

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

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

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

Project management contracts

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

3. Principal Accounting Policies *(continued)*

Revenue recognition *(continued)*

Interest income

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

Dividend income

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

Lease of machinery

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

Supply of heat and electricity

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

Connection service income

Connection service income received and receivable, to the extent which is attributable to the initial pipeline construction and connection of transmission of heat and steam, is recognised upon the completion of services provided for the relevant connection works and the corresponding costs incurred can be measured reliably. Connection service attributable to the continuing heat and steam transmission is recorded as deferred income and amortised (included in sale of heat and steam) on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating license of the relevant entities.

Sales of goods

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

Insurance income

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

Income from infrastructure project investment

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

Services income

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

4. Key Sources of Estimation Uncertainty

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

(a) Percentage of completion of construction works

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

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

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

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

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

(d) Estimated impairment of investment properties

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

(e) Estimated impairment of trade and other receivables

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

5. Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the obligations under finance leases and borrowings disclosed in notes 34 and 33 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

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

6. Financial Instruments

6a. Categories of financial instruments

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

6b. Financial risk management objectives

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

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

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

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 price.

Interest rate risk

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

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by HK$5,000,000 (2007: decrease/increase by HK$2,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Price risk

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

Sensitivity analysis

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

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

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

6. Financial Instruments *(continued)*

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

ii) Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

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

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

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

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

6. Financial Instruments *(continued)*

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

iii) Liquidity risk

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

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

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

iv) Fair value

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

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

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

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

7. Revenue

Revenue represents the revenue arising on construction contracts, project management service income, revenue from supply of heat and electricity, revenue from provision of connection services, revenue from infrastructure project investment, net amount received and receivable for precast structures and building materials sold by the Group to outside customers, less returns and allowances and revenue from machinery leasing income and insurance contracts.

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

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

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

8. Geographical and Business Information

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

Geographical segments

For management purposes, the Group is currently organised into five geographical segments—Hong Kong, Regions in the PRC other than Hong Kong and Macau, Macau, United Arab Emirates ("UAE") and India. These segments are the basis on which the Group reports its primary segment information.

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

For the year ended 31 December 2008

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	UAE HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	6,191,507	881,959	2,078,190	1,797,302	72,447	11,021,405	–	11,021,405
Inter-segment sales	4,134	170,184	–	–	–	174,318	(174,318)	–
Total revenue	6,195,641	1,052,143	2,078,190	1,797,302	72,447	11,195,723	(174,318)	11,021,405

Inter-segment sales are charged at prevailing market rates.

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	UAE HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
RESULT								
Segment gross profit	228,263	337,923	282,302	56,910	3,995	909,393	–	909,393
Segment results	130,853	273,166	261,817	1,664	8,362	675,862	–	675,862
Inter-segment result	19,562	–	–	–	–	19,562	(19,562)	–
	150,415	273,166	261,817	1,664	8,362	695,424	(19,562)	675,862
Unallocated corporate expenses								(121,282)
Investment and other income								18,125
Impairment loss of investment properties and available-for-sale investments								(9,712)
Reversal of impairment loss of properties held for sales								18,292
Share of profits of associates	9,371	–	74	–	–	9,445	–	9,445
Finance costs								(20,065)
Profit before tax								570,665
Income tax expense								(66,276)
Profit for the year								504,389

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

BALANCE SHEET

At 31 December 2008

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

OTHER INFORMATION

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

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

For the year ended 31 December 2007 (restated)

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	UAE HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
REVENUE								
External sales	5,501,408	727,823	1,586,782	2,065,445	351,424	10,232,882	–	10,232,882
Inter-segment sales	26,179	38,586	–	–	–	64,765	(64,765)	–
Total revenue	5,527,587	766,409	1,586,782	2,065,445	351,424	10,297,647	(64,765)	10,232,882

Inter-segment sales are charged at prevailing market rates.

	Hong Kong HK$'000	Regions in the PRC other than Hong Kong and Macau HK$'000	Macau HK$'000	UAE HK$'000	India HK$'000	Sub-total HK$'000	Inter-segment eliminations HK$'000	Consolidated HK$'000
RESULT								
Segment gross profit	179,397	298,904	274,070	52,791	25,515	830,677	–	830,677
Segment results	119,241	233,275	249,232	11,543	30,710	644,001	–	644,001
Inter-segment result	9,500	–	–	–	–	9,500	(9,500)	–
	128,741	233,275	249,232	11,543	30,710	653,501	(9,500)	644,001
Unallocated corporate expenses								(99,785)
Investment and other income								43,679
Share of profits of associates	3,478	–	5,310	–	–	8,788	–	8,788
Finance costs								(1,823)
Profit before tax								594,860
Income tax expense								(82,355)
Profit for the year								512,505

8. Geographical and Business Information *(continued)*

Geographical segments *(continued)*

BALANCE SHEET

At 31 December 2007 (restated)

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

OTHER INFORMATION

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

8. Geographical and Business Information *(continued)*

Business segments

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

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

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

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

9. Investment Income

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

10. Other Income

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

11. Finance Costs

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

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

12. Directors' Emoluments

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

For the year ended 31 December 2008

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

For the year ended 31 December 2007

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

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

13. Employees' Emoluments

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

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

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

14. Income Tax Expense

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdiction.

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

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

14. Income Tax Expense *(continued)*

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

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

15. Profit for the year

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

16. Dividends

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

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

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

17. Earnings Per Share

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

Earnings

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

Number of shares

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

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

17. Earnings Per Share *(continued)*

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

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

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

18. Property, Plant and Equipment

	Buildings 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 2007	220,431	621,409	478,228	86,135	40,234	61,143	1,507,580
Exchange adjustments	14,731	43,081	1,419	1,925	1,146	4,726	67,028
Additions	509	—	43,325	6,869	5,274	68,607	124,584
Transfer from construction in progress	9,524	39,948	1,721	—	—	(51,193)	—
Disposals	(4,359)	(15,563)	(36,751)	(18,465)	(4,296)	—	(79,434)
At 31 December 2007	240,836	688,875	487,942	76,464	42,358	83,283	1,619,758
Exchange adjustments	14,559	43,420	1,387	1,229	1,199	5,440	67,234
Additions	5,072	19,880	50,841	7,930	11,618	119,984	215,325
Transfer from construction in progress	891	72,931	836	310	—	(74,968)	—
Disposals	(1,741)	(423)	(20,959)	(4,956)	(5,834)	—	(33,913)
At 31 December 2008	259,617	824,683	520,047	80,977	49,341	133,739	1,868,404
DEPRECIATION							
At 1 January 2007	26,503	90,069	425,206	47,232	20,423	—	609,433
Exchange adjustments	1,945	7,122	659	622	503	—	10,851
Provided for the year	9,740	29,779	23,634	18,594	6,060	—	87,807
Eliminated on disposals	(1,484)	(1,786)	(36,423)	(17,033)	(3,560)	—	(60,286)
At 31 December 2007	36,704	125,184	413,076	49,415	23,426	—	647,805
Exchange adjustments	2,297	8,266	692	358	663	—	12,276
Provided for the year	10,629	58,166	40,998	12,542	9,104	—	131,439
Eliminated on disposals	(771)	(402)	(19,981)	(4,701)	(4,536)	—	(30,391)
At 31 December 2008	48,859	191,214	434,785	57,614	28,657	—	761,129
CARRYING VALUES							
At 31 December 2008	210,758	633,469	85,262	23,363	20,684	133,739	1,107,275
At 31 December 2007	204,132	563,691	74,866	27,049	18,932	83,283	971,953

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

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

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

Buildings	Over the shorter of the term of the relevant lease or 50 years
Heat and electricity supply facilities	20 years
Plant and machinery	3 to 10 years
Furniture, fixtures and equipment and motor vehicles	3 to 8 years

19. Investment Properties

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

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

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

19. Investment Properties *(continued)*

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

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

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

The fair value of the investment properties located in Macau has been arrived at based on a valuation carried out on that date by DTZ Debenham Tie Leung Limited. The fair value of the investment properties located in the PRC has been arrived at based on a valuation carried out on that date by 珠海立信合伙會計師事務所. DTZ Debenham Tie Leung Limited and 珠海立信合伙會計師事務所, independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

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

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

20. Investment in Lands Consolidation

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

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

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

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

21. Interests in Infrastructure Project Investment

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

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

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

22. Prepaid Lease Payments

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

23. Interests in Associates

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

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

23. Interests in Associates *(continued)*

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

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

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

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

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

24. Available-for-sale Investments

Available-for-sale investments comprise:

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

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

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

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

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

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

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

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

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

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

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

25. Amounts Due From Investee Companies

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

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

26. Inventories

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

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

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

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

28. Trade and Other Receivables

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

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

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

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

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

28. Trade and Other Receivables *(continued)*

The aged analysis of the Group's trade receivables balances (net of allowance for doubtful debts) which are past due but not impaired is presented as follows:

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

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

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

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

29. Amounts Due From (To) Jointly Controlled Entities/the Partners of Jointly Controlled Entities

Jointly controlled entities

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

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

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

Name of entity	Form of business structure	Place of registration and operations	Percentage of ownership interest		Nature of business
			2008 %	2007 %	
ATAL/Waterleau/CCEM	Unincorporated	Macau	**48.45**	48.45	Civil engineering works and operation of pump stations
ATAL/Waterleau/CSCE	Unincorporated	Macau	**39.23**	39.23	Civil engineering works and operation of pump stations
China Overseas—Samsung Joint Venture	Unincorporated	Hong Kong	**70 (note a)**	70 (note a)	Inactive

29. Amounts Due From (To) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Jointly controlled entities *(continued)*

Name of entity	Form of business structure	Place of registration and operations	Percentage of ownership interest 2008 %	2007 %	Nature of business
China Overseas—Young's Mechanical & Electrical Engineering Limited	Incorporated	Hong Kong	**49**	49	Inactive
China State—China Railway Joint Venture	Unincorporated	Hong Kong	**60 (note a)**	60 (note a)	Civil engineering works
China State—China Resources Construction Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
China State—Leighton Joint Venture	Unincorporated	Hong Kong	**50**	—	Building construction
China State—Samsung Joint Venture	Unincorporated	Hong Kong	**65 (note a)**	65 (note a)	Building construction
COMEEL—ATAL Joint Venture	Unincorporated	Hong Kong	**50**	50	Inactive
Consorcio De Krueger — China State	Unincorporated	Macau	**55 (note a)**	55 (note a)	Mechanical and electrical engineering works
Consorcio De Krueger — CSME	Unincorporated	Macau	**55 (note a)**	—	Mechanical and electrical engineering works
CSCHK—SOMA Joint Venture	Unincorporated	India	**50**	50	Road construction
Hip Hing—China State Joint Venture	Unincorporated	Hong Kong	**50**	50	Building construction
Hoi Hing Building Materials Co., Limited	Incorporated	Hong Kong	**50**	50	Trading of building materials
Jardine—China Overseas Joint Venture	Unincorporated	Hong Kong	**50**	50	Mechanical and electrical engineering works
Leighton—China State — John Holland Joint Venture	Unincorporated	Macau	**30**	30	Building construction
Leighton—China State Joint Venture	Unincorporated	Macau	**50**	50	Building construction
Leighton—China State — Van Oord Joint Venture	Unincorporated	Hong Kong	**45**	45	Civil engineering works
Long Faith Engineering Limited	Incorporated	Hong Kong	**50**	50	Engineering works
Macau Iron and Steel Works Limited	Incorporated	Macau	**50**	50	Inactive
Shimizu—China State Joint Venture	Unincorporated	Hong Kong	**45–50 (note b)**	45–50 (note b)	Building construction

29. Amounts Due From (To) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Jointly controlled entities *(continued)*

Notes:

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

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

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

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

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

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

29. Amounts Due From (To) Jointly Controlled Entities/the Partners of Jointly Controlled Entities *(continued)*

Particulars regarding the joint ventures as at 31 December 2008 and 2007 are as follows:

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

At 31 December 2008, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operations are as follows:

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

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

30. Amounts Due From (To) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company/an Associate

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

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

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

(a) Pledged bank deposits

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

(b) Deposits with financial institutions

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

(c) Bank balances

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

32. Trade and Other Payables

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

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

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

33. Borrowings

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

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

Notes:

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

The financial covenants for the bank loan are as follows:

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

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

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

34. Obligations under Finance Leases

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

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable under finance leases:				
Within one year	**185**	217	**162**	175
In more than one years but not more than two years	**77**	111	**74**	103
	262	328	**236**	278
Less: future finance charges	**(26)**	(50)	**—**	—
Present value of lease obligations	**236**	278	**236**	278
Less: Amount due within one year shown under current liabilities			**(162)**	(175)
Amount due after one year			**74**	103

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

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

Finance lease obligations are denominated in Hong Kong dollars.

35. Share Capital

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

Notes:

(a) On 10 September 2007, the Company completed an open offer of one offer share for every five shares held by members on the register of members, at an issue price of HK$10.00 per offer share, resulting in the issue of 99,966,800 ordinary shares of HK$0.10 each for a total cash consideration, before expenses of HK$10,842,000, of HK$999,668,000. The net cash proceeds were credited to share capital and share premium account of HK$9,997,000 and HK$978,829,000, respectively. The new shares rank pari passu with the existing shares in all respects.

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

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

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

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

36. Warrants

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

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

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

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

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

37. Deferred Income

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

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

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

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

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

38. Deferred Tax Liabilities

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

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

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

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

Notes:

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

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

39. Major Non-Cash Transactions

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

40. Share-Based Payments

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

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 108,058,000 (after share sub-division) (2007: 33,636,120 before share sub-division), representing approximately 4.4% (2007: 5.5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

Share options were granted on 14 September 2005 at an initial exercise price of HK$1.03.

40. Share-Based Payments *(continued)*

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

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

As a result of the open offer of the Company in September 2007, the number of options and the exercise prices have also been adjusted in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the SEHK. The adjusted exercise price was HK$0.99 per share. The number of share options was increased by 1,553,000.

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

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

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

40. Share-Based Payments *(continued)*

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

Option type	Outstanding at 1.1.2007 '000	Adjustment in respect of the open offer in September 2007 '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 1.1.2008 '000	Exercised before share sub-division '000	Adjustment in respect of the share sub-division in June 2008 '000	Exercised after share sub-division '000	Forfeited at the year '000	Outstanding at 31.12.2008 '000
Granted on 14 September 2005:										
– with vesting period of 14 September 2005 to 13 September 2006	3,614	85	(1,833)	(21)	1,845	(31)	5,441	(533)	–	6,722
– with vesting period of 14 September 2005 to 13 September 2007	9,566	367	(6,305)	(124)	3,504	(569)	8,810	(1,708)	–	10,037
– with vesting period of 14 September 2005 to 13 September 2008	9,566	367	(380)	(124)	9,429	(260)	27,506	(17,652)	(358)	18,665
– with vesting period of 14 September 2005 to 13 September 2009	9,566	367	(380)	(124)	9,429	(260)	27,506	–	(358)	36,317
– with vesting period of 14 September 2005 to 13 September 2010	9,566	367	(380)	(124)	9,429	(260)	27,506	–	(358)	36,317
	41,878	1,553	(9,278)	(517)	33,636	(1,380)	96,769	(19,893)	(1,074)	108,058
Exercisable at the end of the year					5,349					35,424

40. Share-Based Payments *(continued)*

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

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

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

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

41. Operating Lease Arrangements

The Group as lessee

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

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

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

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

The Group as lessor

At the balance sheet date, investment properties with carrying amounts of HK$44,692,000 (2007: HK$9,705,000) were let out under operating leases.

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

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

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

42. Capital Commitments

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

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

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

43. Related Party Transactions

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

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

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

43. Related Party Transactions *(continued)*

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

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

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

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

(d) Compensation of key management personnel

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

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

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

44. Particulars of Principal Subsidiaries

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	Attributable equity interest held 2007 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	100	100	Insurance business
China Overseas Insurance Services Limited	Hong Kong	150,000 ordinary shares of HK$1 each	100	100	Insurance brokerage services
China State Construction Engineering (Hong Kong) Limited	Hong Kong	155,569,190 ordinary shares of HK$1 each and 844,430,810 non-voting deferred shares of HK$ 1 each	100	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Lease of machinery
Zetson Enterprises Ltd	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Indirectly held by the Company:					
Add Treasure Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100	–	Inactive
Barkgate Enterprises Limited	British Virgin Islands	200 ordinary shares of US$1 each	100	100	Investment holding
China Construction Engineering (Macau) Company Limited	Macau	MOP 200,000	100	100	Building construction, civil engineering works, properties holding and investment holding
China Overseas Building Construction Limited	Hong Kong	4,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Building construction, project management and investment holding
China Overseas Installation Works Limited	Hong Kong	100 ordinary shares of HK$1 each	65	65	Inactive
China Overseas Public Utility Investment Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
China State Civil Engineering Limited (Former name as China Overseas Civil Engineering Limited)	Hong Kong	1,019,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Civil engineering works, project management and investment holding
China State Foundation Engineering Limited (Former name as China Overseas Foundation Engineering Limited)	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100	100	Foundation engineering works and project management

44. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	2007 %	Principal activities
Indirectly held by the Company: *(continued)*					
China State Construction Limited (Former name as China Overseas (Hong Kong) Limited)	Hong Kong	5,000,000 ordinary shares of HK$10 each	100	100	Investment holding, building construction, project management and provision of management services
China State Machinery Limited (Former name as China Overseas Machinery Limited)	Hong Kong	2 ordinary shares of HK$1 each	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited (Former name as China Overseas Mechanical & Electrical Engineering Limited)	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	100	Mechanical and electrical engineering works, project management and investment holding
Citycharm Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
COHL (Macao) Commercial and Industrial Limited	Macau	MOP 200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP 200,000	100	100	Foundation engineering works
C.S.H.K. Dubai Contracting L.L.C.	UAE	1,000 ordinary shares of AED1,000 each	100	100	Building construction and road construction
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Holding of trade marks
CSME (Macau) Limited	Macau	MOP 200,000	100	100	Mechanical and electrical engineering works and investment holding
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Investment holding
Ever Power Group Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Magnified Industries Limited	British Virgin Islands	1 bearer share of US$1	100	100	Investment holding
Perfect Castle Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Inactive
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Value Idea Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
Weedon International Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Investment holding
新會中建建築工程有限公司 (i)	PRC	HK$6,000,000	100	100	Property holding and development

44. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share/ registered capital	Attributable equity interest held 2008 %	2007 %	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	RMB210,000,000	100	100	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司(ii)	PRC	RMB8,000,000	100	100	Manufacturing and sales of coal products
深圳中海建築有限公司(i)	PRC	RMB50,000,000	100	100	Building construction and investment holding
深圳市中海建設監理有限公司(ii) （Former name as深圳中海工程顧問有限公司）	PRC	RMB10,000,000	100	100	Provision of project consultant and investment holding
深圳海龍建築製品有限公司(i)	PRC	RMB50,000,000	100	100	Manufacturing and sales of precast structures

(i) Registered as foreign owned enterprise.

(ii) Limited liability company registered in the PRC.

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

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