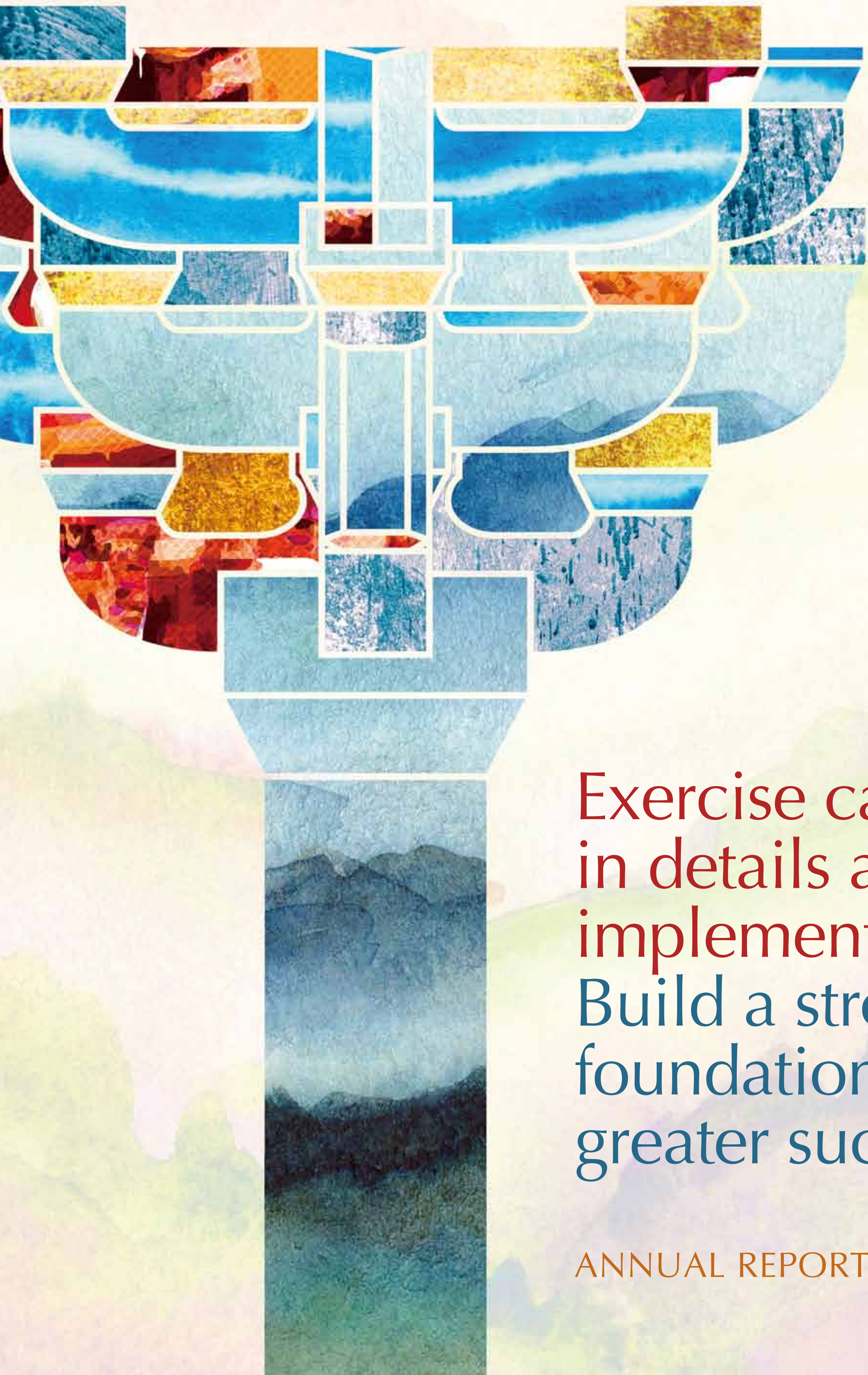
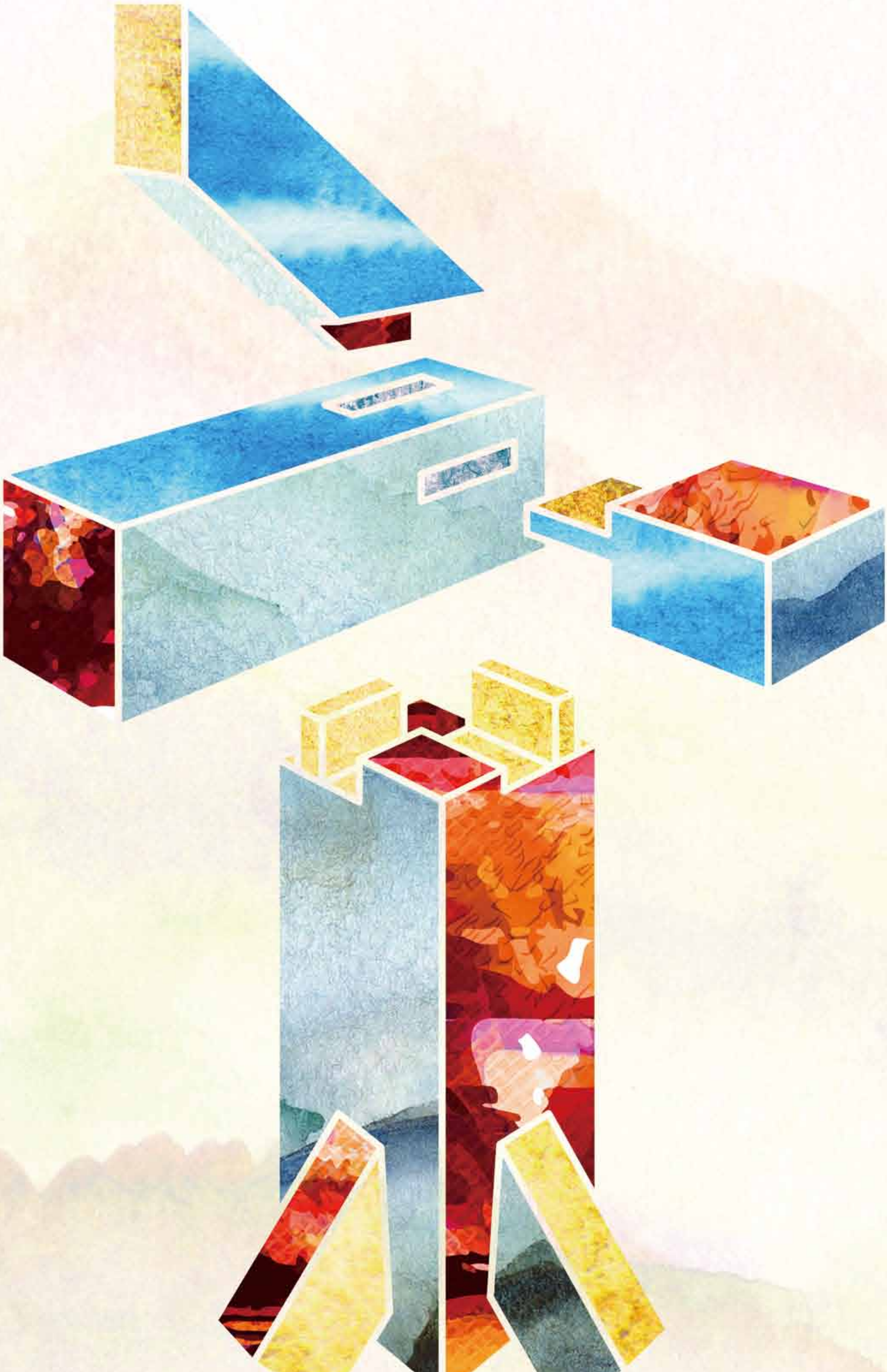
中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Stock Code : 03311



Exercise caution in details and implementation Build a strong foundation to seek greater success

ANNUAL REPORT 2013



VISION

The Group focuses on details and advocates putting into practice. Consistently pursuing the professionalism of **'ACHIEVING SUPERB QUALITY IN EACH PROCESS THUS MAKING EACH PROPERTY OF SUPERB QUALITY'** and taking full advantages of its experience as an international contractor, the Group is committed to offering excellent products and services in excess of their own values, actively performing its responsibilities as a corporate citizen, striving to build up an everlasting business regime.

CONTENTS

FINANCIAL HIGHLIGHTS

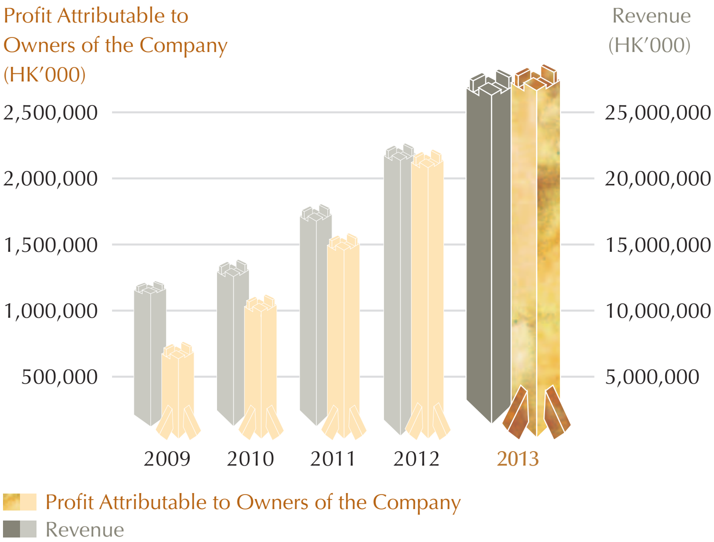
	For the year ended 31 December *(note a)*				
	2009 (restated)	2010 (restated)	2011 (restated)	2012 (restated)	**2013**
RESULTS (HK$'000)					
Revenue	11,563,808	12,977,157	17,390,621	21,910,660	**27,191,939**
Profit attributable to owners of the Company	674,066	1,036,278	1,507,405	2,131,459	**2,772,145**
FINANCIAL RATIOS					
Net margin (%)	5.8%	8.0%	8.7%	9.7%	**10.2%**
Current ratio (times)	1.36	1.08	1.25	1.62	**1.33**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	22.65	33.62 *(note b)*	44.22	57.32	**71.29**
Dividend (HK cents)	7.10	11.00	13.00	16.00	**21.00**
Net assets (HK$)	1.46	1.55	2.65	3.48	**4.16**
OTHER INFORMATION					
Value of incomplete contracts at 31 December (HK$ billion)	24.67	35.48	48.92	57.69	**76.48**

Notes:

(a) The figures from 2009 to 2012 have been restated for the reclassification of interest income generated from BT projects to revenue and the retrospective application of HKFRS 11 'Joint Arrangements' in the current year.

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

Results



Financial Information Per Share

CORPORATE STRUCTURE

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

HONG KONG

- Building Construction
- Civil Engineering Works
- Foundation Engineering Works
- Mechanical and Electrical Engineering Works
- Other Construction Related Business

MACAU

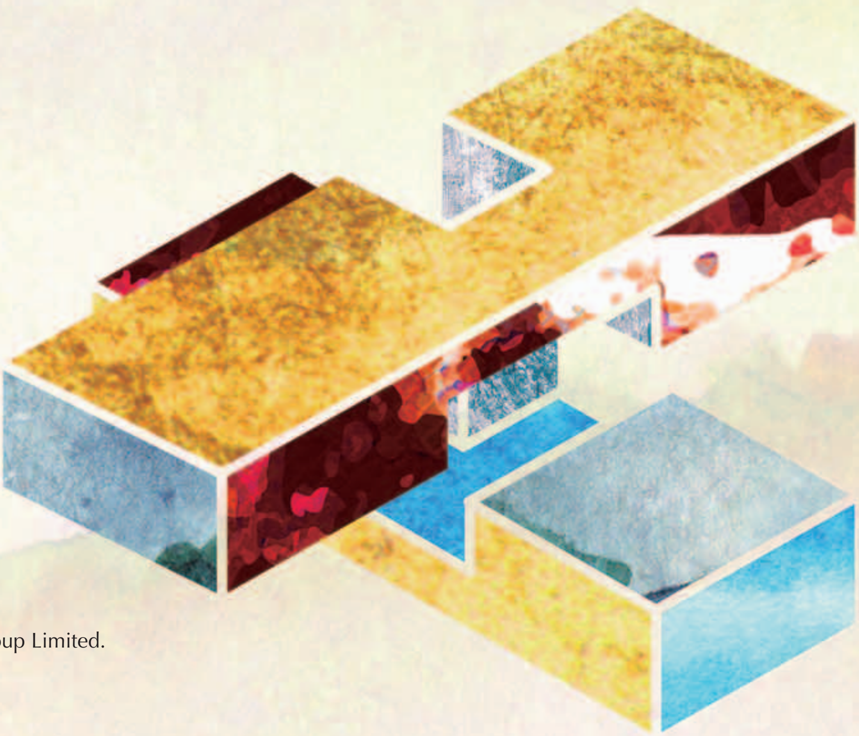
- Building Construction
- Civil Engineering Works
- Foundation Engineering Works
- Mechanical and Electrical Engineering Works
- Other Construction Related Business

MAINLAND CHINA

- Road & Bridge Investments
- Generation and Supply of Heat and Electricity
- ‘Build-Transfer’ and ‘Build-Operate-Transfer’ Projects
- Pre-cast Structures Production
- Project Consultancy Services

OVERSEAS

- Building Construction
- Curtain Wall System*



* Operate through a listed subsidiary, Far East Global Group Limited.

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors
Zhou Yong *(Chairman and Chief Executive Officer)*
Tian Shuchen
Zhou Hancheng
Pan Shujie
Hung Cheung Shew

Non-executive Director
Li Jian

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

Committees

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

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

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

CORPORATE INFORMATION

Authorized Representatives
Zhou Yong
Tian Shuchen

Company Secretary
Tse Sui Ha

Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

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

Auditor
PricewaterhouseCoopers

Legal Advisor
Mayer Brown JSM

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

Listing Information
Shares
Hong Kong Stock Exchange: 03311

Bond (CSC FIN N1804)*
Hong Kong Stock Exchange: 05916

* US$500,000,000 3.125% Guaranteed Notes due 2018 issued by China State Construction Finance (Cayman) I Limited, a wholly owned subsidiary of the Company

Website
www.csci.com.hk

Financial Calendar
Closure of Register of Members – Annual General Meeting
28 May 2014 to 30 May 2014 (both days inclusive)

Annual General Meeting
30 May 2014

Closure of Register of Members – Final Dividend
9 June 2014 to 10 June 2014 (both days inclusive)

Payment of Proposed Final Dividend
3 July 2014

MAJOR EVENTS OF THE YEAR 2013

JANUARY

Staff of the Group joined the 'Hong Kong and Kowloon Walk for Millions'

Nearly 400 staff of the Group joined 'Hong Kong and Kowloon Walk for Millions' organised by the Community Chest of Hong Kong on 6 January 2013. Fund raised from this event was donated by the Community Chest of Hong Kong to 'Family and Child Welfare Services' to help those families in need, so as to unite all families by building up close relationships between family members with mutual love and respect.

The Group received investment grade ratings from Standard & Poor's, Moody's and Fitch's

The Group successfully received investment grade ratings from Standard & Poor's 'BBB-', Moody's 'Baa3' and Fitch's 'BBB-'.

Site inspection delegation led by the Vice-Presidente of Legislative Assembly of Macau at Habitacão Pública no Seac Pai Van – Lote CN5a (石排灣公共房屋CN5a地段工程) contracted by China Construction Engineering (Macau) Company Limited

The Vice-Presidente of Legislative Assembly of Macau, Mr. Ho Iat Seng, and the Secretariat for Transport and Public Works (Macau), Mr. Lau Si Lo, inspected Habitacão Pública no Seac Pai Van – Lote CN5a (石排灣公共房屋CN5a地段工程), which is contracted by the China Construction Engineering (Macau) Company Limited, on 15 January 2013. The innovative green elements added to the public housing construction and rich construction management experience of China Construction Engineering (Macau) Company Limited in large scale public housing were well-received.

FEBRUARY

Contract signing ceremony of Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment

The owner of the Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment project is The Mother Superior of the Soeurs de Saint Paul de Chartres (Hong Kong). The contract value is approximately HK$1,776 million with a construction term of approximately 23 months.

Major Events of the Year 2013 *(continued)*

MARCH

The Group won various awards of the Construction Industry Safety Award Scheme

The award presentation ceremony of the 'Construction Industry Safety Award Scheme 2012/2013' organised by the Labour Department was held on 17 March 2013. By virtue of the joint efforts of all its construction sites, its persistently outstanding performance as a considerate contractor and its unparallel effort in creating a safe and healthy working environment, the Group achieved satisfactory results again.

APRIL

The Group secured the BT Contract of Phase II of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province

The owner of the BT Contract of Phase II of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province is the Wenzhou Lucheng District People's Government. The attributable contract value is HK$4,526 million. The project has a construction term of approximately 30 months.

The Group successfully expanded the financing channel

The Group successfully issued five-year guaranteed notes of US$500 million, which was the first debt financing of the Group since its listing. As such, the financing channel of the Group was expanded.

Major Events of the Year 2013 *(continued)*

MAY

The Group won various awards of 2012 Considerate Contractors Site Award Scheme

The award presentation ceremony of the '2012 Considerate Contractors Site Award Scheme' jointly organised by the Development Bureau of the HKSAR and the Construction Industry Council was held on 31 May 2013. The Group won various awards and surpassed many large scale construction enterprises in Hong Kong with its persistently outstanding performance as considerate contractor and its unparallel effort in environmental protection.

The Group secured the MGM Cotai Project in Macau

China State (Hong Kong) – China Construction (Macau) Joint Venture wholly owned by the Group, secured the MGM Cotai Project with a total contract value of approximately HK$10,485 million, which is the highest contract value of wholly-owned projects of the Group.

Major Events of the Year 2013 *(continued)*

JUNE

China State Environmental Protection Day

In response to the 'World Environment Day' on 5 June 2013, the Group took part in the 'Yim Tin Tsai Ecological Tour' during the annual 'China State Environmental Protection Day' for participants to admire the natural environment and understand the ecological preservation works in Hong Kong.

Unveiling of China State International Tower (深圳中建國際大廈) in Shenzhen

China State International Tower (中建國際大廈) has seven storeys and is served as the offices for China State Construction International Investments (China) Limited, the management platform of all businesses in Mainland China of the Group, and its subsidiaries stationing in Shenzhen.

JULY

The Group entered into a strategic agreement with the Shenzhen Branch of China Construction Bank Corporation

The Group entered into a strategic agreement with the Shenzhen Branch of China Construction Bank Corporation with a value of RMB15,000 million. The bank also entered into a RMB loan agreement and a RMB credit limit agreement with China State Construction International Investments (China) Limited with values of RMB1,300 million and RMB300 million, respectively and a RMB loan agreement and a RMB credit limit agreement with Shenzhen China Overseas Construction Company Limited (深圳中海建築有限公司)with a value of RMB1,200 million and RMB300 million respectively.

Major Events of the Year 2013 *(continued)*

AUGUST

Selected as a constituent stock of the 'Dow Jones Sustainability Index' for the first time

The operation performance of the Company was recognised by the capital market. Its highest share price during the year was HK$13.92, representing an increase of 58% and a record high market value of over HK$54,000 million. It has been selected as a constituent stock of the 'Hang Seng Corporate Sustainability Index' for three consecutive years and was selected as a constituent stock of the 'Dow Jones Sustainability Index' for the first time.

SEPTEMBER

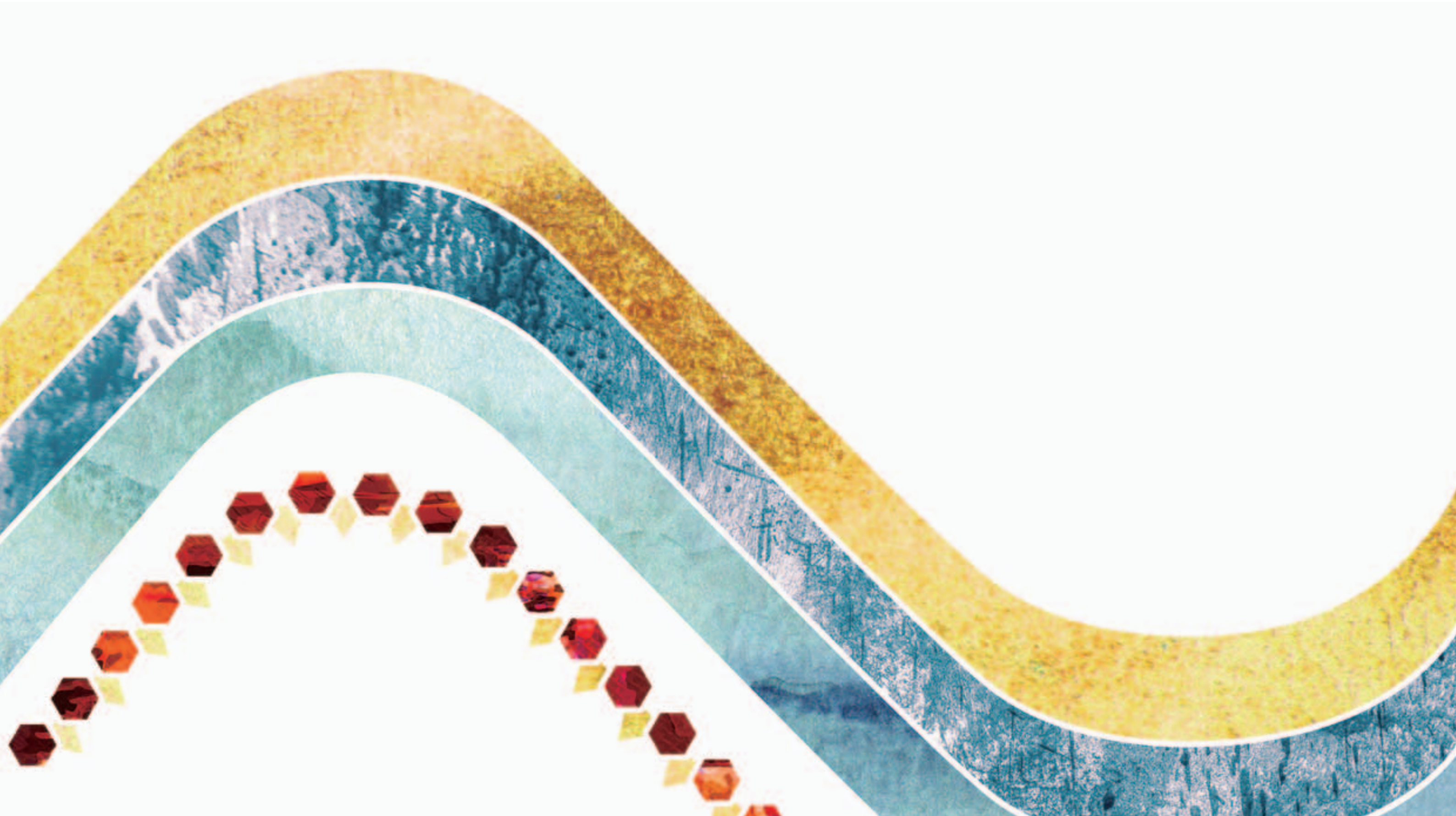
The Group secured the Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province

The owner of the Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province is the Zhenjiang District People's Government. The attributable contract value is HK$2,813 million. Both the construction term and buy back period of each sub-project are 2 years.

OCTOBER

The Group secured the Infrastructure BT Project in Phoenix Pool of Lintong District, Xi'an, Shaanxi Province

The owner of the Infrastructure BT Project in Phoenix Pool of Lintong District, Xi'an, Shaanxi Province is the Xi'an District People's Government. The attributable contract value is approximately HK$2,500 million. Both the construction term and buy back period are 2 years.

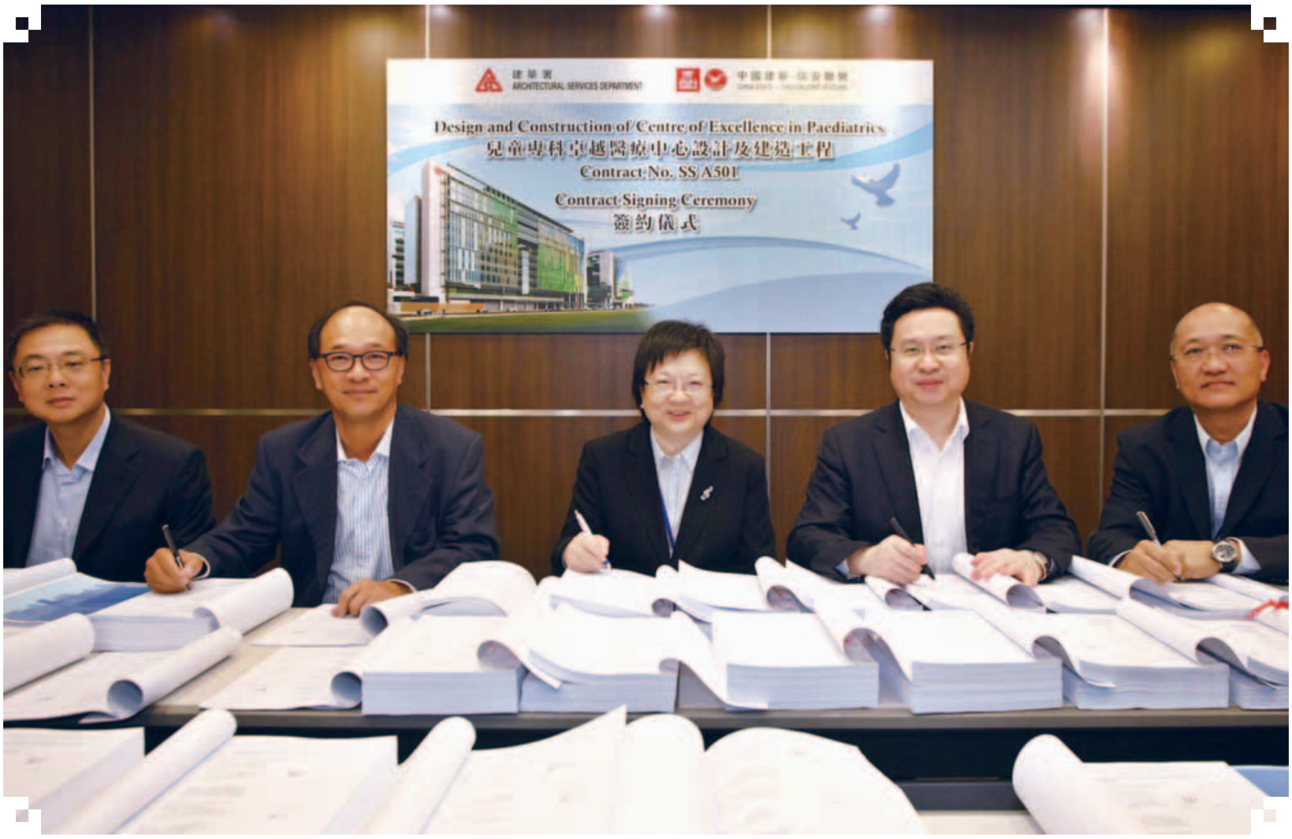


Major Events of the Year 2013 *(continued)*

NOVEMBER

Contract signing ceremony of Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon

The owner of the Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon is the Architectural Services Department of the Government of the Hong Kong SAR. The project adopts a design and construction contract model with an aggregate contract value of HK$9,090 million and a construction term of approximately 39 months. The main contractor is the China State – Shui On Joint Venture.



DECEMBER

Upgrade of long-term credit rating of the Group by Standard & Poor's

The long-term credit rating and senior unsecured note rating of the Group were upgraded to 'BBB' by Standard & Poor's.

In the year, the Group secured 28 new contracts with attributable contract value of approximately

HK$45,526 million.

CHAIRMAN'S STATEMENT

Mr. Zhou Yong
Executive Director, Chairman and Chief Executive Officer

Strengthening Management Innovative Investment

Results

The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2013 was HK$2,772 million, representing an increase of 30.1% over last year. Revenue was HK$27,192 million, representing an increase of 24.1% over last year. Earnings per share increased by 24.4% to HK71.29 cents.

Dividend Payment

The Board recommends payment of a final dividend of HK12.00 cents per share for the year ended 31 December 2013, contributing to an annual total dividends per share of HK21.00 cents, representing an increase of 31.3% as compared to last year.

Review of Operation

The year of 2013 still saw a slow global economic growth. The Eurozone economy remained lackluster while the recovery of the US economy was dragged by its fiscal adjustments. As the growth of major emerging markets slowed down, the downturn risks of the global economy remained. On the backdrop of the adverse external environment, the growth of the Hong Kong economy was dampened. However, as the construction market was completely rid of the impacts of the financial crisis, its expansion picked up momentum.

With the establishment of the operation principle of 'Strengthening Management and Innovative Investment', the Group focused on reinforcing the management standard based on the current foundation of construction in Hong Kong and Macau, infrastructure investment in Mainland China and overseas curtain wall business. Besides, innovative investment models were adopted for infrastructure investment in Mainland China while new overseas business models were explored in response to market changes.

Market Conditions

The construction industry in Hong Kong and Macau remained strong and improved steadily with the launch of government projects. However, the shortage of resources was as serious as before. The economic growth in Mainland China has slowed down and the government economic policy has shared more effort on the quality of growth and efficiency. New urbanisation will be the next driving force for succeeding economic growth. In the overseas market, the curtain wall business of the Group in North America remained stable due to the recovery of the US economy.

1. **Hong Kong and Macau – Further Consolidating Market Position**

   Upon further implementation of the Ten Mega Infrastructure Projects in Hong Kong, a number of large-scale and outsize civil engineering projects as well as building construction projects commenced. The Group realised a significant growth in its business in the year. It was awarded the building project of the Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon with an aggregate contract value of HK$9,090 million, the highest contract value of a single building project ever in Hong Kong, and the civil engineering project of the Central-Wan Chai Bypass Tunnel (Slip Road 8 Section). All projects in progress recorded satisfactory operating results with all key construction works progressing on schedule.

The construction market in Macau was robust due to the commencement of major hotel and government projects. In the first half of the year, the Group was awarded Section 1 & 2 of Public Housing in Ilha Verde, Macau, the largest government project ever in Macau with a contract value of HK$1,892 million. Leveraging our expertise and resources in Hong Kong and Macau, the Group won the Proposed MGM Cotai Project in May with a contract value of HK$10,485 million, the highest contract value for a single project ever undertaken independently by the Company and has commenced in early of 2014.

2. **Mainland China – Strengthening the Operation Foundation of Infrastructure Investment**

At the beginning of the year, the Group modified its management structure for its Mainland China business for strategic transformation. All businesses in Mainland China were operated under the central management of China State Construction International Investments (China) Limited ('CSCIICL'). A new professional management platform was established to manage the investment and operation of infrastructure projects. It was also responsible for the coordination of the operations in ('build-operate-transfer') ('BOT') projects and thermal power services to fully capitalise on its professional management.

In Mainland China, the project of infrastructure investments and affordable housing went smoothly. The Group secured construction works including the Affordable Housing 'build-transfer' ('BT') Project in Jingkou District, Zhenjiang, Jiangsu Province, the BT Contract of Phase II & III of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province, the Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province, the Infrastructure BT Project in Phoenix Pool of Lintong District, Xi'an, Shaanxi Province and the Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province. Two roads BT Projects in Zhengzhou, Henan Province contracted jointly by the Group and China Construction Seventh Engineering Bureau also commenced. The early repurchase of several phases of the Wuxian Highway Reconstruction and Shahu Passageway Project as well as Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City was carried out. The Affordable Housing Projects in Junliang Cheng in Tianjin, the Affordable Housing Projects in Jinzhong Jie in Tianjin and the Chongqing Hechuan Relocation Housing and Public Rental Housing projects were also repurchased as scheduled. The payment of the Tangshan Binhai Avenue Project was also received on schedule, demonstrating the creditability and financial strength of the local governments of the places where the Group invested and the Company's effective risk management once again.

In addition to the safe operation of all projects and the performance of social responsibility, the Group also paid attention to the effects brought by the market policies and examined innovative measures on enhancing efficiency. The Huanggu Thermal Power Plant in Shenyang has attained a brilliant achievement of safe operation for over 2,800 days. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) project further improved and the operating income recorded a stable increase.

Chairman's Statement *(continued)*

3. **Overseas Market – Ensuring Solid Progress in Overseas Operation**
   FEG has been consolidated in the Group for over a year which made improvements in the coordination of regional businesses, management structure, design capability and productivity as well as the purchasing process and contract management. In particular, FEG successfully marked its foothold in Australia and will explore further in order to have more opportunities in overseas markets. In regard to Dubai Construction Project, the business administration and settlements for those projects completed in prior years were implemented in order and the relevant risks were under control.

Completed Projects during the Year

In 2013, the Group completed 28 projects.

New Projects Awarded

The Group secured 28 new projects in 2013, with an aggregated attributable contract value of HK$45,526 million, of which the Hong Kong market accounted for 39.3%, Mainland China market accounted for 50.6%, the Macau market accounted for 6.1% and FEG accounted for 4.0%.

14 new contracts were awarded in the first two months of 2014, resulting in an aggregated contract value of approximately HK$21,157 million.

Projects in Progress

As at 31 December 2013, the Group had a total of 69 projects in progress, amounting to an aggregated attributable contract value of HK$117,198 million. The attributable contract value of incomplete works was HK$76,482 million. At the end of February 2014, the Group had an aggregated contract value of HK$135,409 million.

Corporate Governance

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with the investors, the relevant information was released in a timely manner to enhance investors' knowledge and understanding of the Company for further enhancement of corporate governance standards.

The Group established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also promptly adjusted its strategies in line with market changes to better capitalise on the function and role of each dedicated decision-making team. The Group also improved the regional and specialised management capabilities of each business unit.

During the year, the Group reorganised the management structure of operations in Mainland China. In addition to expanding business in Tianjin, Chongqing, Chengdu and Hangzhou, the Group also established local offices in Zhengzhou, Zhenjiang, Hefei and Xi'an with an aim to refine its large-scale operation structure.

Risk Management

The Group adhered to 'Three Centralizations' management of human resources, financial resources and material resources under the headquarters to ensure efficient project operation, optimal internal communication and effective risk prevention. As such, the project management of the Group was strengthened. A risk management team consisted of executive directors of the Company, heads of functional departments and project managers conducted comprehensive monitoring on the project risks. Procurement and allocation of bulk materials and equipment were under centralised management of the Group for cost reduction, effective transfer of pricing risk and minimised inventory level and increased turnover.

As for its investment business in Mainland China, the Company sought business opportunities with various local governments with strong financial standing, stable and balanced financial income stream and active economic developments. Higher buffers were set for project initiation, guarantees and pledges. The Company closely monitored the financial conditions of employers and strictly executed the contractual payment terms.

CSCIICL has established an investment return warning system for regular monitoring based on actual conditions. During project selection, construction and operation, it carried out stringent preliminary evaluation, procedural monitoring and follow-ups.

During the year, the Group was awarded the ISO27001 international standard certification for information security management system and the ISO/IEC 27001:2005 certification granted by DNV Certification Limited, United Kingdom, an international certification body, reflecting a leading information security level of the Company among its peers of the construction industry.

Financial Management

The Group has put great efforts in strengthening its financial resources and optimising its debt structure. The systems and measures relating to financial management have been formulated and controlled by the headquarters. At 31 December 2013, the Group had bank and deposits balances of HK$8,116 million and total borrowings of HK$12,637 million, and a net gearing ratio of 27.5%, reflecting its healthy financial conditions. Net drawdown of bank loans for the year amounted to HK$1,883 million, the Group also successfully issued five-year guaranteed notes for US$500 million. At the same time, the Group has committed but unutilised credit facilities and other facilities like construction performance bond facility of HK$20,403 million in aggregate to meet the need of its future business development.

The targets of the Group's financial management were to fulfill the needs for operation growth and strategic management, maximise the shareholders' value, stabilise cash liquidity and make reasonable decision in compliance with regulations. Continuous efforts were made to review and refine its internal control mechanism. By identifying wealth management principles appropriate for its financial system and allocating financial resources reasonably, the Group maximised the leverage of funds so as to ensure its sustainable, healthy and rapid growth.

Human Resources Management

The focuses of the Group's human resources management were optimised deployment of senior management, staff qualification enhancement and implementation of regional management based on the business scale and features of different regions. The Group explored the reasonable division of functions and authority between headquarters and subordinate units and reformed target incentive scheme. It attached importance on the stability of personnel and stepped up training efforts. The recruitment of talents for investment business in Mainland China was supported by Hong Kong and Macau and allowed the development of independent training of the relevant individual company so as to establish a competent, efficient and professional management team.

Capital Operation

In the first half of 2013, the Group received investment grade ratings from Standard & Poor's 'BBB-', Moody's 'Baa3' and Fitch's 'BBB-'. The Group issued five-year guaranteed notes of US$500 million, which was the first debt financing of the Group since its listing. As such, the financing channel of the Group was expanded. On 10 December 2013, Standard & Poor's raised the investment grade rating of 'BBB-' to 'BBB' and also raised the rating for the senior nonguaranteed notes issued by the Group from 'BBB-' to 'BBB'. In January 2014, Fitch's and Moody's raised the investment grade rating to 'BBB' and 'Baa2' respectively. The financial strength of the Company was well recognised in the market.

Chairman's Statement *(continued)*

In May 2013, the Group entered into agreements with relevant partners for the early redemption of convertible bonds of HK$200 million acquired in 2010 with the total redemption amount of HK$304 million.

During the year, the Group was once again selected as a constituent stock of the 'Hang Seng Corporate Sustainability Index Series', which comprises 'Hang Seng Corporate Sustainability Index', 'Hang Seng Corporate Sustainability Benchmark Index' and 'Hang Seng (Mainland and HK) Corporate Sustainability Index', which became effective from 9 September 2013. Furthermore, the Group was selected as a constituent stock of the 'Dow Jones Sustainability Index' for the first time, reflecting the recognition of its efforts in environmental protection and corporate governance.

Social Responsibility

The Group devoted to making contribution to the society through charitable deeds. The Group successfully organised 'China State Environmental Protection Day'(中建環保日). It participated in the charity walk organised by The Hong Kong Island Social Services Charitable Foundation and Walks for Million of The Community Chest. After the Sichuan Ya'an earthquake, the Company encouraged employees to make donation and raised over HK$500,000.

The Group took the initiative to introduce extensive measures for minimising energy consumption carbon emission and encouraging environmental-friendly construction technologies. As a 'National High-tech Enterprise' and 'Shenzhen Industrialisation Demonstration Base'(深圳市住宅產業化示範基地), Shenzhen Hailong Construction Products Company Limited explored the application of prefabrication technology on affordable housing projects and adopted innovative and industrialised cooperation models of residential housing construction, which created internal synergies and acted as a leading role model in the industry. The Group's safety management system also maintained excellent performance. The innovative incentive scheme significantly reduced the number of accidents to a record low, placing the Group in an advanced position in the industry.

Key Awards

The Group received a number of important awards during the year. For instance, in the annual election of the best listed companies in Asia organised by 'Institutional Investor', the Group was ranked top in all award categories for the infrastructure industry and won several awards namely, Best Chief Executive Officer, Best Chief Financial Officer, Best Investor Relation Officer and Best Listed Company in Investor Relations. It was also ranked second in the Most Respected Company (Asia).

In March 2013, in the award presentation ceremony of Hong Kong Construction Safety Award 2012/2013 jointly organised by the Labour Department of the HKSAR, the Occupational Safety and Health Council and a number of competent authorities and institutions in the industry, the Company was awarded a gold award and a bronze award for building construction site (public sector), an outstanding award for civil engineering site and three outstanding awards for safety team as a result of its long-term efforts in creating a safe and healthy working environment. Four site workers were also awarded Safe Worker Award.

In May 2013, with its prolonged excellent ethical and environmental-friendly performance of its projects in Hong Kong, it received Considerate Contractors Site Award for eight projects and Outstanding Environmental Management and Performance Award for three projects in the '2012 award ceremony of the Considerate Contractors Site Award Scheme' jointly organised by the Development Bureau of the HKSAR and Construction Industry Council. Some employees of the Company were also rewarded Model Monitor Awards and the Best Model Worker Award.

In October 2013, with its outstanding performance in technology innovation and transformation in the construction industry, the CSCIICL was officially honored as the 'National Industrialisation Demonstration Base'(國家住宅產業化示範基地), by the Ministry of Housing and Urban-Rural Development in Mainland China, being the only construction company within CSCEC Group to receive such recognition.

Business Prospects

With the continuous recovery of the US economy expected in 2014, the Eurozone economy will also edge up. Despite the slowdown in the growth of emerging markets, Mainland China economy will remain on an upward growth track while significant progress in its economic restructuring will be made in anticipation of further reform and opening up. The stock market and the property market in Hong Kong are expected to be in the mire of uncertain capital flow due to the withdrawal of government stimuli and the increase in interest rate of the US. The Group will pay close attention to the effect on the overall economy brought by the external environment. It will also seize opportunities in the market while maintaining healthy operation and prudent investment.

Market Expectation

Optimism grows over the construction markets in Hong Kong and Macau in 2014 in respect of the number of new construction projects, employment rate and profit forecast. The Hong Kong government aims to provide an average of approximately 20,000 public rental housing units and 8,000 home ownership scheme units per year in order to achieve the new housing supply targets. It will also provide land for building private residential units based on the new supply targets, which may result in more large scale projects characterised continuously by 'higher construction difficulties and insufficient resources' in the area. In spite of the steady increase in labour cost due to slowdown in growth in new projects, cost increment which outweighs inflation rate will continue to be one of the major risks of the industry as the shortage of human resources continues.

Despite the slowdown in the economic growth of Mainland China, the construction of affordable housing will remain robust. With regard to the goal of the Central government to build 36 million affordable housing units during the period of 'Twelfth Five-year Plan', two-thirds of the goal was accomplished in the first three years. Over 7 million units are expected to commence construction in 2014. The competent authority will continue to support the construction of affordable housing in various aspects, including policies, funds and land supply.

The proportion of investment in traditional infrastructure, including railway, highway and ports, to the total investment in fixed assets will further decline. The new urbanisation will focus on improving the urban living standard and enhancing infrastructure capacity. Investment in municipal infrastructure of affordable housing, city transportation and environment protection will become the major focus of this round of urbanisation.

Chairman's Statement *(continued)*

The overseas curtain wall markets, especially in North America, will become stable. With the soaring number of proposed domestic skyscraper construction projects in Mainland China, the domestic curtain wall market will confront with strong supply and demand and fierce competition. The Hong Kong and Macau curtain wall markets will increase steadily benefitting from the booming construction market.

Operation Strategies

Committed to the operation strategy of 'Cost-effective Competition and High Quality Management', the Group endeavours to achieve the strategic transformation of becoming an integrated international contractor with comprehensive development in both construction and relevant investments, so as to further strengthen its corporate value and market competitiveness.

In respect of construction projects in Hong Kong and Macau, the Group intends to bid for projects of large scale or premium quality or commissioned by the government for better profit, economy of scale and publicity. In the face of the increasing number of projects under the shortage of manpower and material as well as higher management complexity, the Group will further review its remuneration and welfare system and enhance the satisfaction of its employees so as to alleviate the high demand for human resources.

For investment in Mainland China, the Group will capitalise on the opportunities brought by urbanisation and residential housing construction, actively explore new mode of business, so as in order to maintain stable growth of infrastructure and affordable housing investment business and establish an operation mode of sustainable profitability. In respect of investment locations, the Group will continue to explore first and second-tier cities with excellent economic strengths and stepped up its expansion efforts in developed second and third-tier cities. In respect of locations with intensive investment, the Group will focus on its projects on hand with diligence and care, in-depth research, development and negotiation efforts to strive for favourable development conditions. With the prerequisite of prudent investment and stable income, it will also cooperate with the government in exploring and carrying out innovation of investment modes to realise regional operation.

In respect of certain projects which are going to be repurchased, the Group will make preliminary arrangement to facilitate the repurchase and submit the repurchase application to the government three to six months ahead of schedule. It will establish an investment collection responsibility system as one of the assessment indicators and complete the warning system to identify risks in time. In addition, the Group will also learn from the experience of the projects under operation as reference for similar projects in the future.

In respect of overseas business, the Group will continue to strengthen project management and optimise brand advantages while putting more efforts in overseas expansion to increase its overseas business scale.

Management Model

The Group adopts a horizontal matrix management structure to simplify the communication process. The management is responsible for the decision-making and comprehensive risk management. Leveraging the information and technical support provided by the heads of departments and incorporating the '5+3' project management model (i.e. coordinated management over the five elements, namely progress, quality, cost, safety and environmental protection, and the three systems, namely flow guarantee system, procedure guarantee system and responsibility guarantee system), the project operation division is the first executor of project operation risk control.

Company Mission

The Group is dedicated to its core value of '**Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success**' and adheres to the principle of '**A Trusted Brand Growing through Diligence and Care**'. It will carry out people orientated and reasonable management. Based on its corporate philosophy of '**Committed Team-building; Perseverance; Ambition for Success; Strict Self-discipline and Conscious Devotion**', the Group will offer excellent value-of-money products and services and fulfill its responsibilities as a corporate citizen. Its ultimate goal is to build an evergreen business regime with optimised competitiveness and shareholder's value.

Appreciation

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

By Order of the Board
China State Construction International Holdings Limited
Zhou Yong
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 17 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profit attributable to the owners of the Company were HK$27,192 million and HK$2,772 million, representing a

Growth of 24.1% and 30.1%

respectively as compared with last year.

Overall Performance

For year ended 31 December 2013, the Group recorded revenue of HK$27,192 million and a profit attributable to owners of the Company for the year of HK$2,772 million, representing a year-on-year increase of 24.1% and 30.1% respectively. With a proposed final dividend per share of HK12.00 cents and an interim dividend per share of HK9.00 cents paid in the year, the total dividends for the year amount to HK21.00 cents per share, representing an increase of 31.3% as compared to last year.

The Group has established 'Strengthening Management Innovative Investment' as its new strategy. While the management has continued to strengthen its management structure in each major business segment, innovative business models have been formulated and evaluated in order to cater for new business landscapes in both existing and new markets. Benefited from the favorable industry environment, each of our business segments has delivered promising results during the year under review.

During 2013, Hong Kong, Macau and Mainland China continued to be the core markets of the Group. In Hong Kong and Macau, the Group focused on the construction business and has maintained its leadership role in the field. In Mainland China, the Group focused on affordable housing and infrastructure businesses and has successfully captured new opportunities evolved in the markets. On the other hand, restructure of Far East Global Group Limited ('FEG') and its subsidiaries (together as the 'FEG Group') for its future strategic development was well under way. This listed subsidiary is currently managed by a separate management team and thus is considered as a distinct business unit of the Group.

Upon the application Hong Kong Financial Reporting Standard 11 'Joint Arrangements' ('HKFRS 11') effective during the current year, the Group's joint ventures undergoing construction activities in both Hong Kong and Macau were reclassified as joint operations. The effect of adoption is that the Group's interests in the result of these joint ventures are no longer recognised 'interests in jointly controlled entities' and 'share of profits of jointly controlled entities'. Instead, the Group's share of the assets, liabilities, revenue and expenses of these joint ventures are separately recognised and consolidated to the Group's financial statements on a 'line by line' basis. The comparative figures are restated for the effect. However, the adoption of this new standard has no net effect on the Group's profits or net assets for both 2013 and 2012.

An analysis of major income statement items for the year is set out in the following paragraphs:

Revenue and Gross Profit

Construction and Infrastructure Investment Business

Hong Kong, Macau and Overseas

1) *Construction – Hong Kong*

   The construction market in Hong Kong continued to thrive because of the roll out of the major infrastructure projects by the Hong Kong government. The Group has successfully tapped the market opportunities and maintained stable revenue of approximately HK$11,134 million for the year under review (2012: HK$11,089 million). Despite the general rise in material and labour costs, by effective cost control system and sophisticated tendering policy, the Group has managed to maintain its gross profit margin at approximately 7.3% (2012: 7.1%). Consequently, the gross profit and result of this segment has increased slightly by 3.3% and 13.0% respectively.

2) *Construction – Macau*

   Backed up by public construction and mega casino projects, Macau's construction market continues to flourish. During the year under review, this segment has recorded a slight decrease in revenue of approximately 7.1% to approximately HK$836 million (2012: HK$900 million) as major new projects in this region were in preliminary stage and have not yet reached their full swings. However, the gross profit from this sector rose to approximately HK$124 million (2012: HK$66 million), primarily attributable to profit from the successful completion of a major construction project in the region.

Management Discussion and Analysis *(continued)*

In 2013, the Group achieved a major breakthrough of the Group's 'Construction Business driven by Investment' strategy under which the Group has entered into partnership agreement with Shun Tak Group, a prestigious developer in Macau for the Nova City Phase 5 Residential Project, Taipa, Macau in which the Group will act as both the contractor and co-developer of the project. In addition, the Group was awarded construction contract for the MGM Cotai Project with record breaking contract value of HK$10,485 million. The management therefore envisages Macau would become another key source of profit contribution in the coming years.

3) *Construction – Overseas*

The Overseas segment represented mainly the construction projects in United Arab Emirates. During the year under review, the Group focused on business administration and project settlement for projects completed in prior years. There was some progress in the project settlement in the year.

Mainland China

Our businesses in Mainland China continued to be the key revenue and profit drivers of the Group. Riding on the favorable government policy, the Group continued to expand its presence of affordable housing and infrastructure investment businesses in new geographical locations in Mainland China. Under rapid development, this segment has delivered substantial growth in revenue and gross profit of approximately 57.4% and 57.1% respectively for the year under review. As the management considers interest earned from the 'Build – Transfer' ('BT') as an integral part of the Group's principal activity, such income is reclassified from investment income to revenue for the year under review. Comparative figures are also reclassified to conform with the current year presentation.

1) *Investment and Construction of Affordable Housing Projects*

Leveraged with the Group's expertise and more than 30 years track record in the construction of public housing in Hong Kong, the Group's affordable housing business expanded steadily in scale and has become the largest sector of the Group in Mainland China. On top of those projects already in progress in last year, the Group has commenced the construction works of new projects in Wenzhou and Zhenjiang during the year under review. In addition, the Group began to recap the reward of its previous investments as the Group has successfully completed and handed over several sub-phases of its projects in Tianjin and Chongqing and has received HK$932 million from its customers. As a result, construction revenue from this sector reported a tremendous rise of approximately 66.4% to HK$6,157 million (2012: HK$3,701 million).

Because of demand for higher expertise and investment commitment in these large scale projects, the Group was also able to command gross margin on average higher than that from traditional construction projects. Furthermore, the Group is usually compensated with the interest commensurate with our investment in the projects. As the aggregate contract values completed by the Group has been accumulating, the interest such earned for the year has increased to HK$394 million (2012: HK$172 million) which was counted as part of revenue and gross profit from this segment. These two factors have accounted for the improvement of gross profit margin for this sector to 18.5% (2012: 16.1%) for the year under review, resulting in an increase in gross profit from this sector to approximately HK$1,215 million (2012: HK$624 million) during the year of review.

With significant rise in both gross profit and investment income, the segment profit contribution from this sector has recorded a dramatic increase of approximately 91.0% to approximately HK$1,194 million (2012: HK$625 million) during the year under review.

In 2013, the contract value of new affordable housing projects awarded to the Group reached a record height to approximately HK$15,075 million. During the year, the Group's expertise in the field was further recognised as the Group was awarded the designation as 'National Housing Industrialisation Demonstration Base' (國家住宅產業化示範基地) and as 'Housing Industrialisation Demonstration Base of Shenzhen' (深圳市住宅產業化示範基地) by Ministry of Housing and Urban-Rural Development of the People's Republic of China (國家住房和城鄉建設部) and Shenzhen Science and Technology Innovation Committee (深圳市科技創新委員會) respectively. We believe such honors would enhance the Group's marketing ability for new projects. Backed up by our stringent project selection criteria, the management envisages this sector will continue to deliver good performance to the Group in the future.

2) *Construction and Operation of Infrastructure Projects*

As a major infrastructure investment and operation platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group continued participating in investments in its infrastructure business portfolio including the BT, BOT and 'Transfer – Operate – Transfer' ('TOT') arrangements of various transport infrastructure facilities and direct ownership and operation of a thermoelectric plant.

In 2013, the investment portfolio in this segment has recorded a steady growth in both revenue and gross profit to HK$6,174 million (2012: HK$3,645 million) and HK$1,345 million (2012: HK$922 million) respectively.

1. The construction progresses of the two toll road projects in Shanxi, namely the Class 1 Highway from Yangquan to Niangziguan, Shanxi Province and the Shanxi Wuyu Expressway, were satisfactory as scheduled. Consequently, these two projects have provided significant contribution to the Group's construction revenue and gross profit for the year.

2. Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) continued to gain popularity in the region. With the increase in traffic volume, toll fee received rose significantly by 37.0% to approximately HK$174 million (2012: HK$127 million).

3. During the year 2013, the Group continued its participation in investments of two TOT projects in Nanchang and various BT infrastructure projects in Wuhan and Taiyuan and these projects progressed as planned. The Group has also formed another joint venture ('JV') with a fellow subsidiary for a new BT projects in Wuhan. With the expansion of our infrastructure BT portfolio, revenue from infrastructure investment projects for the year has increased steadily by 9.9% to approximately HK$153 million (2012: HK$139 million).

4. In 2013, the Group has successfully obtained new BT infrastructure projects in Zhengzhou and Xi'an. The construction of Zhengzhou project commenced during the year and had a satisfactory progress. These new BT infrastructure projects, together with a number of the projects currently under negotiation, are expected to become major revenue and profit contributor in the future.

5. The Group's thermoelectric plant in Shenyang continued expanding its supply network and the total heat supply area has increased from 12,803,000 sq.m. in 2012 to approximately 13,904,000 sq.m. in 2013. As a result, the Group recorded a steady year-on-year growth in revenue from the supply of heat and electricity of approximately 11.0% to HK$580 million (2012: HK$522 million).

6. The construction of the Thermal Power Phase V in Shenyang is in progress and is expected to be completed in 2014. The completion of this new facility will provide extra production capacity by approximately 8,000,000 sq.m. and enable the Group to extend the supply coverage to new regions in local region.

3) Construction – Cash contract and related business

As focus has been directed to the affordable housing and infrastructure investment businesses, the Group has exercised caution in its traditional construction business and participated in only those projects with quality management and promising profit prospect. Despite such change, the Group remained active in other related businesses such as project consultancy and sales of precast materials, therefore, revenue from this segment recorded only a slight decrease of approximately 11.8% to approximately HK$1,139 million (2012: HK$1,292 million). Gross profit from this segment amounted to approximately HK$222 million (2012: HK$225 million) for the current year.

During the year 2013, the Group has been continuously searching for new investment opportunities with better payback periods and stable returns. Details of new investments is set out in the section under the heading 'Major Business Development'.

Far East Global Group Limited

Facade Contracting

In March 2012, the Group completed the acquisition of additional equity interests in FEG and thereafter the result of FEG Group was fully incorporated in the Group's consolidated financial statements. Since the acquisition, the new management has dedicated its effort in improving its structure further and enhancing its strength and synergy with the Group. We expect the management's effort will yield a significant contribution in revenue and profit to the Group in the future.

Investment Income

The Group has recorded a slight decrease in the investment income of approximately 7.3% to HK$221 million (2012: HK$239 million), which was mainly attributable to the non-recurring of the investment income from deemed disposal of available-for-sale on acquisition of a subsidiary last year which was amounted to HK$22 million.

Administrative Expenses

Administrative expenses increased by 32.6% from HK$704 million in 2012 to HK$934 million which was mainly the result of the additional cost incurred for the new operation in Mainland China and the increase in the amounts attributable to the FEG Group as a full year (2012: nine months since acquisition) administrative expenses was consolidated to the Group in 2013.

Share of profits of Joint Ventures ('JVs')

With adoption HKFRS 11 as described above, the result of the Group's certain construction JVs in Hong Kong, Macau and overseas are no longer accounted for as share of profit of joint ventures with comparative figure being restated. During the year under review, the JVs brought in relative stable shares of profits of approximately HK$430 million (2012: HK$413 million).

Finance Costs

During the year, finance costs incurred by the Group was approximately HK$779 million (2012: HK$351 million) (of which HK$370 million (2012: HK$111 million) was capitalised in the qualifying assets), representing an increase of approximately 122.1% as compared with last year. The increase was mainly due to the increase of borrowings during the year. The finance costs charged to profit for the year increased by approximately 71.0% to approximately HK$409 million. (2012: HK$239 million).

Earnings Per Share

For the year ended 31 December 2013, basic earnings per share increased by 24.4% to HK71.29 cents (2012: HK57.32 cents). The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$2,772 million (2012: HK$2,131 million) and on the weighted average number of 3,888,294,000 (2012: 3,718,288,000) ordinary shares in issue during year.

Corporate Finance

Financial Position of the Group

Shareholders' Equity

The Group dedicated to maintain a sound financial position with a strong capital base to support its rapid expansion. Shareholders' equity reached HK$16,181 million as at 31 December 2013 (2012: HK$13,510 million). The increase was mainly attributable to net profit for the year of approximately HK$2,772 million.

Management Discussion and Analysis *(continued)*

Bank Balances and Cash

At 31 December 2013, the Group had bank balances and cash of HK$8,116 million (2012: HK$6,875 million), representing approximately 16.0% of the total assets of the Group. The portfolio of the currencies of bank deposits is listed as follow:

	2013	2012
	%	%
Hong Kong Dollars	**32**	32
Renminbi	**56**	62
Macao Patacas	**7**	2
United States Dollars	**4**	3
Others	**1**	1

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

Cash flows Analysis

During the year under review, the construction and related businesses continued to bring in steady operating cash of approximately HK$1,690 million (2012: HK$980 million). After deducting the net expenditure in the Group's BT projects of affordable housing and infrastructure of approximately HK$4,949 million (2012: HK$4,226 million), the Group experienced a net cash outflow for its operating activities of approximately HK$3,259 million (2012: HK$3,246 million). The net cash inflow from investing activities was approximately HK$100 million (2012: net cash outflow of HK$504 million), and the net cash inflow from financing activities was approximately HK$4,294 million (2012: HK$5,022 million).

Borrowings

The Group has endeavored to maintain a suitable debt structure that can meet the Group's business development and operating requirement. In order to achieve this target, the Group is constantly seeking for new financing sources that can improve the Group's debt structure.

During the year, the Group has successfully issued US$500 million 5-Year Guaranteed Notes with a coupon rate of 3.125% ('Notes'), which have been rated Baa3/BBB-/BBB- by Moody's, S&P and Fitch, respectively and were listed in the Hong Kong Stock Exchange Limited. The Notes were well recognised by the market with approximately four times over issue. The successful launch of the first bond also opened up another low-cost and stable financing source available for the Group's future. The Group's ratings were further upgraded to Baa2/BBB/BBB respectively in late 2013 and early 2014.

In addition, the Group has net drawn down various new term loans, revolving loans, project loans or syndicated loans of an aggregate amount of approximately HK$1,883 million.

At 31 December 2013, the total borrowings of the Group (including the Notes) were HK$12,637 million of which, approximately 39.9%, 28.4%and 31.2% of the balances were denominated in Hong Kong dollars, Renminbi and US dollars respectively. Bank borrowings were bearing interest at floating rates with reference to either Hong Kong Inter-bank Offered Rate ('HIBOR') or People's Bank of China ('PBOC') reference rate while the Notes bear fixed interest rate.

The following table sets out the maturities of the Group's total borrowings as at 31 December 2013 and 2012:

	2013 HK$'million	2012 HK$'million
Bank and other borrowings		
On demand or within one year	**237**	48
More than one year but not exceeding two years	**3,736**	71
More than two years but not more than five years	**2,756**	6,608
More than five years	**2,048**	3,318
Total bank and other borrowings	**8,777**	10,045
Guaranteed notes payable	**3,860**	–
Total borrowings	**12,637**	10,045

At 31 December 2013, the Group had net borrowings of HK$4,521million (2012: HK$3,170 million) and the Group's net gearing ratio was approximately 27.5% (2012: 22.9%). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. At 31 December 2013, unutilised loans and working capital facilities of HK$13,013 million and guarantee and other facilities of HK$7,390 million are available for the Group to support its future business development.

Major Business Development

The Group searches cautiously for valuable construction and investment projects in order to strengthen its presence in each major segment and enhance the value of the Company. During the year under review, the Group has achieved the following significant milestones in business expansion:

(i) During 2013, the Group secured various contracts of the affordable housing BT projects, including Affordable Housing BT Project in Jingkou District, Zhenjiang, Jiangsu Province; BT Contract of Phase II and III of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province; Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province and Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province. The aggregate attributable contract value amounts to approximately HK$15,075 million.

(ii) In May 2013, the Group formed joint venture with subsidiaries of China State Construction Engineering Corporation Limited, the Company's intermediate holding company, for infrastructure BT projects in Wuhan and Zhengzhou.

(iii) In May 2013, the Group's joint venture in Zhengzhou was awarded the Two roads BT Projects in Zhengzhou, Henan Province. The attributable contract value is about HK$4,863 million.

(iv) In May 2013, the Group reached agreement with Skyjoy Assets Management Limited to make early redemption of the investment in the convertible bond of HK$200 million that the Group invested in 2010. A total sum of HK$304 million was received upon the redemption representing a satisfactory return to the Group's investment.

Management Discussion and Analysis *(continued)*

(v) In August 2013, the Group entered into agreement with Shun Tak Group that the Group will acquire 29% stake in the Nova City Phase 5 Residential Project, Taipa, Macau under co-development by both parties. The investment attributable to the Group was about HK$2,000 million. In the meantime, the Group will be awarded the construction contract of Nova City Phase 5 with an attributable contract value of about HK$6,120 million.

(vi) In October 2013, the Group was awarded the Infrastructure BT Project in Phoenix Pool of Lintong District, Xi'an, Shaanxi Province with attributable contract value of approximately HK$2,500 million.

(vii) During the year under review, the Group took the advantage of booming construction markets in Hong Kong and Macau and has secured a number of prominent projects such as the Design and Construction of Fire Services Training School cum Driving Training School at Tseung Kwan O, the Central – Wan Chai Bypass Tunnel (Slip Road 8 Section) and the Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon.

(viii) During the year under review, the Group continued the construction of the Phase V of Shenyang Huanggu Thermal Power Plant to increase the production capacity for new supply zone.

Management Policies for Financial Risk

Interest Rate Risk

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

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's trade and other receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. Credit extended to business associates is based on the reputation and financial position of the customers. In connection with projects in progress (whether in Hong Kong, Macau or overseas), the major customers are the local governments, certain institutional organisations and certain reputable property developers. Therefore, the Group is not exposed to any significant credit risk.

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

Equity Price Risk

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

BUSINESS REVIEW

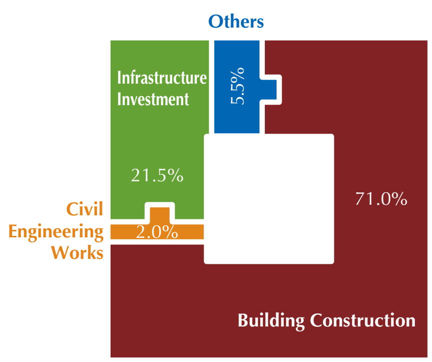
At the end of 2013, the Group has 69 projects in progress with an aggregated attributable contract value of

HK$117,198 million.

MAJOR COMPLETED PROJECTS IN 2013

No.	Project Name	Government/ Public Sector	Institutional Bodies	Private Sector
	Building Construction			
1	Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2	●		
2	Proposed Residential Development at Fan Kam Road, Kwu Tung South, New Territories			●
3	石排灣公共房屋CN5a地段工程	●		
4	The Hong Kong Polytechnic University – Ph 8 Development		●	
5	Site Formation, Foundation and Superstructure Main Contract Works for New Academic Building and Residential Accommodation for HKUST		●	
6	Proposed Residential Development at TPTL 186 and 188, Pak Shek Kok Development Area, Tai Po, New Territories			●
7	Construction of Development at Ex-Cheung Sha Wan Police Quarters	●		
	Infrastructure Investment			
	Affordable Housing			
8	Chongqing Hechuan Relocation Housing and Public Rental Housing	●		
	Infrastructure			
9	Class 1 Highway from Yangquan to Niangziguan, Shanxi Province	●		

By
Project Categories



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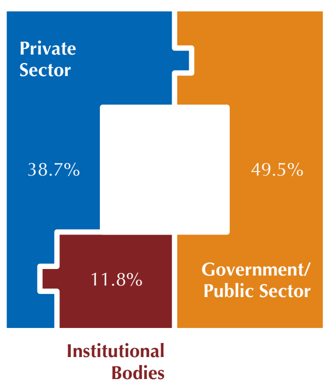
Customers



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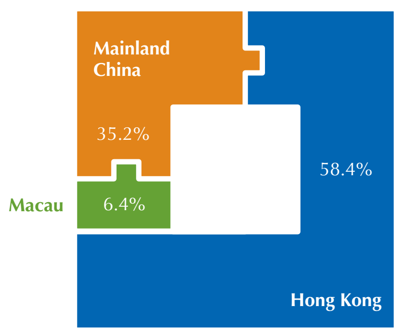
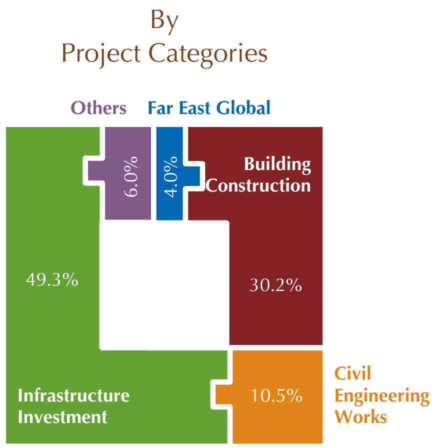
Markets

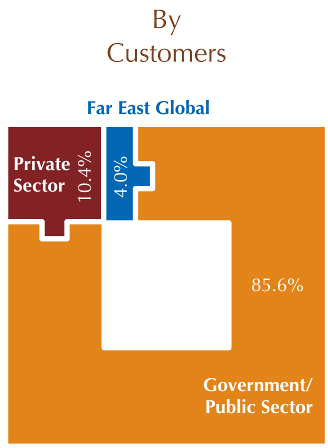


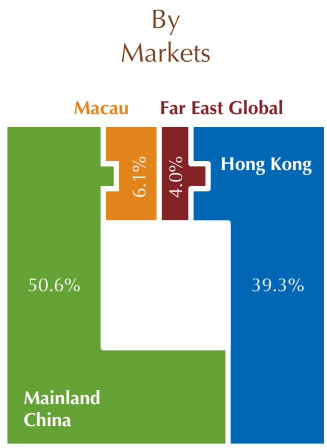
NEW PROJECTS AWARDED IN 2013

Summary for the year

- 28 new projects awarded
- Attributable contract value for new projects awarded was HK$45,526 million







The first two months of 2014

- 14 new projects awarded with a total attributable contract value of HK$21,157 million

PROJECTS IN PROGRESS AS AT 31 DECEMBER 2013

Summary at the end of 2013

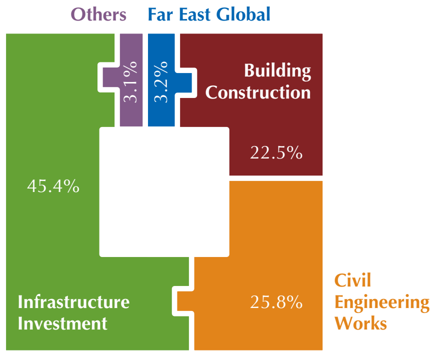
- 69 projects in progress
- Total attributable contract value of projects was HK$117,198 million

	Attributable contract value HK$'million	Value of incomplete contract HK$'million
Hong Kong Project	**54,974**	**34,441**
Building construction	22,574	16,449
Civil engineering	30,264	16,080
Other works	2,136	1,912
Mainland China Project	**54,186**	**36,298**
Building construction	949	413
BT	53,237	35,885
Macau Project	**4,345**	**3,348**
Far East Global	**3,693**	**2,395**
Total	**117,198**	**76,482**

Business Review *(continued)*

PROJECTS IN PROGRESS AT 31 DECEMBER 2013 *(continued)*

By
Project Categories



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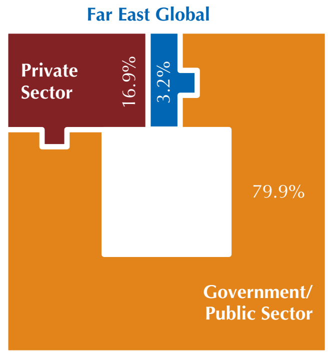

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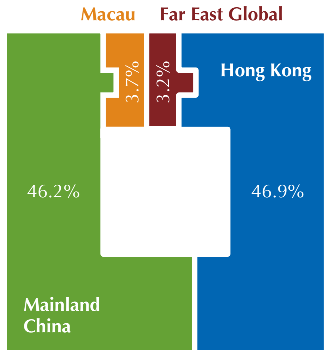


MAJOR PROJECTS IN PROGRESS – HONG KONG

No.	Project Name	Attributable Contract Value HK$'million
	Building Construction	
1	Design and Construction of Centre of Excellence in Paediatrics in Kai Tak Development, Kowloon	5,454
2	Proposed Residential Development at TPTL 200 & 201 Pak Shek Kok, Tai Po, New Territories	3,113
3	Design and Construction of Fire Services Training School cum Driving Training School at Tseung Kwan O	2,818
4	Construction of Public Rental Housing at Sha Tin Area 52 Phase 2	2,233
5	Main Contract Works for Proposed Residential Development at Austin Station Site D, Kowloon	2,165
6	Construction of Superstructure of Block B for St. Paul's Hospital Redevelopment	1,776
7	Lee Tung Street/McGregory Street, Wanchai, Hong Kong, Super-Structure Main Contract (For Site A & B)	1,545
	Civil Engineering Works	
8	Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road – Section between Scenic Hill and Hong Kong Boundary Crossing Facilities	8,875
9	Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	5,377
10	Central-Wan Chai Bypass Tunnel (Slip Road 8 Section)	4,792
11	Development at Anderson Road -Site Formation and Associated Infrastructure Works	2,063
12	Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling	1,850
13	Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section	1,328

MAJOR PROJECTS IN PROGRESS – MACAU

No.	Project Name	Attributable Contract Value HK$'million
	Building Construction	
1	Section 1 & 2 of Public Housing in Ilha Verde,Macau	1,892
2	Main Contract for Residential Development of Nova City Phase 4 ,Taipa	808


Lo Wu
Lok Ma Chau
Sheung Shui
12
Tai Po Market
2
New Territories
Ma On Shan
Yuen Long
Shatin
4
Tuen Mun
Kowloon
Tsuen Wan
13
Kowloon Tong
Tsing Yi
Mei Foo
1
11
H.K. International Airport
Tseung Kwan O
3
5
Hung Hom
8
Central
9
10
Tung Chung
Quarry Bay
7
6
Lantau Island
Chai Wan
Hong Kong Island
1
Macau
2
MTR

Business Review *(continued)*

PROJECTS IN PROGRESS AT 31 DECEMBER 2013 *(continued)*

MAJOR BUSINESSES – MAINLAND CHINA

No.	Project Name
	Infrastructure Investment
	Affordable Housing
1	Hangzhou Xiaoshan Relocation Housing
2	Wuxi Huishan Vocational Park Relocation Housing
3	Hangzhou Xiaoshan Beigan Relocation Housing
4	Phase 1 of Wenzhou Lucheng District Affordable Housing
5	Affordable Housing BT Project in Jingkou District, Zhenjiang, Jiangsu Province
6	BT Contract of Phase II of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province
7	BT Contract of Phase III of Affordable Housing Construction in Lucheng District, Wenzhou, Zhejiang Province
8	Relocation Housing BT Project in New District of Zhenjiang, Jiangsu Province
9	Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province
10	Zhangzhou Ecological Park Relocation Housing
	Infrastructure
11	Wuchang & Hanyang Section of 2nd Circle Line of Wuhan City
12	Taiyuan South Station Western Square
13	Wuhan East Lake Passageway
14	Wuhan Yangtze River Avenue
15	Shanxi Wuyu Expressway
16	Infrastructure BT Project in Phoenix Pool of Lintong District, Xi’an, Shaanxi Province
17	Two roads BT Projects in Zhengzhou, Henan Province
18	Nanjing No. 2 Yangtze River Bridge
19	南昌大橋及南昌中海新八一大橋 (Nan Chang Bridge and Nan Chang Zhong Hai Xin Ba Yi Bridge)
20	Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section)
21	Class 1 Highway from Yangquan to Niangziguan, Shanxi Province
22	Shenyang Huanggu Thermal Power Plant
	Pre-cast Structures Production
23	Shenzhen Hailong Construction Products Plant


22
Yellow River
15, 20, 21
12
17
16
18
5, 8
Mainland China
2
11, 13, 14
9
1, 3
19
Yangtze River
4, 6, 7
Pearl River
10
23
Highways
Plant
Building Construction
Bridge

Business Review *(continued)*

BUSINESS IN MAINLAND CHINA

WUXI HUISHAN VOCATIONAL PARK RELOCATION HOUSING

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

PHASE 1 OF WENZHOU LUCHENG DISTRICT AFFORDABLE HOUSING

Location: **Wenzhou, Zhejiang**
Nature of Business: **Build-Transfer Project**

BUSINESS IN MAINLAND CHINA *(continued)*

ZHANGZHOU ECOLOGICAL PARK RELOCATION HOUSING

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

WUHAN YANGTZE RIVER AVENUE

Location: **Wuhan, Hubei**
Nature of Business: **Build-Transfer Project**

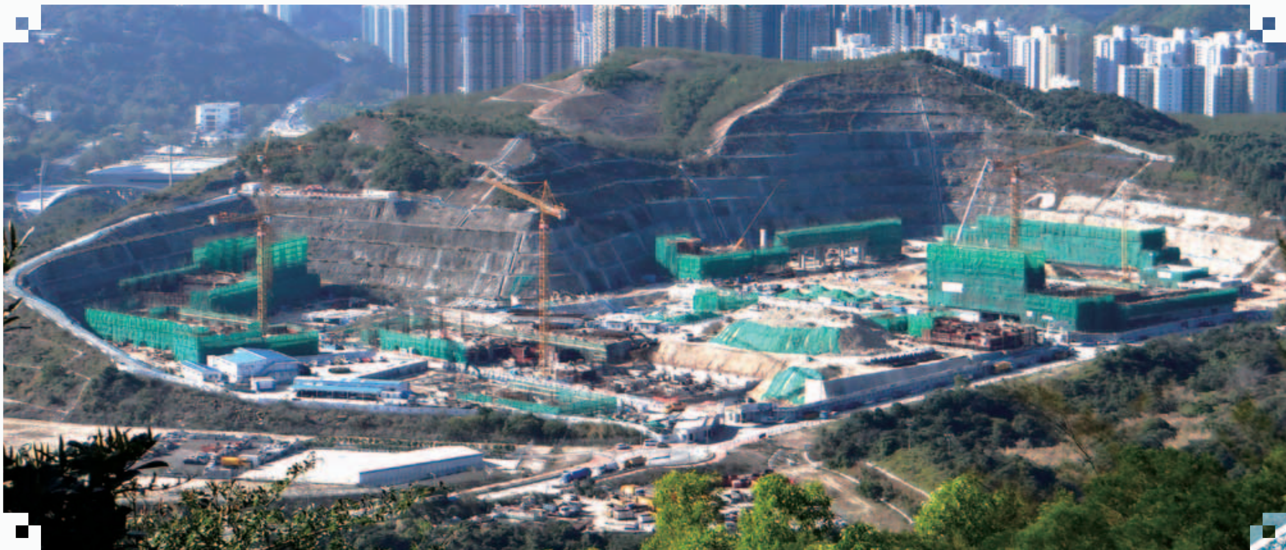
SHANXI WUYU EXPRESSWAY

Location: **Yuxian, Shanxi**
Nature of Business: **Build-Transfer Project**

BUSINESS IN HONG KONG

DESIGN AND CONSTRUCTION OF CENTRE OF EXCELLENCE IN PAEDIATRICS IN KAI TAK DEVELOPMENT, KOWLOON

Customer Category: **Government/Public Sector**
Project Commencement Date: **August 2013**
Aggregate Contract Value: **HK$9,090 million**



DESIGN AND CONSTRUCTION OF FIRE SERVICES TRAINING SCHOOL CUM DRIVING TRAINING SCHOOL AT TSEUNG KWAN O

Customer Category: **Government/Public Sector**
Project Commencement Date: **August 2012**
Contract Value: **HK$2,818 million**

BUSINESS IN HONG KONG *(continued)*

CONSTRUCTION OF PUBLIC RENTAL HOUSING AT SHA TIN AREA 52 PHASE 2

Customer Category: **Government/Public Sector**
Project Commencement Date: **July 2012**
Contract Value: **HK$2,233 million**

CONSTRUCTION OF SUPERSTRUCTURE OF BLOCK B FOR ST. PAUL'S HOSPITAL REDEVELOPMENT

Customer Category: **Private Sector**
Project Commencement Date: **February 2013**
Contract Value: **HK$1,776 million**

HONG KONG-ZHUHAI-MACAO BRIDGE HONG KONG LINK ROAD – SECTION BETWEEN SCENIC HILL AND HONG KONG BOUNDARY CROSSING FACILITIES

Customer Category: **Government/Public Sector**
Project Commencement Date: **May 2012**
Contract Value: **HK$8,875 million**

BUSINESS IN HONG KONG *(continued)*

CENTRAL-WAN CHAI BYPASS TUNNEL (CAUSEWAY BAY TYPHOON SHELTER SECTION)

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

DEVELOPMENT AT ANDERSON ROAD -SITE FORMATION AND ASSOCIATED INFRASTRUCTURE WORKS

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

WIDENING OF TOLO HIGHWAY/FANLING HIGHWAY BETWEEN ISLAND HOUSE INTERCHANGE AND FANLING

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

BUSINESS IN MACAU

SECTION 1 & 2 OF PUBLIC HOUSING IN ILHA VERDE, MACAU

Customer Category: **Government/Public Sector**
Project Commencement Date: **December 2012**
Contract Value: **HK$1,892 million**

MAIN CONTRACT FOR RESIDENTIAL DEVELOPMENT OF NOVA CITY PHASE 4, TAIPA

Customer Category: **Private Sector**
Project Commencement Date: **April 2012**
Contract Value: **HK$808 million**

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

Throughout the year ended 31 December 2013, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Stock Exchange') (the 'Listing Rules'), except for certain deviations as specified and explained below with considered reasons for such deviations:–

- Under code provisions A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings) and E.1.2 (chairman of the board should attend the annual general meeting). Mr. Kong Qingping, the then Chairman and Non-executive Director; and Mr. Li Jian, Non-executive Director, both due to other business engagement were unable to attend the annual general meeting of the Company which held on 6 June 2013 ('2013 AGM'). Mr. Zhou Yong, the then Vice-chairman and Chief Executive Officer, chaired the 2013 AGM to ensure effective communication with shareholders of the Company at such meeting. All the independent non-executive directors attended the 2013 AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.

- Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Kong Qingping resigned as Non-executive Director and ceased to be Chairman of the Company on 15 August 2013. Mr. Zhou Yong acts as Executive Director, Chairman and Chief Executive Officer of the Company with effective from 15 August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group's business. If the positions occupied by unqualified persons, the Group's performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

Board of Directors

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

The composition of the Board and the individual attendance (Board Meetings and 2013 AGM) of each director are set out below:

Name		Attended/ Eligible to Attend Board Meetings	Attended/ Eligible to Attend 2013 AGM
Chairman and Non-executive Director			
Kong Qingping	*(resigned on 15 August 2013)*	2/3	0/1
Executive Directors			
Zhou Yong	*(Chairman & Chief Executive Officer)* *(appointed as Chairman on 15 August 2013)*	4/4	1/1
Tian Shuchen		4/4	1/1
Zhou Hancheng		4/4	1/1
Zhang Yifeng	*(resigned on 21 March 2013)*	1/1	–
Pan Shujie		4/4	1/1
Hung Cheung Shew		4/4	1/1
Non-executive Director			
Li Jian		2/4	0/1
Independent Non-executive Directors			
Raymond Ho Chung Tai		4/4	1/1
Adrian David Li Man Kiu		4/4	1/1
Raymond Leung Hai Ming		4/4	1/1
Lee Shing See		4/4	1/1

Corporate Governance Report *(continued)*

Biographical information of the Directors are set out in 'Directors and Organization' section of this Annual Report. An updated list of Directors containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company. The Company has also maintained an updated list of Directors and their role and function on the websites of Hong Kong Exchanges and Clearing Limited (the 'HKEx') and the Company.

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

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

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

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

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

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

Directors at all times have full access to information of the Company. The Board is provided monthly operating information and news update from time to time which contain the up-to-date performance and information of the Company. Directors can access information from senior management independently.

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

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

Directors have disclosed their number and nature of offices held in public companies or organizations and other significant commitment in their biographical information. They are also reminded to notify the Company in a timely manner and bi-annually confirm to the Company any change of such information. The Board reported the changes in its annual report and interim report.

As part of the continuous professional development programme, all the Directors of the Company namely Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Mr. Li Jian, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See read legal and regulatory updates arranged by the Company. In addition, individual directors also participated in other seminars and/or reading relevant materials relating to the roles, functions and duties of a listed company director and further enhancement of their professional development. Directors had provided the Company Secretary with their training records for the year under review.

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

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

Chairman and Chief Executive Officer

Chairman and chief executive officer are two key aspects of the management of the Company. Chairman performs the management of the Board and chief executive officer performs the day-to-day management of the business. Clear division of these responsibilities is in place to ensure a balance of power.

During the period from 1 January 2013 to 15 August 2013, Mr. Kong Qingping is Chairman and Non-executive Director of the Company. On 15 August 2013, Mr. Zhou Yong is the Chairman and Chief Executive Officer of the Company. These constitute a deviation from code provision A.2.1.

The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group's business. If the positions occupied by unqualified persons, the Group's performance may be affected. Mr. Zhou Yong has been with the Group since 1994 and has plentiful experience in the Group's business and culture. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

Both Mr. Kong Qingping and Mr. Zhou Yong are responsible for leading the Board and ensure all directors are provided with appropriate and sufficient information before Board meetings so that the Board can operate effectively and perform its duties. They promote culture of openness and encourage directors to voice their views. They also meet non-executive directors without the executive directors present and ensure the good corporate governance practices and procedures of the Company.

Non-executive Directors' Term of Office

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

Remuneration Committee

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

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

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

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

Nomination Committee

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

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

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

During the year, the Nomination Committee evaluated the composition and structure of the Board, reviewed the independence of the independent non-executive directors, considered the resignations of Mr. Kong Qingping and Mr. Zhang Yifeng; and the appointment of Mr. Zhou Yong as the Chairman of the Company.

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is posted on the website of the Company. The Company recognizes that increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board contains individuals who have diverse educational background, professional experience, knowledge and culture. All Board appointments are based on meritocracy.

As at 31 December 2013, the Board comprises 10 directors. All of the directors are male. Five directors are under the age group of 40 to 50; three are under the age group of 51 to 60; and two are under the age group of 61 to 75. Four directors have served the Board below 5 years; four have served the Board between 5 to 10 years; and two have served the Board between 11 to 15 years.

The Nomination Committee hopes to increase the level of board diversity when refreshing and renewing board membership. However, the appointments are made on merit, the applications' skill and experience and the development of the group. The Nomination Committee will continue to consider the board diversity.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company. The Board has adopted written terms of reference for its corporate governance functions which included:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed, modified and adopted a model code for securities transactions by directors and relevant employees; and adopted an inside information disclosure policy and a board diversity policy. The latter two policies were posted on the website of the Company.

Audit Committee

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

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

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

During the meetings, the Audit Committee reviewed and considered the Group accounts for the year ended 31 December 2012; the Audit Committee Report for the year ended 31 December 2012; the connected transactions report; the internal control report; the Group's 2013 unaudited first quarter results; the Group accounts for the six months ended 30 June 2013; and the Group's 2013 unaudited third quarter results. The external auditor was invited to attend 2012 final results meeting and 2013 unaudited third quarter results meeting. During the meetings, the external auditor discussed various accounting issues and finding with the Audit Committee and the audit strategy and plan for 2013 Group results.

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

Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ('PwC'). For the financial year ended 31 December 2013, the fees paid or payable to PwC and other firms of the worldwide network of PwC in respect of services provided to the Group amounted to approximately HK$8,250,000, including audit services fee of the Company of approximately HK$7,228,000 and non-audit services fee of approximately HK$1,022,000. The non-audit fees included tax services and other services for ad hoc projects.

Directors' Securities Transactions

The Company has adopted a model code for securities transactions by directors and relevant employees (the 'Securities Code') on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the 'Model Code'). Directors and senior management of the Company are required to comply with the Securities Code. Reminders are sent to directors and senior management that they should not deal in the shares of the Company during the 'black-out-period' specified in the Model Code. Directors and senior management are required to notify the Company and obtained a dated written acknowledgement before dealing in the Company's securities. After making enquiries by the Company, all directors confirmed that they have complied with the Securities Code during the year.

As at 31 December 2013, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the 'SFO')), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows.

As at 31 December 2013, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie and Mr. Hung Cheung Shew held 2,273,780; 3,300,000; 2,605,138; 167,471 and 581,584 shares of the Company respectively. In addition, Mr. Zhou Yong, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 959,247; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. All the shares and share options held by the directors in the capacity of beneficial owners.

As at 31 December 2013, Mr. Hung Cheung Shew held 107,095 shares in China Overseas Land & Investment Limited ('COLI', an associated corporation of the Company); and 30,000 shares in Far East Global Group Limited (a non-wholly owned subsidiary of the Company). All the shares held by the director in the capacity of beneficial owner.

As at 31 December 2013, Mr. Li Jian held 330,000 shares in China State Construction Engineering Corporation Limited (an intermediate holding company of the Company). All the shares held by the director in the capacity of beneficial owner.

Save as disclosed above, as at 31 December 2013, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

As at 1 January 2013, Mr. Kong Qingping, Mr. Zhou Yong, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,288,848; 959,247; 639,498; 61; 913,569; 913,569; 913,569 and 913,569 share options of the Company respectively. During the year, Mr. Zhou Hancheng exercised 639,498 share options of the Company. 61 share options and 3,288,848 share options of the Company held by Mr. Zhang Yifeng and Mr. Kong Qingping were re-classified to employees category. All the share options held by the directors in the capacity of beneficial owners. As at 1 January 2013, the outstanding share options of the Company under the category of directors, employees and consultants are 8,541,930; 32,231,315 and 19,098,611 respectively. During the year, 639,498 and 657,770 share options of the Company were exercised under the category of directors and consultants respectively. As at 31 December 2013, the outstanding share options under the category of directors, employees and consultants are 4,613,523; 35,520,224 and 18,440,841 respectively. The share options were granted on 14 September 2005 and the exercise price per share option is HK$0.2254 (The exercise price per option on 14 September 2005 was HK$1.03. The exercise price was adjusted to HK$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK$0.2254 immediately after the completion of rights issue on 16 May 2011.). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ('Limit') from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive). No share options were cancelled and lapsed during the year.

During the year, an aggregate of 1,297,268 share options of the Company were exercised. The date of exercise of the share options, the total number of share options exercised on each date and the weighted average closing price of the Company's shares immediately before each of the exercise date were 16 April 2013 and 30 May 2013; 657,770 and 639,498; and HK$10.2953 and HK$10.7182.

Save as the share options disclosed above, at no time during the year ended 31 December 2013 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Corporate Governance Report *(continued)*

Accountability and Audit

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

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

The directors acknowledge that they are responsible for preparing accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2013, the directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis.

The reporting responsibilities of PwC, the external auditor of the Company, are stated in the Independent Auditor's Report of the Company's 2013 Annual Report.

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

Company Secretary

The company secretary supports the chairman, Board and Board committees by ensuring good information flow and Board policy and procedures are followed. The company secretary is an employee of the Company and is appointed by the Board. The company secretary reports to the chairman and chief executive officer, all directors may call upon her for advice and assistance at any time in respect of her duties. The company secretary obtained a practitioner's endorsement of The Hong Kong Institute of Chartered Secretaries and complied with rule 3.29 of the Listing Rules.

Internal Control and Risk Management

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

Internal Audit. The Intendance and Audit Department is independent of all business lines and is directly responsible for the executive directors so as to ensure the neutrality of control. During the year, the Intendance and Audit Department deeply inspected, investigated and assessed three subsidiaries of the Group. The Intendance and Audit Department reviewed and assessed their internal control, financial management, operation management, purchasing and inventories management and cost control management system. All reports are submitted directly to the executive directors and senior management for their perusal and follow-up, if necessary so as to ensure proper management of risks, thereby achieving the business objectives of the Group. The defects were remedial during the year and the systems were strengthened. The Intendance and Audit Department also inspected the build-transfer and build-operate-transfer projects of the Company. They satisfied with their risk control and management policies.

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

The Company employed external party to conduct assessments on worksites safety. Independent reports were made to the management and the defects were remedial simultaneous. The Company's Quality and Technology Department; and Safety and Environmental Protection Department conducted four internal control assessments during the year. They inspected over 30 worksites per quarter, and investigated and assessed the quality management, safety management and environment management system of each worksite. Quarterly meetings also convened to review the defects and improvement were made. The Procurement Department also conducted independent internal control assessment on worksites quarterly. They mainly focused on the protection on facture and reduction in wastage of major construction materials.

Other than written guideline, the Company believed that proper trainings enhanced the effectiveness of the internal control. During the year, mandatory trainings and workshops on risk assessment, quality, safety and health, environmental protection were conducted for the engineers and worksites management. In order to enrich the knowledge and scientific management, the Company organized workshops and site visits on projects in progress for worksites middle management.

In order to instill the consciousness and knowledge on safety and environmental protection, and quality and technology of the Company, during the year, the Company continued to hold 'Sunny February' and 'Mid-summer Rainbow' safety promotion activities. The 'Sunny February' activity focused on training the novice workers. The 'Mid-summer Rainbow' activity focused on the worksite safety. The activities were recorded satisfactorily.

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

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

Staff Discipline

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

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

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Directing Shareholders' Enquiries to the Board

The annual report and the Company's website provide the contact details of the Company. Shareholders may at any time send their enquiries and concerns to the Board in writing. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Company Laws or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

The procedures for appointment, election and removal of directors are set out in the Company's website.

Communication with Shareholders

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

General meeting is a main channel of communication between directors and shareholders. The Company held an annual general meeting during 2013. At the general meeting, the chairman of the meeting gave sufficient time to shareholders to raise questions and express their opinions.

The 2013 Annual General Meeting was held on 6 June 2013. The notice of meeting, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders more than 20 clear business days prior to the meeting. The chairman and members of the audit, remuneration and nomination committees were available to answer questions from the shareholders at the meeting. At the meeting, a separate resolution was proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution was conducted by poll. The results of the poll were posted on the websites of the Company and the HKEx on the same day of the meeting.

Investor Relations

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

There are no change to the Company's Memorandum and Articles of Associations during the financial year 2013. A copy of the latest version of the Company's Memorandum and Articles of Associations is posted on the websites of the Company and the HKEx.

INVESTOR RELATIONS

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

The management of the Company values the feedback of the external investment parties and meets analysts and investors regularly and irregularly to present the latest development strategy and operating conditions to them and communicates with investors in a timely manner. In 2013, the Company actively pushed forward with the promotion of the listed company, organised meetings with analysts and investors over 1,000 persons-time, and attended post-results road shows in Europe, US, Japan, Singapore, Taiwan and Hong Kong with investment banks. Besides, the management also participated in the investment conferences and forums organised by the major investment banks.

In 2013, through organising investor's visiting trip to affordable housing projects in the PRC and construction projects in Hong Kong, the Company further strengthens the investment community's understanding on the Company's operation. Within the year, more than 30 investors and analysts visited the Company's affordable housing projects located in Chongqing and civil engineering and building construction project sites in Hong Kong.

The Company provides operating information update on a monthly basis and conducts follow-up communications, in order to ensure that the investment community is informed of the latest update about the Company. In the meantime, to avoid confusion and misunderstanding on certain market rumors, the Company provides clarification and interpretation in time.

Through the above activities, the communication between the management of the Company and the players of the capital market has been enhanced. Besides, the transparency of different business activities such as the Company's operation and management has also been enhanced. In 2014, the Company will further strengthen its efforts in this respect. To increase investor relations service standard and company transparency will be one of the priorities of the company's investor relations function.

The Company's investor relations works have gradually been appreciated by the investment community. In the annual poll of best executive team of listed companies by 'Institutional Investor', the Company was awarded the first place for all categories in the infrastructure industry, including Best CEO, Best CFO, Best Investor Relations Professional and Best Investor Relations Company.

Major Investor Relations Activities in 2013

Month	Activities
January	The 13th UBS Greater China Conference
	Deutsche Bank China Annual Conference
	Nomura Property Corporate Day
	Citi China Top Pick Corporate Day
March	2012 Annual Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong, Singapore and Japan
April	Post-annual Results Road Shows in Europe
May	The 5th Macquarie China Conference
	The 18th CLSA China Forum
	BAML Industrial Corporate Day
	Barclays Bank & Property Corporate Day
June	The 9th JP Morgan China Conference
	Deutsche Bank Investors Tour to Chongqing Affordable Housing Projects
	CLSA HK/China Corporate Day
	Standard Chartered 'Earth Resource' 2013 Investor Forum
	Nomura Conglomerate and Small-Mid Cap Corporate Day
July	Citi China Mid-Cap Visibility Corporate Day
August	2013 Interim Results Announcement
	• Press Conference
	• Investors and Analysts Briefing
	• Road Shows in Hong Kong, Japan and Singapore
September	Post-interim Results Road Shows in Europe
	JP Morgan Asia Pacific Investor Conference (Boston)
	The 20th CLSA Investor Forum
October	Post-interim Results Road Shows in Taiwan
November	Goldman Sachs Annual China Conference
	Citigroup Greater China Investor Conference
	BAML Annual China Conference
	Daiwa Investor Conference Hong Kong
	Macquarie Infrastructure Sector Annual Conference
	CICC SOE Reform Corporate Day
	JP Morgan Asia Rising Dragon Forum
December	CICC 2013 Investor Conference (Beijing)

AWARDS and ACCOLADES 2013

Quality Category

Technology Category

Awards and Accolades 2013 *(continued)*

Safety and Environmental Protection Category

Awards and Accolades 2013 *(continued)*

Quality Category

Award	Unit/Project	Organization
Quality Public Housing Construction and Maintenance Awards 2013 New Works Projects – Outstanding Projects (Piling)	Foundation for Public Rental Housing Development at So Uk Estate Phase 1	Hong Kong Housing Authority

Technology Category

Technological Achievement	Award	Organization
Precast GRC Complex & its Fabrication Method	China State Patent of Invention	State Intellectual Property Office of the PRC
Research and application of Construction Virtual Prototyping Technology	2nd Grade Awards of Science & Technology of CSCEC in year of 2013	China State Construction Engineering Corporation
Fabrication Method of Precast GRC Complex Deep-hole Blasting Method Statement at Urban Centre Tunnel Portal Temporary Support Method Statement Through Artificial Ground Freezing All processing Monitoring Method Statement for the Artificial Ground Freezing	Provincial Grade Method Statement of CSCEC in year of 2013	China State Construction Engineering Corporation
Hong Kong Short-Term Patent Tower Crane Lifting Zone Warning System Security System Container Mobile Sewage Treatment System Shoe Washing Machine		Intellectual Property Department of The Hong Kong Special Administration Region

Awards and Accolades 2013 *(continued)*

Safety and Environmental Protection Category

Activity	Award	Unit/Project	Organization
Construction Industry Safety Award Scheme 2012/2013	Building Sites – Public Sector (Gold)	Foundation for Public Rental Housing Development at Ex-Au Tau Departmental Quarters Yuen Long	Labour Department of Hong Kong and others
Construction Industry Safety Award Scheme 2012/2013	Building Sites – Public Sector (Bronze)	Construction of Public Rental Housing at Sha Tin Area 52 Phase 1	Labour Department of Hong Kong and others
Considerate Contractors Site Award Scheme 2012	Considerate Contractors Site Award (Bronze)	Design, Build and Operate Pillar Point Sewage Treatment Works	Development Bureau
Considerate Contractors Site Award Scheme 2012	Considerate Contractors Site Award (Bronze)	Foundation for Public Rental Housing at Sha Tin Area 52 Phase 3 and 4	Development Bureau
Construction Safety Promotional Campaign 2013	Best Safety Working Cycle Site (Silver)	Main Contract Works for Proposed Residential Development at Austin Station Site D at Kowloon	Hong Kong Occupational Safety & Health Council and others
Construction Safety Promotional Campaign 2013	Best Safety Culture Site (Bronze)	Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section)	Hong Kong Occupational Safety & Health Council and others
Drainage Services Department Construction Sites Housekeeping Award Scheme (2012)	The Best Construction Sites Housekeeping Award	Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities	Drainage Services Department
Drainage Services Department Construction Sites Housekeeping Award Scheme (2012)	The Grand Award	Harbour Area Treatment Scheme Stage 2A Upgrading Works at Stonecutters Island Sewage Treatment Works – Sludge Dewatering Facilities	Drainage Services Department
Good Housekeeping Competition 2013	Good Housekeeping Bronze Award (Construction)	Main Contract Works for Proposed Residential Development at Austin Station Site D at Kowloon	Hong Kong Occupational Safety & Health Council and others

CORPORATE CITIZENSHIP

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

Staff Development and Personal Growth

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

During the year, the Group sustains its leadership position by diversifying the workforce which we consider to be one of the greatest strengths in leveraging both local knowledge and international experience. We provide our people with job transfer opportunities among our global locations. A total of 159 employees had been rotated worldwide over the last 3 years. As of end of 2013, the Group had a total of 9,728 employees (excluding staff of our joint-venture projects), of which, 4,353 persons were in Hong Kong and Macau, 4,540 of them were in Mainland China, and 835 were working overseas.

Staff Recruitment Programme

Besides getting seasoned professionals from the open market, the Group also organised campus recruitment programmes to grasp young engineers from 4 universities in Hong Kong. Not least, hiring graduates with top caliber from well-known universities in Mainland China through its 'Recruitment Programme for the Son of the Sea' enabled the Group to recruit outstanding young talents from other establishments in an effective manner.

The 'Recruitment Programme for the Son of the Sea' enables our new young talents to have a better understanding of the Group's culture and corporate value

The Group encourages its staff to care about society by organising various kinds of projects

Staff Training and Development

The Group provides the full support for its staff for lifelong learning and self value-adding. The Group has put aside capital to set up the 'Staff Education Fund'. The Group will also hammer out training programmes according to the needs and interests of the staff, which cover the corporate system, management skills and occupational skills, quality assurance, team-building and communication skills. More than 3,400 participants took part in the courses during the period. In order to cope with the Group's business development on an international scale, executive director of the Group delivered trainings on 'Business Transformation and Development' and 'Infrastructure Business Management' to our key management team.

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

Incentive Mechanism

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

Corporate Citizenship *(continued)*

The Group won several awards for its dedication in environmental protection and promotion

Environmental Protection and Promotion

As a socially responsible contractor, the Group always champions green management in construction planning in order to create a pleasant environment to our society. The Group has adopted technologically innovative measures and green practices to reduce carbon footprint and help avert global warming, take up our corporate responsibility to improve the environment.

In line with the rising concern of the community on building environmental performance and expectation of clients on green building construction, the Group encouraged and sponsored its staff to participate in BEAM Pro Training and gain the BEAM Pro status to provide endless professional inputs to project management. Currently, a number of our staff members have obtained the qualification of BEAM Pro.

With the concerted efforts of the Group, the results were remarkable. In 2013, the Group's projects won a number of awards, including the 'Class of Excellence for the Wastewi$e Label' and the 'Class of Good for the Energywi$e Label', in 'The Hong Kong Awards for Environmental Excellence' led by the Environmental Campaign Committee alongside the Environmental Protection Department and in conjunction with nine organizations. The Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) Project won the Merit Award in the Sectoral Award in Construction Industry in 'The Hong Kong Awards for Environmental Excellence' in 2013. Three projects won the Outstanding Environmental Management and Performance Award (Merit Award) under Considerate Contractors Site Award Scheme 2012-2013. Our Fire Services Training School Project at Tseung Kwan O won the 2013 ASD Green Contractor Award – Silver Award which recognises our efforts in sustainable development and green construction.

Corporate Citizenship *(continued)*

Same as previous years, the Group is actively committed to environmental activities. In the yearly 'China State Environmental Protection Day', the Group participated in the 'Yim Tin Tsai Ecological Tour' organised by district community. Through the guided tour, staff acquired the knowledge and appreciated the works on cultural heritage conservation. All the Group's construction sites organised the Expired Helmets Recycling Activity in June. The activity raised the awareness of workers on the expiry of safety helmets and reduced disposal of recyclable material. Some sites, through collection and donation of special waste generated from construction works to relevant parties to convert into useful items, promoted the waste up-cycling. For examples, donation of tree trunks generated from project with tree felling works to school, artist workshop and nature education organization to convert into teaching materials, artworks and outdoor chairs.

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

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

The Group also took part in the 'Hong Kong Walk for Millions' and 'Wu Zhi Xing 2013'. Such activities enriched the leisure life of the staff and provided opportunities of communication and exchange with colleagues and family members, and became an important part of team building and staff relationship.

The Group and Community

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

With the active participation of its staff, the Group provides strong support to all kinds of social activities, such as the 'Hong Kong Walk for Millions', Book Donation Activity of Swire Group, 'Wu Zhi Xing 2013' and 'Donations for Ya'an earthquake in Sichuan Province', so as to help needy people in the community and call for its staff's care for society.

Hong Kong and Kowloon Walk for Millions

On 6 January 2013, nearly 400 staff of the Group took part in the annual 'Hong Kong and Kowloon Walk for Millions' organised by the Community Chest of Hong Kong. Led by leaders of the Group, the staff, with great strength and vigour, walked from Hong Kong Stadium to Aberdeen Country Park Visitor Centre via Wong Nai Chung Gap Road, Black's Link and Aberdeen Reservoir Road. Their participation in the activity attested to the commitment of COHL in public activities and corporate social responsibilities. All funds raised this year will be donated to 'Family and Child Welfare Services' to help those families in need, so as to unite all families by building up close relationships between family members with mutual love and respect.

The Group participated in the 'Hong Kong and Kowloon Walk for Millions'

The Group supported the Book Donation Activity of Swire Group

Our staff took part in Wu Zhi Xing 2013

Book Donation Activity of Swire Group

To support the Book Donation Activity of Swire Group, the Group set up collection boxes for book donation in China Overseas Building from January to February 2013 and encouraged its staff to take part in the activity. All books collected were sold for charity at HK$10 each. All funds raised will be donated to The Boys' and Girls' Clubs Association of Hong Kong in order to provide more learning and self-improvement opportunities for children in need.

Wu Zhi Xing 2013

On 17 November 2013, more than 30 staff and their family members of the China Overseas Chinese Women's Club and the China Overseas Charity Foundation participated in the 3rd 'Wu Zhi Xing 2013', a cross-school and cross-industry charity walk in Hong Kong held by Wu Zhi Qiao (Bridge to China) Charitable Fund, for the second consecutive year.

The theme of 'Wu Zhi Xing 2013' was to 'Take a BRICK to Change Lives with Bridges'. Inspired by a traditional Chinese story, 'Tao Kan's Resolution on Moving Bricks' (陶侃搬磚), the activity aimed to promote perseverance in the pursuit of dreams among participants. During the activity, participants were called on to make joint efforts to raise funds for construction of bridges in remote and poverty-stricken villages in Mainland China to alleviate the difficulties of students in Northwest China who need to get across rivers to go to school.

Donations for Ya'an earthquake in Sichuan Province

Subsequent to the magnitude-7 earthquake occurred in Ya'an, Sichuan, on 20 April 2013, the wholly-owned subsidiary of the Group, China Construction Engineering (Macau) Company Limited, promptly called on its employees to make donations for people in affected areas to uphold the spirit of joining efforts to help those in need. Under the efficient coordination among various departments under different offices, the Company was able to collect all the donations from employees in Macau and Zhuhai offices within merely one working day. Funds raised through the activity totalled HK$133,368.

The fund-raising activity was carried out in a prompt manner and achieved remarkable success, reflecting the strong sense of social responsibility of the Group as a domestic invested enterprise. Donations were directly remitted to the designated account of Sichuan provincial government set for disaster relief to show the care and support of its employees in Macau.

DIRECTORS AND ORGANIZATION

1. Mr. Zhou Yong
2. Mr. Tian Shuchen
3. Mr. Zhou Hancheng
4. Mr. Pan Shujie
5. Mr. Hung Cheung Shew

BOARD OF DIRECTORS

Mr. ZHOU Yong

Executive Director,
Chairman and Chief Executive Officer

Aged 43, was appointed as a Director of the Company on 21 April 2004 and was designated as an Executive Director on 1 June 2005. Mr. Zhou acted as Vice-chairman of the Company during the period from 9 June 2005 to 14 August 2013 and was appointed Chairman of the Company on 15 August 2013. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined China State Construction Engineering Corporation ('CSCEC') in 1994 and was seconded to the Group in 1996. He has been a director of certain subsidiaries of the Group since 2001. Currently, Mr. Zhou is a director of China Overseas Holdings Limited ('COHL') and the chairman and non-executive director of Far East Global Group Limited ('FEG', a subsidiary of the Company and listed on the main board of The Stock Exchange of Hong Kong Limited (the 'Stock Exchange'). He was awarded the 'Director of the Year Award – Executive Director of Listed Companies (SEHK – Non Hang Seng Index Constituents)' by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 21 years' construction, project and corporate management experience in Mainland China and Hong Kong, in particular, specializes in investment and development new business startup, formulating and executing business strategies for companies. He oversees the overall operation of the Group.

Mr. TIAN Shuchen

Executive Director

Aged 48, was appointed as an Executive Director of the Company on 12 August 2010. Mr. Tian graduated from Dalian University of Technology. He is a member of the Chartered Institute of Building (UK). Mr. Tian joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Tian has over 26 years' experience in construction engineering and project management.

Mr. ZHOU Hancheng

Executive Director and Financial Controller

Aged 44, was appointed as a Director of the Company on 21 April 2004 and subsequently was designated as an Executive Director of the Company on 1 June 2005. Mr. Zhou graduated from Shanghai University of Finance and Economics, holds a degree of Master of Business Administration from The University of Sheffield (UK) and was awarded the title of Senior Accountant in Mainland China. He is Fellow of the Association of Chartered Certified Accountants. Mr. Zhou joined the Group in 1992. He has been a director and the financial controller of certain subsidiaries of the Group since 2003. Mr. Zhou has over 22 years' experience in corporate finance, financial accounting and investment management.

Directors and Organization *(continued)*

Mr. PAN Shujie

Executive Director

Aged 49, was appointed as an Executive Director of the Company on 22 August 2012. Mr. Pan graduated from the Southeast University (formerly known as Nanjing Institute of Technology) and the University of Warwick (UK). He is a member of the Hong Kong Institute of Engineers and a member of the Chartered Institute of Building (UK). Mr. Pan joined CSCEC in 1987 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 1999. Mr. Pan has over 27 years' experience in civil project management.

Mr. HUNG Cheung Shew

Executive Director

Aged 55, was appointed as an Executive Director of the Company on 8 June 2011. Mr. Hung graduated from the Plymouth Polytechnic (UK). He is a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers (UK). Mr. Hung joined the Group in 1996. He has been a director of certain subsidiaries of the Group since 2000. Mr. Hung acted as a non-executive director of FEG from 17 June 2011 to 15 August 2012. Mr. Hung has over 32 years' experience in construction management and planning.

Mr. LI Jian

Non-executive Director

Aged 54, was appointed as a Non-executive Director of the Company on 19 October 2011. Mr. Li graduated from Chongqing Institute of Architectural Engineering (now known as Chongqing University), obtained a certificate of completion in Executive Master of Business Administration (EMBA) Series of Courses from Guanghua School of Management, Peking University and was awarded the title of professor level Senior Engineer. Mr. Li is a member of The Chartered Institute of Building (MCIOB). He joined CSCEC in 1982 and assigned to work overseas. Currently, Mr. Li is a Deputy Chief Economist and an Executive General Manager (Overseas Operations) of China State Construction Engineering Corporation Limited (a company listed on the Shanghai Stock Exchange, code: 601668). Mr. Li has more than 37 years' experience in Mainland China and overseas construction engineering. Mr. Li was granted 'Outstanding Project Manager of National Construction Enterprises' and 'International Excellent Project Manager' titles.

Dr. Raymond HO Chung Tai

SBS, MBE, S.B. St. J., JP

Independent Non-executive Director
Chairman of the Audit Committee
Remuneration Committee Member
Nomination Committee Member

Aged 74, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Ho has 50 years' experience in the fields of civil, structural, environmental and geotechnical engineering and direct project management of mega size engineering projects including 40 years in Hong Kong and 10 years in the United Kingdom. He direct responsibility in the HK$3.0 billion project of Electrification and Modernisation of Kowloon-Canton Railway (now called the East Rail) from the mid-70's till early 80's; all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993; and major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom; Honorary Doctor of Business Administration from the City University of Hong Kong; Honorary Doctor of Laws from University of Manchester, United Kingdom; a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom; and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. He was formerly Hong Kong Deputy to the 10th & 11th National People's Congress of the PRC, member of the 1st to 4th terms of Legislative Council (Engineering Functional Constituency) (1998–2012), member of the Provisional Legislative Council (1996–1998), President of the Hong Kong Institution of Engineers (1987/1988), Founding Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee and member of the Industry & Technology Development Council, Chairman of the Transport Advisory Committee, Chairman of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council, Hong Kong Affairs Adviser, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Currently, Dr. Ho is the Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee, board member of the Hong Kong Airport Authority, member of the Court of the City University of Hong Kong and member of the Chinese Medicine Consultative Committee of the School of Chinese Medicine of Hong Kong Baptist University. Dr. Ho is also a director of various private companies in Hong Kong, and Independent Non-executive Director of GCL-Poly Energy Holdings Ltd., Deson Development International Holdings Limited and Chinlink International Holdings Limited, which are companies listed on the main board of the Stock Exchange.

Directors and Organization *(continued)*

Mr. Adrian David LI Man Kiu JP

Independent Non-executive Director
Chairman of the Remuneration Committee
Audit Committee Member
Nomination Committee Member

Aged 40, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Mr. Li holds a Master of Management degree from Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong. Mr. Li is Deputy Chief Executive of The Bank of East Asia, Limited, with responsibility for the bank's Hong Kong business. He is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. Mr. Li is a board member of The Community Chest of Hong Kong, a member of the HKSAR Government-mandated Banking Industry Training Advisory Committee and a member of the MPF Industry Schemes Committee of the MPFA. He is an Advisory Committee member of the Hong Kong Baptist University's School of Business, a Vice President of The Hong Kong Institute of Bankers' Council and a Steering Committee member of the Asian Financial Forum. He also serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. Mr. Li is an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited, COSCO Pacific Limited and dual Hong Kong and Shanghai-listed Shanghai Fosun Pharmaceutical (Group) Co., Ltd., and is a Non-executive Director of London-listed The Berkeley Group Holdings plc. He is an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited, and an Alternate Director of Malaysia-listed AFFIN Holdings Berhad. He also serves as a member of the International Advisory Board of Spain-listed Abertis Infraestructuras, S.A. The aforesaid companies are all listed in Hong Kong, unless stated otherwise.

Dr. Raymond LEUNG Hai Ming

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

Aged 59, was appointed as an Independent Non-executive Director of the Company on 1 June 2005. Dr. Leung holds doctorate degree in Information Engineering from Chinese University of Hong Kong, a bachelor degree in Applied Science in Civil Engineering and a Master degree in Applied Science. Dr. Leung is Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Institute of Construction Managers, American Society for Civil Engineers, Institution of Civil Engineers (UK) and Senior Member of Institute of Electrical and Electronics Engineers. He has more than 37 years of experience in engineering, investment, construction and project management. Currently, Dr. Leung is director of various private companies in Hong Kong and independent non-executive director of Elec & Eltek International Company Limited, a company listed on the main boards of the Stock Exchange and Singapore Exchange Securities Trading Limited. Dr. Leung is also the chairman and chief executive officer of C & L Holdings Ltd. engaging in investment and business consultancy.

Mr. LEE Shing See GBS, OBE, JP

Independent Non-executive Director
Chairman of the Nomination Committee
Audit Committee Member
Remuneration Committee Member

Aged 71, was appointed as an Independent Non-executive Director of the Company on 1 September 2005. Mr. Lee graduated from the University of Hong Kong in 1964. He is Fellow of both The Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). Mr. Lee joined The Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including 2 months as a Permanent Secretary). He is a Director of the Hong Kong Cyberport Management Company Limited, a Member of the Development Committee of the West Kowloon Cultural District Authority, a Chairman of the Construction Industry Council, a Board Member of the Airport Authority Hong Kong, the Convener of the Panel on Promoting Testing and Certification Services in Construction Materials Trade of Hong Kong Council for Testing and Certification, a member of Education, Employment and Training Task Force of Commission on Poverty and an Vice Chairman of the CreateSmart Initiative Vetting Committee. Mr. Lee has over 48 years' experience in engineering and construction. He is an independent non-executive director of Chun Wo Holdings Limited, a company listed on the main board of the Stock Exchange.

Directors and Organization *(continued)*

SENIOR MANAGEMENT

Mr. ZHANG Yifeng
Deputy General Manager

Aged 59. He graduated from Logistical Engineering University of PLA and Murdoch University (Australia). Mr. Zhang is a member of the Hong Kong Institute of Engineers. Mr. Zhang joined the Group in 1993 and has been a director of certain subsidiaries of the Group since 2004. He acted as an executive director of the Company from 21 October 2009 to 21 March 2013. Mr. Zhang has over 36 years' experience in construction engineering and project management. He is responsible for the Group's pre-cast structures, project consultancy and construction related business in Mainland China.

Mr. ZHOU Wenbin
Deputy General Manager

Aged 47. He graduated from Zhongnan University of Economics and Law; and obtained a Master Degree from Huazhong University of Science and Technology and was awarded the titles of Senior Accountant and Senior Economist. Mr. Zhou joined COHL Group in 1999 and was seconded to the Group in 2005. He has been a director of certain subsidiaries of the Group since 2005. Mr. Zhou has over 25 years' experience in corporate finance, accounting and investment management. He is responsible for the Group's financial management, performance monitoring and information technology management in Mainland China.

Mr. WU Mingqing
Deputy General Manager

Aged 49. He graduated from Shanxi University of Finance and Economics and obtained a degree of Executive Master of Business Administration from Nankai University and was awarded the title of Senior Accountant. Mr. Wu joined CSCEC in 1986 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2002. Mr. Wu has over 28 years' experience in finance management, construction engineering, infrastructure investment and project management. He is responsible for the Group's infrastructure investment operation in Mainland China.

Mr. JIANG Shaojie
Deputy General Manager

Aged 50. He graduated from Shenyang Jianzhu University (formerly known as Shenyang Architectural and Civil Engineering University) and Sheffield Hallam University (UK). Mr. Jiang is a member of China Civil Engineering Society and a member of Chartered Quality Institute. Mr. Jiang joined CSCEC in 1988 and was seconded to the Group in 1991. He has been a director of certain subsidiaries of the Group since 2003. Mr. Jiang has over 31 years' experience in construction engineering and project management. He is responsible for the Group's human resources management, administration and public relations in Mainland China.

Mr. ZHAO Xiaoqi

Assistant General Manager

Aged 40. He graduated from Tsing Hua University and obtained a degree of Master of Business Administration from Renmin University of China. Mr. Zhao joined CSCEC in 1997 and was seconded to the Group in 2001. He has been a director of certain subsidiaries of the Group since 2010. Mr. Zhao has over 17 years' experience in human resources management and personnel administration. He is responsible for the Group's human resources management.

Mr. TANG Zhong

Assistant General Manager

Aged 46. He graduated from the Nanjing University, and obtained a Master Degree from Jinan University. Mr. Tang joined COHL Group in 2001 and was seconded to the Group in 2013. He has been a director of certain subsidiaries of the Group since 2013. Mr. Tang has over 20 years' experience in infrastructure investment, industrial investment and project management. He is responsible for the Group's infrastructure operations in Mainland China.

Mr. GONG Fanxiang

Assistant General Manager

Aged 57. He graduated from the Shenyang Jianzhu University (formerly known as Shenyang Architectural and Civil Engineering University), and was awarded the title of Senior Engineer. Mr. Gong joined CSCEC in 1982 and was seconded to the Group in 1989. He has been a director of certain subsidiaries of the Group since 1990. Mr. Gong has over 32 years' experience in construction and infrastructure management. He is responsible for the Group's infrastructure operations in Mainland China.

Mr. ZHANG Haipeng

Assistant General Manager

Aged 38. He graduated from the Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University and a degree of Executive Master of Business Administration from Nankai University. Mr. Zhang joined CSCEC in 2000 and was seconded to the Group in 2002. He has been a director of certain subsidiaries of the Group since 2008. Mr. Zhang has over 14 years' experience in construction engineering management. He is responsible for the Group's operations in Macau.

Directors and Organization *(continued)*

Mr. WONG Wing Yuk

Assistant General Manager

Aged 56. He graduated from the Plymouth Polytechnic (UK) and obtained a degree of Master of Business Administration from Southern Illinois University (US). Mr. Wong is a fellow member of the Hong Kong Institution of Engineers, a Chartered Engineer of The Engineering Council (UK) and a fellow member of the Institution of Civil Engineers. Mr. Wong joined the Group in 1990. He has been a director of certain subsidiaries of the Group since 2000. Mr. Wong has over 27 years' experience in construction engineering and contract management. He assists in managing the Group's overseas operations.

Mr. LAU Wing Shing

Assistant General Manager

Aged 54. He graduated from the University of Warwick (UK) and City University of Hong Kong, respectively obtained a Master degree of Science (MSc) and a Master degree of Laws (LL.M.). Mr. Lau is a fellow of the Chartered Institute of Building (UK), a fellow of the Chartered Management Institute (UK), a fellow of the Institute of Clerks of Works of Great Britain Incorporated (UK) and an associate of Chartered Institute of Arbitrators (UK). He is also a member of the Hong Kong Institute of Engineers, a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors, the Association of Cost Engineers (UK), the Registered Professional Engineer (Building) of the Hong Kong Engineers Registration Board and the Registered Professional Surveyor (Quantity Surveying) of the Hong Kong Surveyors Registration Board. Mr. Lau is currently appointed by Planning, Lands Branch, Development Bureau as a member of the Appeal Tribunal Panel (Buildings Ordinance). Mr. Lau joined the Group in 1989. He has been a director of certain subsidiaries of the Group since 1996. Mr. Lau has over 32 years' experience in contract and project management. He assists in managing the Group's building construction, mechanical & electrical engineering operations, and joint venture projects.

Mr. LUO Haichuan

Assistant General Manager of China State Construction International Investments (China) Limited

Aged 35. He graduated from Harbin Institute of Technology, and obtained a degree of Master of Business Administration from Hong Kong Baptist University. Mr. Luo joined the Group in 2003. He has been a director of certain subsidiaries of the Group since 2011. Mr. Luo has over 11 years' experience in human resources management and business management. He is responsible for the Group's business development in Mainland China.

Mr. CHAN Wai Hung

Assistant General Manager of China State Construction Engineering (Hong Kong) Limited

Aged 56. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) and City University of Hong Kong. Mr. Chan is a member of The Hong Kong Institution of Engineers and Registered Professional Engineer (Civil) of the Hong Kong Engineers Registration Board. He is also a Chartered Engineer of The Engineering Council (UK) and member of The Institution of Civil Engineers. He joined the Group in 1989 and has been a director of certain subsidiaries of the Group since 1998. Mr. Chan has over 34 years' experience in contract and project management. He assists in managing the Group's civil engineering operations.

Mr. JIANG Jianping

Assistant General Manager of China State Construction International Investments (China) Limited

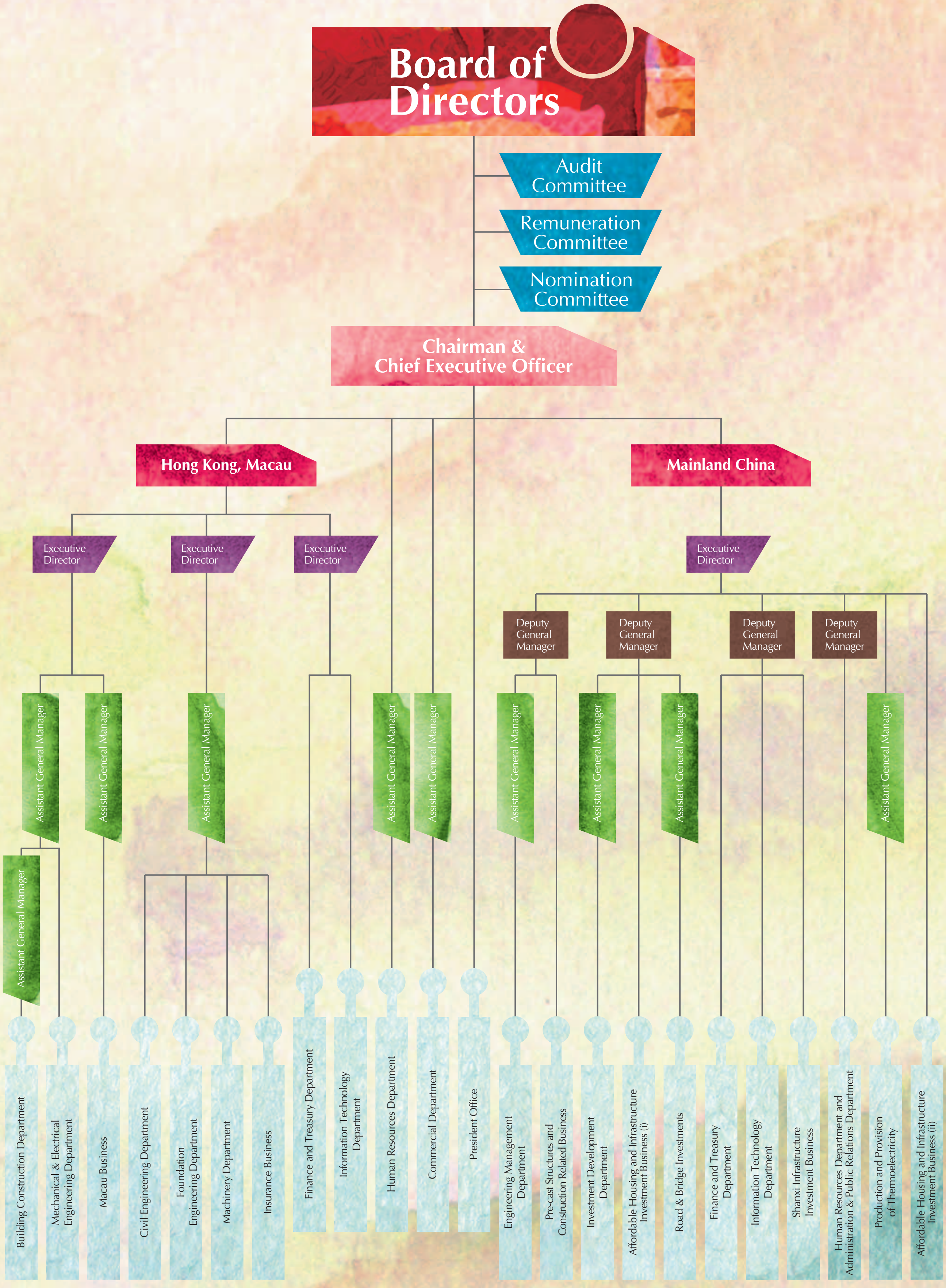
Aged 46. He graduated from the Chongqing University. Mr. Jiang joined CSCEC in 1992 and was seconded to the Group in 1999. Mr. Jiang has over 22 years' experience in engineering management and business contract management. He is responsible for the Group's engineering management in Mainland China.

Mr. HUANG Jiang

Assistant General Manager of China State Construction Engineering (Hong Kong) Limited

Aged 40. He graduated from the Chongqing Jianzhu University, and obtained a degree of Master of Science in Project Management from Hong Kong Polytechnic University and a degree of Executive Master of Business Administration from Nankai University. Mr. Huang joined CSCEC in 1997 and was seconded to the Group in 2000. He has been a director of certain subsidiaries of the Group since 2007. Mr. Huang has over 17 years' experience in contract and project management. He is responsible for the Group's building construction engineering.

Directors and Organization *(continued)*



DIRECTORS' REPORT

The Directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding and provides corporate management services. The activities of its principal subsidiaries are set out in note 52 to the consolidated financial statements.

An analysis of the Group's performance for the year by segments is set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 102 and 103 respectively.

An interim dividend of HK9.00 cents per share amounting to HK$349,987,000 was paid to the shareholders during the year. The Board now recommends the payment of a final dividend of HK12.00 cents per share to the shareholders on the register of members on 10 June 2014, amounting to approximately HK$466,649,000.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 208 and 209.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Investment Properties

Details of investment properties of the Group are set out on page 210.

Share Capital

The Company's total issued share capital as at 31 December 2013 was 3,888,744,651 ordinary shares of HK$0.025 each ('Shares').

During the year, the Company issued 1,297,268 new Shares pursuant to the Company's Share Option Scheme.

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

Share Premium and Reserves

Details of movements during the year in the share premium and reserves of the Group are set out on page 107.

Directors

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

Chairman and Non-executive Director

Mr. Kong Qingping *(resigned on 15 August 2013)*

Executive Directors

Mr. Zhou Yong *(Chairman and Chief Executive Officer)* *(appointed as Chairman on 15 August 2013)*
Mr. Tian Shuchen
Mr. Zhou Hancheng
Mr. Zhang Yifeng *(resigned on 21 March 2013)*
Mr. Pan Shujie
Mr. Hung Cheung Shew

Non-executive Director

Mr. Li Jian

Independent Non-executive Directors

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

Directors' Report *(continued)*

Note:

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai and Mr. Adrian David Li Man Kiu, will retire by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, offer themselves for re-election.

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

Information regarding directors' emoluments is set out in note 10 to the consolidated financial statements.

With effect from 1 February 2014, the monthly salary of Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Pan Shujie were changed from HK$97,000 to HK$101,000; and the monthly salary of Mr. Hung Cheung Shew was changed from HK$160,400 to HK$170,000. The directors' fees of other directors remain unchanged.

Confirmation of Independence

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

Directors' Service Contracts

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

Management Contracts

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

Substantial Shareholders

As at 31 December 2013, the register of substantial shareholders maintained by the Company under Section 336 of the Securities and Futures Ordinance (the 'SFO') shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue[1]
China Overseas Holdings Limited[2] ('COHL')	Beneficial owner	2,218,813,659	2,218,813,659	57.06
China State Construction Engineering Corporation Limited[3] ('CSCECL')	Interest of a controlled corporation/beneficial owner	2,218,813,659	2,218,813,659	57.06
China State Construction Engineering Corporation[4] ('CSCEC')	Interest of a controlled corporation/beneficial owner	2,218,813,659	2,218,813,659	57.06

Notes:

1. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2013 (i.e. 3,888,744,651 ordinary shares).

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

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

4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,218,813,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Connected and Related Party Transactions

Details of connected transactions are set out on pages 92 to 99. Save as the related party transactions disclosed in note 49 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interest in Competing Business

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

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

Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible persons, details of the scheme is set out in note 46 to the consolidated financial statements.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ('MPF Scheme') for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The Assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation to the Group with respect to these schemes is to make the required contributions under these schemes. During the year, the Group made contribution to the retirement benefit schemes amounting to approximately HK$88.63 million. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

Pre-emptive Rights

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

Public Float

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

Charitable Donations

Charitable Donations made by the Group during the year amounted to HK$442,011 (2012: HK$257,081).

Major Customers and Suppliers

In 2013, the Group's largest customer accounted for approximately 18.6% (2012: 17.6%) of the Group's revenue. The five largest customers of the Group accounted for approximately 47.9% (2012: 48.0%) of the Group's revenue. The Group's largest supplier accounted for approximately 1.4% (2012: 4.6%) of the Group's purchases. The five largest suppliers of the Group accounted for 5.3% (2012: 11.1%) of the Group's purchases for the year.

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

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

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

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2013, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined balance sheet of the affiliated companies as at 31 December 2013 is set out below:

	HK$'000
Non-current assets	629,608
Current assets	1,040,852
Current liabilities	(2,135,723)
Net Liabilities	(465,263)
Reserves	(465,263)
Total Equity	(465,263)

As at 31 December 2013, the Group shared the accumulated losses of these affiliated companies amounted to HK$183,015,000.

Auditor

Messrs. Deloitte Touche Tohmatsu ('Deloitte') had acted as auditor of the Company since its incorporation. Deloitte retired and did not offer themselves for re-appointment as auditor of the Company for the year ended 31 December 2012 in the annual general meeting of the Company held on 28 May 2012.

The consolidated financial statements for the year ended 31 December 2012 and 2013 were audited by PricewaterhouseCoopers ('PwC') who retire and, being eligible, offer themselves for re-appointment as auditor of the Company.

A resolution to re-appoint PwC as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
China State Construction International Holdings Limited
Zhou Yong
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 17 March 2014

CONNECTED TRANSACTIONS

A. Connected transactions under the Listing Rules

A.1 Formation of Wuhan JV with 中建三局建設工程股份有限公司 (China Construction Third Engineering Bureau Corp., Ltd.)

On 24 May 2013, a joint venture formation cooperation agreement ('JV Agreement') was entered into between 中建三局建設工程股份有限公司 (China Construction Third Engineering Bureau Corp., Ltd. ('CCTEB'), a joint stock company incorporated in the PRC and a subsidiary of China State Construction Engineering Corporation Limited ('CSCECL', the Company's intermediate holding company)) and 中建國際投資(中國)有限公司(China State Construction International Investments (China) Limited ('CSCIICL'), a company established in the PRC and a wholly-owned subsidiary of the Company), whereby CCTEB and CSCIICL shall form a Wuhan joint venture (the 'Wuhan JV') on a 70:30 basis for the construction of and investment in the infrastructure projects located in Wuhan, the PRC (the 'Wuhan Infrastructure Project').

The total registered capital of the Wuhan JV is RMB300 million (equivalent to approximately HK$380 million), contributed in cash in proportion to the respective equity interests in the Wuhan JV of each party. Such amount of registered capital is determined after arm's length negotiations between the parties with reference to their proposed capital requirements of the Wuhan Infrastructure Project.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the JV Agreement less than 5%. The JV Agreement is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

Details of the Wuhan JV were disclosed in an announcement dated 24 May 2013.

A.2 Formation of Joint Venture with 中國建築第七工程局有限公司 (China Construction Seventh Engineering Division Corp. Ltd.)

On 5 June 2013, a joint venture formation cooperation agreement ('JV Agreement') was entered into between CSCIICL and 中國建築第七工程局有限公司 (China Construction Seventh Engineering Division Corp. Ltd. ('CCSED'), a limited liability company established in the PRC and a subsidiary of CSCECL), whereby CSCIICL and CCSED shall form a Zhengzhou joint venture (the 'Zhengzhou JV') on a 80:20 basis to undertake the projects relating to the construction of roads, bridges, tunnels and urban infrastructure; the engineering of water conservation and environment and public facilities; urban landscaping; urbanisation; and the construction of ancillary facilities in Zhengzhou, Henan Province, the PRC (the 'Projects').

The aggregate investment in the Zhengzhou JV shall be RMB295 million (equivalent to approximately HK$373 million). The registered capital of the Zhengzhou JV shall be RMB100 million (equivalent to approximately HK$126 million). CSCIICL and CCSED will respectively pay into the Zhengzhou JV as its registered capital RMB80 million (equivalent to approximately HK$101 million) and RMB20 million (equivalent to approximately HK$25 million) in cash in proportion to their respective equity interests in the Zhengzhou JV within 6 months after the issue of business licence of the Zhengzhou JV. The amounts of the aggregate investment and the registered capital are determined after arm's length negotiations between the parties with reference to their proposed capital requirements of the Projects.

Since the applicable percentage ratios pursuant to the Listing Rules calculated with reference to the Group's financial commitment under the JV Agreement are less than 5%. The JV Agreement is subject to the reporting and announcement requirements, and is exempted from the independent shareholders' approval requirement.

Details of Zhengzhou JV were disclosed in an announcement dated 5 June 2013.

A.3 Acquisition of IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited ('IHG')

During the year, a wholly owned subsidiary of the Company, Hai Ao Construction Ltd ('Hai Ao') and Good Rich Limited ('Good Rich') entered into an agreement pursuant to which Hai Ao had agreed to acquire the registered capital of MOP300,000 of IHG at a consideration of MOP9,621,780 and assignment of shareholders' loan with the amount of MOP15,098,220 ('Acquisition'). IHG is incorporated in Macau and is principally engaged in the research, development and production of new pharmaceutical product. After the acquisition, Hai Ao holds 30% interest of IHG.

Good Rich is a wholly-owned subsidiary of China Overseas Land & Investment Ltd. ('COLI') and therefore an associate of the Company. China Overseas Holdings Limited ('COHL', the Company's holding Company) is a controlling shareholder of the Company and Good Rich. Accordingly, the Acquisition constitutes a connected transaction for the Company. Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules for the Acquisition are less than 0.1%, the Acquisition is exempt from the reporting, announcement, independent shareholders' approval requirements.

B. Continuing connected transactions under the Listing Rules

B.1 Renewal of the Master Dubai Construction Agreement

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

On 19 November 2007, the Company entered into a Master Dubai Construction Agreement with CSCEC. Pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company and payment of fee, tender for and/or enter into contracts in construction works in Dubai.

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

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

Connected Transactions *(continued)*

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

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

For the year ended 31 December 2013, there was no contract in Dubai awarded to the CSCEC Group and the relevant fee thereon calculated under the Master Dubai Construction Agreement was nil.

B.2 CSCECL Sub-construction Engagement Agreement

It is expected that (i) the Group may continue to engage the CSCECL Group as Contractors upon successful tender and (ii) the CSCECL Group may continue to engage the Group as Contractors upon successful tender.

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

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

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

For the year ended 31 December 2013, the total contract sum awarded by the Group to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Sub-construction Engagement Cap) was HK$1,436,301,575. There was no contract awarded by the CSCECL Group to the Group under the CSCECL Sub-construction Engagement Agreement (i.e. the CSC Sub-construction Engagement Cap).

B.3 COHL Construction Engagement Agreement

It is expected that China Overseas Holdings Limited ('COHL', the Company's holding company) Group may engage the Group as contractor (on the basis of 'Build-Transfer' mode) for the COHL Group's construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC upon successful tender.

On 20 September 2011, the Company and COHL entered into the COHL Construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 provided that the maximum total contract sum that may be awarded by the COHL Group to the Group for the period between 1 November 2011 and 31 December 2011 shall not exceed RMB5,000 million (approximately HK$6,097 million), for each of the two financial years ending 31 December 2013 shall not exceed RMB5,000 million (approximately HK$6,097 million), and for the period between 1 January 2014 and 31 October 2014 shall not exceed RMB5,000 million (approximately HK$6,097 million) (i.e. the COHL Construction Engagement Cap).

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

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

For the year ended 31 December 2013, there was no contract awarded by the COHL Group to the Group under the COHL Construction Engagement Agreement (i.e. COHL Construction Engagement Cap).

B.4 New Master CSC Group Engagement Agreement

It is expected that the COLI Group will continue to invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time.

On 18 May 2012, COLI and the Company entered into a new engagement agreement ('New Master CSC Group Engagement Agreement') for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master CSC Group Engagement Agreement, the aggregate amount of total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the New Construction Works Cap).

The maximum total contract sum that may be awarded for each year/period under the New Master CSC Group Engagement Agreement, i.e. the New Construction Works Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master CSC Group Engagement Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master CSC Group Engagement Agreement was made on 18 May 2012.

Connected Transactions *(continued)*

For the year ended 31 December 2013, the total contract sum awarded to the Group under the New Master CSC Group Engagement Agreement was HK$86,570,033.

B.5 New Master Security Services Agreement

It is expected that the Group will continue to invite members of the COLI Group which hold the relevant licenses to provide security services in Hong Kong to participate in competitive tender for the security services to the work sites of the Group in Hong Kong from time to time.

On 18 May 2012, COLI and the Company entered into a new master security services agreement ('New Master Security Services Agreement') for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master Security Services Agreement, the maximum total contract sum that may be awarded by the Group to the COLI Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$25 million, for each of the two years ending 31 December 2014 shall not exceed HK$50 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$25 million (i.e. the New Security Services Cap).

The maximum total contract sum for the provision of the security services by the COLI Group for each year/period under the New Master Security Services Agreement, i.e. the New Security Services Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master Security Services Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master Security Services Agreement was made on 18 May 2012.

For the year ended 31 December 2013, the total contract sum awarded to the COLI Group under the New Master Security Services Agreement was HK$16,224,946.06.

B.6 New Master Lease Agreement

It is expected that the Group will continue to lease properties from the COLI Group from time to time.

On 18 May 2012, COLI and the Company entered into a new master lease agreement ('New Master Lease Agreement') for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. Pursuant to the New Master Lease Agreement, the maximum aggregate rental for leasing of properties for the period between 1 July 2012 and 31 December 2012 shall not exceed HK$9 million, for each of the two years ending 31 December 2014 shall not exceed HK$18 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$9 million (i.e. the New Lease Cap).

The maximum aggregate rental (exclusive of rates, government rent, management fees and air-conditioning charges, water charges, cleaning charges and electricity charges) payable by the Group to the COLI Group for each year/period under the New Master Lease Agreement, i.e. the New Lease Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master Lease Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master Lease Agreement was made on 18 May 2012.

For the year ended 31 December 2013, the aggregate amount made by the Group to the COLI Group under the New Master Lease Agreement amounted to HK$14,824,050.

B.7 New Master Connection Services Agreement

It is expected that the COLI Group will continue to invite the Company (through Shenyang Huanggu Thermoelectricity Company Limited 瀋陽皇姑熱電有限公司 'SHTCL', a wholly-owned subsidiary of the Company) to participate in the provision of connection services for heating pipes for the real estate project(s) located in Shenyang and developed by COLI from time to time.

On 18 May 2012, COLI and the Company entered into a new master connection services agreement ('New Master Connection Services Agreement') for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Pursuant to the New Master Connection Services Agreement, the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three years ending 31 December 2015 shall not exceed HK$100 million (i.e. the New Connection Services Cap).

The maximum total contract sums awarded by the COLI Group to the Group for each year under the New Master Connection Services Agreement, i.e. the New Connection Services Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the New Master Connection Services Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the New Master Connection Services Agreement was made on 18 May 2012.

For the year ended 31 December 2013, the total contract sum awarded to the Group under the New Master Connection Services Agreement was HK$95,262,500.

B.8 FE-CSCECL Sub-construction Engagement Agreement

On 11 June 2012, CSCECL and Far East Global Group Limited ('FEG', a non-wholly owned subsidiary of the Company) entered into the FE-CSCECL Sub-construction Engagement Agreement, whereby the CSCECL Group may engage the FEG Group as its subcontractor for provision of contracting service, supply, project consultancy service and project management service in relation to exterior facade works to the CSCECL Group's construction works for the period commencing from 16 July 2012 and ending on 30 June 2015. Pursuant to the FE-CSCECL Sub-construction Engagement Agreement, the maximum total contract sum that may be awarded by the CSCECL Group to the FEG Group for the period between 16 July 2012 and 31 December 2012 shall not exceed HK$400 million, for each of the two years ending 31 December 2014 shall not exceed HK$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK$400 million (i.e. the CSCECL Works Cap).

The maximum total contract sum that may be awarded to the FEG Group for each year/period under the FE-CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Works Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the FE-CSCECL Sub-construction Engagement Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the FE-CSCECL Sub-construction Engagement Agreement was made on 11 June 2012.

Connected Transactions *(continued)*

For the year ended 31 December 2013, there was no contract awarded by the CSCECL Group to the FEG Group under the FE-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Cap).

B.9 Master Design Consultancy Services Agreement

On 19 August 2013, the Company and COLI entered into the Master Design Consultancy Services Agreement, whereby the Group may engage 香港華藝設計顧問(深圳)有限公司 (Hong Kong Huayi Design Consultants (Shenzhen) Ltd ('Huayi'), a subsidiary of COLI) as provider of Design Consultancy Services to the Group's building construction works in the Mainland China for the period commencing from 1 September 2013 and ending on 31 August 2016. Pursuant to the Master Design Consultancy Services Agreement, the maximum aggregate value of the contract sum that may be awarded by the Group to Huayi for the period between 1 September 2013 and 31 December 2013 shall not exceed RMB85 million (approximately HK$106 million), for each of the two years ending 31 December 2015 shall not exceed RMB130 million (approximately HK$163 million), and for the period between 1 January 2016 and 31 August 2016 shall not exceed RMB130 million (approximately HK$163 million) (i.e. the Annual Cap).

The maximum total contract sum that may be awarded to Huayi for each year/period under the Master Design Consultancy Services Agreement, i.e. the Annual Cap, is less than 5% of the applicable percentage ratios calculated pursuant to the Listing Rules. As such the Master Design Consultancy Services Agreement is subject to the annual review, reporting and announcement requirements and is exempted from the independent shareholders' approval requirement.

An announcement containing the particulars of the Master Design Consultancy Services Agreement was made on 19 August 2013.

For the period from 1 September 2013 to 31 December 2013, the total contract sum awarded to Huayi under the Master Design Consultancy Services Agreement was RMB57,426,000.

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

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

(ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

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

In accordance with rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed in a letter to the Board that:

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

(2) nothing has come to their attention that causes them to believe that the transactions were not entered into in accordance with the relevant agreements governing such transactions;

(3) the relevant cap amount have not been exceeded during the financial year ended 31 December 2013; and

(4) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned continuing connected transaction.

The continuing connected transactions disclosed above also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 49 to the financial statements. Certain items also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of China State Construction International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China State Construction International Holdings Limited (the 'Company') and its subsidiaries (together, the 'Group') set out on pages 102 to 207, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Revenue	5	27,191,939	21,910,660
Costs of sales		(23,456,839)	(19,192,443)
Gross profit		3,735,100	2,718,217
Investment income	7	221,431	238,869
Other income and other gains, net	8	209,879	132,221
Administrative expenses		(933,643)	(704,139)
Distribution, selling and other operating expenses		(82,946)	(35,935)
Share of profits of			
Joint ventures		430,228	413,284
Associates	22	21,941	18,255
Finance costs	9	(409,330)	(239,375)
Profit before tax		3,192,660	2,541,397
Income tax expense, net	12	(499,379)	(404,896)
Profit for the year	13	2,693,281	2,136,501
Profit/(loss) for the year attributable to:			
Owners of the Company		2,772,145	2,131,459
Non-controlling interests		(78,864)	5,042
		2,693,281	2,136,501
Earnings per share (HK cents)	15		
Basic		71.29	57.32
Diluted		70.25	56.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**2,693,281**	2,136,501
Other comprehensive income/(loss)		
Items that may be reclassified to profit and loss		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	**(1,114)**	(1,047)
Gain on fair value changes of available-for-sale investments, net of tax	**9,041**	95,256
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	**–**	(21,625)
Exchange differences on translation of foreign operations	**582,363**	77,269
Other comprehensive income for the year, net of tax	**590,290**	149,853
Total comprehensive income for the year, net of tax	**3,283,571**	2,286,354
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**3,370,682**	2,279,277
Non-controlling interests	**(87,111)**	7,077
	3,283,571	2,286,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	At 31 December 2013 HK$'000	2012 HK$'000 (restated)	At 1 January 2012 HK$'000 (restated)
Non-current Assets				
Property, plant and equipment	16	2,342,163	2,190,951	1,870,033
Investment properties	17	39,085	40,044	41,063
Interests in infrastructure project investments	18	1,186,012	915,049	673,224
Prepaid lease payments	19	183,987	182,291	184,978
Interests in joint ventures	21	2,149,893	2,630,927	2,506,098
Interests in associates	22	48,757	36,156	29,237
Concession operating rights	23	6,353,833	5,501,701	4,926,465
Deferred tax assets	42	151,027	–	–
Trademark, project backlogs and licences	24	226,596	252,551	9,950
Goodwill	24	577,664	577,664	–
Available-for-sale investments	25	543,642	497,861	490,842
Investment in convertible bonds	26	–	296,827	240,000
Amounts due from investee companies	27	399,645	361,471	356,085
Trade and other receivables	30	8,141,167	3,186,846	919,473
Deposit paid for an investment		500,000	–	–
Loan to a joint venture		127,550	–	–
		22,971,021	16,670,339	12,247,448
Current Assets				
Interests in infrastructure project investments	18	10,566	8,506	23,490
Inventories	28	163,427	185,374	149,559
Properties held for sale		152,905	158,608	158,608
Amounts due from customers for contract work	29	1,075,267	5,621,095	2,944,066
Trade and other receivables	30	8,654,467	7,109,275	5,029,080
Deposits and prepayments		228,295	523,278	234,679
Amount due from immediate holding company	32	4,833	–	–
Amount due from an intermediate holding company	32	–	–	72,159
Amounts due from joint ventures	33	7,154	5,461	5,520
Amounts due from fellow subsidiaries	32	264,025	633,822	423,284
Amounts due from related companies	32	–	26,939	10,990
Amount due from an associate	32	388	–	–
Tax recoverable		18,697	15,054	6,217
Pledged bank deposits	34	291	1,291	4,992
Deposits with financial institutions	34	162	516	848
Bank balances and cash	34	8,115,820	6,875,018	5,594,248
		18,696,297	21,164,237	14,657,740
Assets held for sale	37	9,169,319	–	–
		27,865,616	21,164,237	14,657,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AT 31 DECEMBER 2013

	NOTES	At 31 December 2013 HK$'000	2012 HK$'000 (restated)	At 1 January 2012 HK$'000 (restated)
Current Liabilities				
Amounts due to customers for contract work	29	1,903,378	1,503,088	1,613,316
Trade payables, other payables and accruals	35	8,564,715	7,152,461	5,307,046
Deposits received and advances from customers		1,755,670	1,138,919	699,874
Amount due to immediate holding company	32	–	16,019	208,218
Amount due to an intermediate holding company	32	548,536	132,692	676,461
Amounts due to joint ventures	33	–	339,898	211,271
Amounts due to fellow subsidiaries	32	2,598,036	2,136,175	1,398,076
Amount due to an associate	32	27,505	33,495	6,125
Amount due to a related company	32	–	–	16,851
Current tax payables		606,061	594,570	313,787
Borrowings	36	236,449	48,780	357,716
Loans from an intermediate holding company		–	–	940,151
Obligations under finance leases	43	1,087	1,158	–
		16,241,437	13,097,255	11,748,892
Liabilities directly associated with assets classified as held for sale	37	4,723,121	–	–
		20,964,558	13,097,255	11,748,892
Net Current Assets		6,901,058	8,066,982	2,908,848
Total Assets less Current Liabilities		29,872,079	24,737,321	15,156,296
Capital and Reserves				
Share capital	38	97,219	97,186	89,668
Share premium and reserves	39	16,083,606	13,412,638	9,400,684
Equity attributable to owners of the Company		16,180,825	13,509,824	9,490,352
Non-controlling interests		253,237	343,144	6,724
		16,434,062	13,852,968	9,497,076
Non-current Liabilities				
Borrowings	36	8,539,842	9,996,359	4,961,268
Guaranteed notes payables	40	3,860,286	–	–
Deferred income	41	638,802	520,791	421,938
Deferred tax liabilities	42	394,807	362,265	276,014
Obligations under finance leases	43	4,280	4,938	–
		13,438,017	10,884,353	5,659,220
		29,872,079	24,737,321	15,156,296

On behalf of the Board

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current Asset			
Interests in subsidiaries	20	7,332,172	4,918,602
Current Assets			
Deposits and prepayments and other receivables		10,723	17,438
Amounts due from subsidiaries	31	4,666,446	6,728,486
Tax recoverable		103	855
Bank balances and cash	34	98,139	25,386
		4,775,411	6,772,165
Current Liabilities			
Other payables		8,939	8,033
Current tax payables		–	1,019
		8,939	9,052
Net Current Assets		4,766,472	6,763,113
Total Assets less Current Liabilities		12,098,644	11,681,715
Capital and Reserves			
Share capital	38	97,219	97,186
Share premium and reserves	39	8,701,425	8,584,529
		8,798,644	8,681,715
Non-current Liability			
Borrowing	36	3,300,000	3,000,000
		12,098,644	11,681,715

On behalf of the Board

Zhou Yong
DIRECTOR

Zhou Hancheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company				
	Share capital HK$'000 (note 38)	Share premium and reserves HK$'000 (note 39)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	89,668	9,400,684	9,490,352	6,724	9,497,076
Profit for the year	–	2,131,459	2,131,459	5,042	2,136,501
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	(1,047)	(1,047)	–	(1,047)
Gain on fair value changes of available-for-sale investments, net of tax	–	95,256	95,256	–	95,256
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	–	(21,625)	(21,625)	–	(21,625)
Exchange differences arising on translation of foreign operations	–	75,234	75,234	2,035	77,269
Total comprehensive income for the year	–	2,279,277	2,279,277	7,077	2,286,354
Issue of ordinary shares upon exercise of share options	18	140	158	–	158
Issue of ordinary shares upon placement	7,500	2,263,500	2,271,000	–	2,271,000
Share issuance expenses	–	(41,297)	(41,297)	–	(41,297)
Acquisition of a subsidiary (note 44)	–	–	–	306,041	306,041
Disposal of partial interest in a subsidiary (note 39(a)(ii))	–	33,527	33,527	23,302	56,829
2011 final dividend paid	–	(251,072)	(251,072)	–	(251,072)
2012 interim dividend paid	–	(272,121)	(272,121)	–	(272,121)
At 31 December 2012	97,186	13,412,638	13,509,824	343,144	13,852,968
Profit/(loss) for the year	–	2,772,145	2,772,145	(78,864)	2,693,281
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	(1,114)	(1,114)	–	(1,114)
Gain on fair value changes of available-for-sale investments, net of tax	–	9,026	9,026	15	9,041
Exchange differences arising on translation of foreign operations	–	590,625	590,625	(8,262)	582,363
Total comprehensive income/(loss) for the year	–	3,370,682	3,370,682	(87,111)	3,283,571
Issue of ordinary shares upon exercise of share options	33	260	293	–	293
2012 final dividend paid	–	(349,987)	(349,987)	–	(349,987)
2013 interim dividend paid	–	(349,987)	(349,987)	(2,796)	(352,783)
At 31 December 2013	97,219	16,083,606	16,180,825	253,237	16,434,062

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000 (restated)
Operating activities		
Profit before tax	3,192,660	2,541,397
Adjustments for:		
Finance costs	409,330	239,375
Investment income	(221,431)	(238,869)
Gain on fair value changes of investment in convertible bonds	–	(56,827)
Share of profits of joint ventures	(430,228)	(413,284)
Share of profits of associates	(21,941)	(18,255)
Gain on disposal of property, plant and equipment	(64,629)	(7,992)
Exchange gain, net	(2,355)	(9,612)
Depreciation of property, plant and equipment	119,039	110,906
Depreciation of investment properties	1,008	1,019
Amortisation of concession operating rights	140,478	138,744
Amortisation of trademark and projects backlogs	25,955	19,466
Amortisation of prepaid lease payments	6,308	3,851
Operating cash flows before working capital changes	3,154,194	2,309,919
Increase in concession operating rights	(726,657)	(675,056)
(Increase)/decrease in income receivables from infrastructure project investments	(14,943)	43,776
Decrease/(increase) in inventories	21,947	(31,620)
Decrease in properties held for sale	5,703	–
Changes in net balances with customers for contract work	(2,950,374)	(2,545,810)
Increase in trade and other receivables	(6,854,291)	(4,156,519)
Decrease/(increase) in deposits and prepayments	173,579	(273,738)
Changes in net balances with an intermediate holding company	410,185	(471,610)
Decrease/(increase) in amounts due from fellow subsidiaries	374,643	(210,538)
Decrease/(Increase) in amounts due from related companies	26,939	(15,949)
Increase in trade payables, other payables and accruals	2,197,858	1,609,431
Increase in deposits received and advances from customers	600,484	439,545
Changes in net balances with immediate holding company	(20,852)	7,801
Increase in amounts due to fellow subsidiaries	369,544	739,099
Changes in net balances with an associate	(6,378)	27,370
Decrease in amount due to a related company	–	(16,851)
Increase in deferred income	95,412	104,446
Net cash used in operations	(3,143,007)	(3,116,304)
Income taxes paid	(120,094)	(130,999)
Income taxes refunded	4,394	1,314
Net cash used in operating activities (note)	(3,258,707)	(3,245,989)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 HK$'000	2012 HK$'000 (restated)
Investing activities			
Interests received		105,235	58,339
Purchases of property, plant and equipment		(378,159)	(402,206)
Proceeds from disposal of property, plant and equipment		85,570	11,984
Increase in interests in infrastructure project investments		(240,106)	(206,965)
Purchases of prepaid lease payments		(2,356)	(1,235)
Loan to a joint venture		(127,550)	–
Dividends received from joint ventures		694,559	292,182
Dividends received from associates		9,339	11,336
Dividends received from unlisted available-for-sale investments		85,384	140,243
Dividends received from listed available-for-sale investments		181	74
Proceeds from disposal of a joint venture		–	892
Acquisition of listed available-for-sale investments		(54,060)	(38,817)
Proceeds from disposal of unlisted available-for-sale investments		23,781	19,834
Proceeds from disposal of listed available-for-sale investments		3,628	23,400
Repayment of other receivables		189,961	123,335
Decrease in pledged bank deposits		1,000	29,382
Decrease in deposits with financial institutions		354	332
Acquisition of a subsidiary	44	–	(565,954)
Capital investment in a joint venture		(100,895)	–
Deposit paid for an investment		(500,000)	–
Proceeds from disposal of convertible bonds		304,352	–
Net cash from/(used in) investing activities		100,218	(503,844)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 HK$'000	2012 HK$'000 (restated)
Financing activities			
Finance costs paid		(737,890)	(350,656)
Dividends paid to owners of the Company		(699,974)	(523,193)
Dividends paid to non-controlling interests		(2,796)	–
Advance from joint ventures		–	128,231
Repayment to an intermediate holding company		–	(940,151)
Repayment to immediate holding company		–	(200,000)
New bank loans raised		4,913,874	5,033,380
Repayment of bank loans		(3,030,783)	(411,505)
Issue of guaranteed notes payables		3,853,167	–
Repayment of finance leases		(1,982)	(951)
Shares issuance expenses paid		–	(41,297)
Proceeds from issue of ordinary shares on exercise of share options		293	158
Proceeds from issue of ordinary shares on placing		–	2,271,000
Proceeds from partial disposal of interests in a subsidiary		–	56,829
Net cash from financing activities		4,293,909	5,021,845
Increase in cash and cash equivalents		1,135,420	1,272,012
Cash and cash equivalents at the beginning of the year		6,870,095	5,594,248
Effect of foreign exchange rate changes		145,825	3,835
Cash and cash equivalents at the end of the year		8,151,340	6,870,095
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		8,115,820	6,875,018
Bank overdrafts		–	(4,923)
Cash and cash equivalents reclassified to assets held for sale	37	35,520	–
		8,151,340	6,870,095

Note:

The net cash used in operating activities includes net cash outflows of administrative expenses, excluding depreciation and amortisation, amounting to approximately HK$872 million (2012: HK$667 million). Excluding the expenditure for the 'build-transfer' ('BT') and 'build-operate-transfer' ('BOT') projects amounting to approximately HK$4,949 million (2012: HK$4,226 million), the net cash generated from operating activities for the year was approximately HK$1,690 million (2012: HK$980 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 General and Basis of Preparation of Consolidated Financial Statements

China State Construction International Holdings Limited (the 'Company') is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the 'SEHK') with effect from 8 July 2005. Its immediate holding company is China Overseas Holdings Limited ('COHL') (incorporated in Hong Kong) and its intermediate holding company and its ultimate holding company are China State Construction Engineering Corporation Limited ('CSCECL'), a joint stock company with its shares listed on the Shanghai Stock Exchange, and China State Construction Engineering Corporation ('CSCEC'), respectively, both of which are established in the People's Republic of China ('PRC') and controlled by the PRC Government. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, The Cayman Islands and 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, respectively.

The principal activities of the Company and its subsidiaries (the 'Group') are the construction business, project consultancy services, supply of heat and electricity, provision of connection services, infrastructure project investments, toll road operation, trading of precast structures, building materials and asphalts and facade contracting business. The principal activities of its subsidiaries, joint arrangements and associates are set out in notes 52, 21 and 22, respectively.

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

The consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2014.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

The assets and liabilities related to a wholly owned subsidiary of the Group, have been presented as held for sale following the completion of a BT construction contract in Mainland China for which the Group has committed to transfer its entire interest in the subsidiary to an independent third party. The transaction is expected to complete in 2014. Analysis of the assets and liabilities of the assets held for sale is presented in note 37.

In the current year, the Group has classified interest income generated from BT projects from investment income to revenue as the income is generated from the Group's investment in BT projects, which is an ordinary course of business of the Group. The effect of the change of classification on the results for the years ended 31 December 2013 and 2012 by line items presented in the consolidated income statement is as follows:

	For the year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Increase in revenue	**674,531**	284,589
Decrease in investment income	**(674,531)**	(284,589)
Net increase in profit for the year	**–**	–

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards

In the current year, the Group has applied the following new or revised Hong Kong Accounting Standards ('HKAS(s)'), HKFRS(s), amendments or interpretation (hereinafter collectively reference to as the 'new or revised HKFRSs') issued by the HKICPA.

Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards *(continued)*

The application of the above new or revised HKFRSs in the current year has had no material impact on the Group's results and financial position except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 and HKFRS 13 and the retrospective application of HKFRS 11.

Retrospective application of HKFRS 11 'Joint Arrangements'

HKFRS 11 'Joint Arrangements' replaces HKAS 31 'Interests in Joint Ventures', and the guidance contained in a related interpretation, HK(SIC)-Int 13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in HKAS 28 (as revised in 2011).

HKFRS 11, 'Joint Arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; Joint ventures are accounted for under the equity method. Proportional consolidation of joint ventures is no longer permitted.

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Upon the application of HKFRS 11, the directors concluded that all of the Group's unincorporated joint arrangements that were previously classified as jointly controlled entities under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements. The comparative figures have been restated to reflect the change (see below for details).

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) **Adoption of new and revised standards, amendments, interpretation and improvements to existing standards** *(continued)*

Retrospective application of HKFRS 11 'Joint Arrangements' (continued)

The effect of the application of HKFRS 11 on the results for the years ended 31 December 2013 and 2012 by line items presented in the consolidated income statement is as follows:

	For the year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Increase in revenue	**930,542**	1,861,063
Increase in cost of sales	**(979,926)**	(1,837,150)
Increase/(decrease) in share of profits of joint ventures	**51,431**	(4,457)
Increase in income tax expense, net	**(2,047)**	(19,456)
Net increase in profit for the year	**–**	–

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards *(continued)*

Retrospective application of HKFRS 11 'Joint Arrangements' (continued)

The effect of the application of HKFRS 11 on the consolidated statement of financial position of the Group as at 31 December 2013, 2012 and 1 January 2012 is as follows:

	As at 31 December 2013 HK$'000	Adjustments HK$'000	As at 31 December 2013 (as presented) HK$'000
Non-current Asset			
Interests in joint ventures	2,260,506	(110,613)	2,149,893
Current Assets			
Amounts due from customers for contract work	908,435	166,832	1,075,267
Trade and other receivables (note)	8,309,120	345,347	8,654,467
Amounts due from joint ventures	281,508	(274,354)	7,154
Bank balances and cash	7,877,216	238,604	8,115,820
	17,376,279	476,429	17,852,708
Current Liabilities			
Amounts due to customers for contract work	1,669,390	233,988	1,903,378
Trade payables, other payables and accruals (note)	8,075,906	488,809	8,564,715
Amounts due to joint ventures	356,981	(356,981)	–
	10,102,277	365,816	10,468,093
Net current assets	7,274,002	110,613	7,384,615
Total assets less current liabilities	9,534,508	–	9,534,508

Note:

Included in the adjustment are retention receivables and retention payables of approximately HK$165,069,000 and HK$95,015,000 respectively.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards *(continued)*

Retrospective application of HKFRS 11 'Joint Arrangements' (continued)

	As at 31 December 2012 (previously stated) HK$'000	Adjustments HK$'000	As at 31 December 2012 (restated) HK$'000
Non-current Asset			
Interests in joint ventures	2,735,493	(104,566)	2,630,927
Current Assets			
Amounts due from customers for contract work	5,458,682	162,413	5,621,095
Trade and other receivables (note)	6,559,777	549,498	7,109,275
Amounts due from joint ventures	149,130	(143,669)	5,461
Bank balances and cash	6,716,913	158,105	6,875,018
	18,884,502	726,347	19,610,849
Current Liabilities			
Amounts due to customers for contract work	1,219,729	283,359	1,503,088
Trade payables, other payables and accruals (note)	6,498,270	654,191	7,152,461
Amounts due to joint ventures	655,667	(315,769)	339,898
	8,373,666	621,781	8,995,447
Net current assets	10,510,836	104,566	10,615,402
Total assets less current liabilities	13,246,329	–	13,246,329

Note:

Included in the adjustment are retention receivables and retention payables of approximately HK$159,755,000 and HK$91,994,000 respectively.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards *(continued)*

Retrospective application of HKFRS 11 'Joint Arrangements' (continued)

	As at 1 January 2012 (previously stated) HK$'000	Adjustments HK$'000	As at 1 January 2012 (restated) HK$'000
Non-current Asset			
Interests in joint ventures	2,589,828	(83,730)	2,506,098
Current Assets			
Amounts due from customers for contract work	2,937,900	6,166	2,944,066
Trade and other receivables (note)	4,736,191	292,889	5,029,080
Amounts due from joint ventures	185,237	(179,717)	5,520
Bank balances and cash	5,457,812	136,436	5,594,248
	13,317,140	255,774	13,572,914
Current Liabilities			
Amounts due to customers for contract work	1,282,035	331,281	1,613,316
Trade payables, other payables and accruals (note)	5,175,888	131,158	5,307,046
Amounts due to joint ventures	501,666	(290,395)	211,271
	6,959,589	172,044	7,131,633
Net current assets	6,357,551	83,730	6,441,281
Total assets less current liabilities	8,947,379	–	8,947,379

Note:

Included in the adjustment are retention receivables and retention payables of approximately HK$119,471,000 and HK$53,983,000 respectively.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) **Adoption of new and revised standards, amendments, interpretation and improvements to existing standards** *(continued)*

Retrospective application of HKFRS 11 'Joint Arrangements' (continued)

The effect of the application of HKFRS 11 on the consolidated statement of cash flows of the Group for the years ended 31 December 2013 and 2012 is as follows:

	2013 **HK$'000**
Decrease in net cash outflow from operating activities	**23,020**
Decrease in net cash outflow from investing activities	**57,479**
Decrease in net cash inflow from financing activities	**–**
Net increase in cash and cash equivalents	**80,499**

	2012 HK$'000
Operating activities	
Increase in profit before tax	304,045
Increase in share of profits of joint ventures	4,457
Decrease in net balances with customers for contract work	(204,168)
Increase in trade and other receivables	(529,203)
Decrease in trade payables, other payables and accruals	523,033
Increase in income tax paid	(4,339)
Decrease in net cash outflow from operating activities	93,825
Investing activities	
Decrease in interests received	(27,115)
Decrease in advance to joint ventures	60,729
Decrease in dividends received from joint ventures	(80,000)
Increase in net cash outflow from investing activities	(46,386)
Financing activities	
Decrease in advance from joint ventures	(25,770)
Decrease in net cash inflow from financing activities	(25,770)
Net increase in cash and cash equivalents	21,669
Increase in cash and cash equivalents at the beginning of the year	136,436
Increase in cash and cash equivalents at the end of the year	158,105

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Adoption of new and revised standards, amendments, interpretation and improvements to existing standards *(continued)*

The above changes in accounting policies do not have any impact on the Group's basic and diluted earnings per share for the prior year.

(b) New and revised standards, amendments or interpretation not yet effective

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

Amendments to HKAS 19	Employee benefits: Defined Benefit Plans – Employees Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC)-Int 21	Levies[1]
Annual Improvement Project	Annual Improvement to HKFRS 2010-2012 Cycle[2]
Annual Improvement Project	Annual Improvement to HKFRS 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2016
4 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The Group has already commenced as assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the consolidated financial statements.

HKAS 32 (Amendment), 'Offsetting Financial Assets and Financial Liabilities'

This amendment is to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

HKAS 36 (Amendment), 'Recoverable Amount Disclosure for Non-financial Assets'

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HKAS 39 (Amendment), 'Novation of Derivatives and Continuation of Hedge Accounting'

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) New and revised standards, amendments or interpretation not yet effective *(continued)*

HK(IFRIC)-Int 21, 'Levies'

This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

HKFRS 10, 12 (Amendment) and HKAS 27 – 'Investment Entities'

These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS/HKFRS 12 to introduce disclosures that an investment entity needs to make.

HKAS 19 (Amendment), 'Employee Benefits: Defined Benefit Plans – Employee Contributions'

This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

HKFRS 9, 'Financial Instruments'

HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Business combinations – common control combinations

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

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

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

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

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

Business combinations – acquisition method

The Group applies the acquisition method to account for business combinations other than common control combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Business combinations – acquisition method (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(b) Associates

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests in associates are recognised in the consolidated income statement.

2 Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(c) Joint Arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

Joint ventures

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012.

Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 1 January 2012 and 31 December 2012 are shown in Note 2.1. This has had no impact on earnings per share.

2 Summary of Significant Accounting Policies *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollar ('HK$'), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other income and other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale investments, are included in the investment revaluation reserve in other comprehensive income.

2 Summary of Significant Accounting Policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2 Summary of Significant Accounting Policies *(continued)*

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Land and buildings	Over the shorter of the term of the relevant leases or 50 years
Heat and electricity supply facilities	20 years
Machinery	3 to 10 years
Furniture, fixtures and equipment and motor vehicles	3 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents buildings under construction and machinery pending installation, and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and other gains, net' in the consolidated income statement.

2 Summary of Significant Accounting Policies *(continued)*

2.6 Leasehold land and building

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

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

2.7 Investment properties

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

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

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

Investment properties are depreciated on a straight-line basis as follows:

Buildings on freehold land	50 years
Land and buildings on land under medium-term leases	Over the shorter of the term of the relevant leases and estimated useful life of buildings ranging from 20 to 50 years

2 Summary of Significant Accounting Policies *(continued)*

2.8 Interests in infrastructure project investments

Interests in infrastructure project investments represent loans advanced to joint ventures whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements.

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

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademark, project backlogs and licences

Separately acquired licences are shown at historical cost. Trademark and project backlogs acquired in a business combination are recognised at fair value at the acquisition date.

Trademark and project backlogs that have a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and project backlogs over their estimated useful lives of 20 years or specific contract period respectively.

2 Summary of Significant Accounting Policies *(continued)*

2.9 Intangible assets *(continued)*

(b) Trademark, project backlogs and licences *(continued)*

Licences that have indefinite useful lives are not amortised. They are subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment.

(c) Concession operating rights

The Group applies the intangible asset model to account for the toll expressway. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road services and are recorded in the consolidated statement of financial position as 'concession operating rights'.

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

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

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

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets *(continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'interests in infrastructure project investments', 'amounts due from investee companies', 'amounts due from an associate, joint ventures, fellow subsidiaries, immediate holding company, intermediate holding company and related companies', 'trade and other receivables', 'deposits and prepayments' and 'cash and cash equivalents' in the consolidated statement of financial position.

(c) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'investment income' when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'investment income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'investment income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'investment income' when the Group's right to receive payments is established.

2 Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets *(continued)*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Summary of Significant Accounting Policies *(continued)*

2.11 Impairment of financial assets *(continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 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 selling expenses.

2.14 Properties held for sale

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

2 Summary of Significant Accounting Policies *(continued)*

2.15 Construction contracts

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

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

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

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

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

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 Summary of Significant Accounting Policies *(continued)*

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, pledge bank deposits, deposits with financial institutions with original maturities of three months or less, bank balance, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.18 Trade payables, other payables and accruals

Trade payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

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

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2 Summary of Significant Accounting Policies *(continued)*

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Deferred income

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

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis difference

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of Significant Accounting Policies *(continued)*

2.23 Current and deferred income tax *(continued)*

(ii) Deferred income tax *(continued)*

Outside basis difference

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint arrangements and associates except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the granter, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of Significant Accounting Policies *(continued)*

2.25 Leases

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.

(a) The Group as lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

(b) The Group as lessee

(i) Operating lease

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

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

(ii) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 Summary of Significant Accounting Policies *(continued)*

2.26 Employee benefits

(a) Retirement benefits

The Group participates in mandatory provident fund schemes in Hong Kong which are defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the Mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.27 Share-based payments

(a) Equity-settled share-based payment transactions

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

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

(b) Share options granted to consultants

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

2 Summary of Significant Accounting Policies *(continued)*

2.28 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.

(a) 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 the amount can be measured reliably and its receipt is considered probable.

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

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

(b) Project consultancy contracts

Income from project consultancy contract is recognised on an accrual basis when project consultancy services are provided.

(c) Supply of heat, steam and electricity

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

(d) 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 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.

2 Summary of Significant Accounting Policies *(continued)*

2.28 Revenue recognition *(continued)*

(e) Income from infrastructure project investments

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

(f) Toll Revenue

Toll revenue from the operation of toll expressways is recognised at the time of usage.

(g) Sales of goods

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

(h) Lease of machinery

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

(i) Insurance income

Revenue from insurance service is recognised proportionally over the period of coverage.

(j) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(k) Dividend income

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

(l) 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.

(m) Interest income generated from BT projects

Income from BT projects is accrued on a time basis, by making reference to the carrying amount and at the interest rate specified under contract terms.

2 Summary of Significant Accounting Policies *(continued)*

2.29 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.30 Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in the income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

2.32 Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, primarily with respect to the Renminbi and United States dollar, hence exposures to exchange rate fluctuation arise. The Group and the Company currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

In view of the fact that Hong Kong dollar is pegged to United States dollar, the foreign currency exposure of operating units having Hong Kong dollar as functional currency on United States dollar transactions and balances is minimal.

At 31 December 2013, if Hong Kong dollar had weakened/strengthened 5% against Renminbi with all other variables held constant, the consolidated profit before tax for the year would have been HK$1,767,000 higher/lower (2012: HK$67,719,000 higher/lower), respectively.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating interest debt securities, floating rate trade and other receivables, floating rate bank borrowings and bank deposits. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group currently does not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ('HIBOR') arising from its variable-rate borrowings, London Interbank Offered Rate ('LIBOR') arising from its holding of debt securities and borrowing rates offered by The People's Bank of China arising from its variable-rate borrowings and trade and other receivables. Please see notes 25, 30 and 36 for details of debt securities, trade and other receivables and borrowings.

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk (continued)

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

The sensitivity analysis below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2012: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 (2012: 50) basis points higher/lower and all other variables were held constant, the Group's profit before tax, including interest income generated from BT projects, for the year ended 31 December 2013 would decrease/increase by HK$3,093,000 (2012: decrease/increase by HK$33,863,000).

(iii) Price risk

The Group is exposed to price risk through its investments in listed equity 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.

If the prices of the respective listed equity securities had been 10% (2012: 10%) higher/lower, the investment revaluation reserve would increase/decrease by HK$336,000 (2012: increase/decrease by HK$633,000).

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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 Mainland China and Macau.

The credit risk on interests in infrastructure project investments and long term trade receivables are limited because the counterparties are PRC government-related entities, which, in most cases, provide collateral for the outstanding balances owing to the Group.

Other than concentration of credit risk on liquid funds, interests in infrastructure project investments and amounts due from investee companies and long term trade receivables, the Group does not have any other significant concentration of credit risk. Trade receivables, amounts due from investee companies, an associate, joint ventures, fellow subsidiaries, immediate holding company, an intermediate holding company and related companies consist of a large number of parties, spread across diverse industries and geographical areas.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 Years HK$'000	Between 2 and 5 Years HK$'000	Over 5 years HK$'000	Total HK$'000
The Group						
At 31 December 2013						
Trade payables, other payables and accruals	7,313,583	115,206	558,001	542,661	3,428	8,532,879
Amount due to an intermediate holding company	548,536	–	–	–	–	548,536
Amounts due to fellow subsidiaries	2,598,036	–	–	–	–	2,598,036
Amount due to an associate	27,505	–	–	–	–	27,505
Borrowings	309,193	206,868	4,003,357	3,256,810	2,822,378	10,598,606
Guaranteed notes payables	60,938	60,938	121,875	4,174,469	–	4,418,220
Obligations under finance leases	558	558	1,031	2,451	2,022	6,620
	10,858,349	383,570	4,684,264	7,976,391	2,827,828	26,730,402
At 31 December 2012 (restated)						
Trade payables, other payables and accruals	6,175,234	165,467	294,418	492,242	2,637	7,129,998
Amount due to immediate holding company	16,019	–	–	–	–	16,019
Amount due to an intermediate holding company	132,692	–	–	–	–	132,692
Amounts due to joint ventures	339,898	–	–	–	–	339,898
Amounts due to fellow subsidiaries	2,136,175	–	–	–	–	2,136,175
Amount due to an associate	33,495	–	–	–	–	33,495
Borrowings	213,606	241,793	474,492	7,376,258	4,170,205	12,476,354
Obligations under finance leases	593	594	1,133	2,692	2,612	7,624
	9,047,712	407,854	770,043	7,871,192	4,175,454	22,272,255

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Less than 6 months HK$'000	Between 6 months and 1 year HK$'000	Between 1 and 2 Years HK$'000	Between 2 and 5 Years HK$'000	Over 5 years HK$'000	Total HK$'000
The Company						
At 31 December 2013						
Other payables	8,939	–	–	–	–	8,939
Borrowing	28,142	28,142	3,332,764	–	–	3,389,048
	37,081	28,142	3,332,764	–	–	3,397,987
At 31 December 2012						
Other payables	8,033	–	–	–	–	8,033
Borrowing	24,874	24,874	49,747	3,024,874	–	3,124,369
	32,907	24,874	49,747	3,024,874	–	3,132,402

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position and excluding bank loan classified as liabilities directly associated with assets classified as held for sale) less cash and cash equivalents. Total capital represents the equity attributable to owners of the Company and non-controlling interests.

The Group's overall strategy remains unchanged from prior year. The net gearing ratio is 27.5% as at 31 December 2013 (2012: 22.9%). The increase was mainly attributable to the increase in new bank loans raised, which have been substantially invested in BT and BOT projects.

3 Financial Risk Management *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013 and 2012.

	31 December 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments				
Listed equity and debt securities	193,405	–	–	193,405
Unlisted club debenture, investment funds and certificate of deposits	–	–	18,564	18,564
Unlisted equity securities	–	–	331,673	331,673
	193,405	–	350,237	543,642

	31 December 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Investment in convertible bonds	–	–	296,827	296,827
Available-for-sale investments				
Listed equity and debt securities	153,392	–	–	153,392
Unlisted club debenture, investment funds and certificate of deposits	–	–	42,283	42,283
Unlisted equity securities	–	–	302,186	302,186
	153,392	–	641,296	794,688

There were no transfers between the levels during the year.

3 Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the changes in level 3 instruments for the years ended 31 December 2013 and 2012:

	Financial assets at fair value through profit or loss HK$'000	Available-for-sale investments HK$'000
At 1 January 2012	240,000	258,369
Change in fair value	56,827	44,266
Disposals	–	(12,781)
Acquisition of a subsidiary	–	54,637
Exchange adjustments	–	(22)
At 31 December 2012	296,827	344,469
Change in fair value	**–**	**20,060**
Disposals	**(296,827)**	**(23,780)**
Addition	**–**	**9,342**
Exchange adjustments	**–**	**146**
At 31 December 2013	**–**	**350,237**

The change in fair value of financial assets at fair value through profit or loss and available-for-sale investments in level 3 were recognised in profit for the year and other comprehensive income respectively.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1, which are classified as available-for-sale investments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- Market value provided by the issuers as its best estimate of the fair value of the investment.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Changing unobservable inputs used in the level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Deposits
- Cash and cash equivalents
- Trade payables, other payables and accruals
- Balances with fellow subsidiaries/immediate holding company/an intermediate holding company/an associate/joint ventures/related companies
- Borrowings

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Percentage of completion of construction works

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

4 Critical Accounting Estimates and Judgements *(continued)*

4.2 Estimation of foreseeable losses in respect of construction works

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

4.3 Impairment of receivables and amounts due from related parties

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

4.4 Impairment of property, plant and equipment and trademark, project backlogs, licences and goodwill

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests annually for impairment for those intangible assets that have an indefinite useful life, i.e. goodwill. The recoverable amounts have been determined based on the higher of the fair value less costs to sell and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

4.5 Impairment of concession operation rights

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

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

4 Critical Accounting Estimates and Judgements *(continued)*

4.6 Income and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The Group has exercised significant accounting judgement on recognition of deferred tax assets in respect of losses in Far East Global Group Limited ('FEG'), and its subsidiaries (together, the 'FEG Group'). The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement regarding the future financial performance of the FEG Group. Those significant estimations and judgement include gross profit margin, overhead and capital expenditure applied to the profit forecasts.

4.7 Estimate of fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available-for-sale investments that are not traded in active markets.

5 Revenue

Revenue/turnover represents the revenue arising from construction contracts, interest income generated from BT projects, project consultancy services, supply of heat and electricity, provision of connection services, infrastructure project investments, toll road operation, the sales of precast structures, building materials and asphalts, facade contracting and machinery leasing and insurance contracts.

An analysis of the revenue is as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Revenue from construction contracts	22,887,895	18,648,227
Revenue from construction contracts under service concession arrangements	782,435	685,934
Interest income generated from BT projects	674,531	284,589
Revenue from project consultancy services	259,476	263,556
Revenue from supply of heat and electricity	548,416	499,717
Revenue from provision of connection services	31,286	22,485
Revenue from infrastructure project investments	152,626	138,922
Toll revenue	174,189	127,186
Sales of precast structures, building materials and asphalts	134,139	108,541
Revenue from facade contracting business	1,340,836	1,053,430
Revenue from machinery leasing, insurance contracts and others	206,110	78,073
	27,191,939	21,910,660

6 Segment Information

Segment Information

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ('UAE') and India).

FEG, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together, the 'FEG Group') is currently managed by a separate business team. The chief operating decision maker regards FEG Group as a distinct reportable segment and assesses its performance based on its overall result.

6 Segment Information *(continued)*

Segment Information *(continued)*

Segment revenue and results for the years ended 31 December 2013 and 2012 are as follows:

	Segment revenue		Gross profit/(loss)		Segment results	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Reportable segment						
Hong Kong	**11,134,089**	11,088,855	**808,921**	783,052	**740,097**	654,726
Mainland China	**13,864,498**	8,809,951	**2,781,533**	1,770,463	**2,501,419**	1,656,071
Macau	**836,487**	900,348	**123,721**	66,018	**244,102**	178,330
Overseas	**16,029**	58,076	**11,095**	(13,783)	**20,360**	(2,394)
FEG Group	**1,340,836**	1,053,430	**9,830**	112,467	**(156,679)**	6,136
	27,191,939	21,910,660	**3,735,100**	2,718,217	**3,349,299**	2,492,869
Unallocated corporate expenses					**(209,358)**	(214,010)
Acquisition related costs					**–**	(20,013)
Non-recurring investment income, other income and other gains, net					**9,880**	90,387
Share of profits of joint ventures					**430,228**	413,284
Share of profits of associates					**21,941**	18,255
Finance costs					**(409,330)**	(239,375)
Profit before tax					**3,192,660**	2,541,397

Measurement

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

Segment revenue of Hong Kong, Macau and Overseas comprises the revenue mainly from construction contracts and machinery leasing, insurance contracts and others while the segment revenue of regions in Mainland China comprises the revenue from construction contracts, construction contracts under service concession arrangements, interest income generated from BT projects, project consultancy services, supply of heat and electricity, provision of connection services, infrastructure project investments, toll revenue, sales of precast structures, building materials and asphalts.

Segment revenue of FEG Group represents revenue from facade contracting business derived from Hong Kong, Mainland China and overseas operations.

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

6 Segment Information *(continued)*

Segment Information *(continued)*

Measurement *(continued)*

Operating and reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, non-recurring investment income, other income and other gains, net, finance costs, share of profits of joint ventures and associates and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Amounts included in the measure of segment profit or loss:

	Hong Kong		Mainland China		Macau		Overseas		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance for doubtful debts on trade and other receivables	–	–	1,171	–	–	–	–	–	1,171	–
Depreciation and amortisation	15,827	16,236	250,935	236,856	6,779	6,321	19,247	14,573	292,788	273,986
Net gain on disposal of property, plant and equipment	8,981	6,458	6	1,189	55,309	22	333	323	64,629	7,992

Other geographical information

	Non-current assets		Additions to property, plant and equipment	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	1,011,908	1,190,103	142,393	238,882
Mainland China	8,256,668	7,247,175	225,247	207,078
Macau	130,024	134,601	6,360	5,302
Overseas	324,728	173,323	15,048	99,714
	9,723,328	8,745,202	389,048	550,976

Non-current assets excludes financial instruments, deferred tax assets and interests in joint ventures and associates.

The information of FEG Group was allocated to the Hong Kong, Mainland China and Overseas segments (included North America) in accordance with the locations that FEG Group operated in.

6 Segment Information *(continued)*

Segment Information *(continued)*

Segment assets and liabilities

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

Major customers information

Revenue from two (2012: two) customers in Hong Kong and regions in Mainland China reportable segment amounted to approximately HK$5,058,000,000 and HK$3,903,000,000 (2012: HK$4,180,000,000 and HK$2,211,000,000), which individually represents more than 10 percent of the Group's total revenue.

7 Investment Income

	2013 HK$'000	2012 HK$'000 (restated)
Interest income on:		
Bank deposits	92,128	35,251
Debt securities	8,305	6,240
Imputed interest on amounts due from investee companies	21,391	6,861
Loan receivables	2,163	20,475
Loan to a joint venture	2,639	–
	126,626	68,827
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary (note 44)	–	21,625
Gain on disposal of convertible bonds	7,525	–
Dividend income from:		
Listed available-for-sale investments	181	74
Unlisted available-for-sale investments	85,384	140,243
Others	1,715	8,100
	221,431	238,869

8 Other Income and Other Gains, Net

	2013 HK$'000	2012 HK$'000
Service income received from a joint venture	500	1,275
Commission income	3,236	8,853
Rental of properties	10,872	7,801
Service income	24,192	25,756
Gain on disposal of property, plant and equipment, net	64,629	7,992
Gain on disposal of properties held for sale	22,101	–
Sales of scrapped materials	976	1,877
Exchange gain, net	2,355	9,612
Gain on fair value changes of investment in convertible bonds	–	56,827
Collection of trade and other receivables and deposits written off in prior years	37,884	–
Provision for impairment losses of trade and other receivables	(1,108)	–
Reversal of other payables and accruals	5,124	–
Others	39,118	12,228
	209,879	132,221

9 Finance Costs

	2013 HK$'000	2012 HK$'000
Interest on bank loans wholly repayable within five years	223,373	162,494
Interest on bank loan not wholly repayable within five years	332,967	157,122
Interest on guaranteed note payables wholly repayable within five years	99,541	–
Interest on other loans wholly repayable within five years	295	388
Interest on loans from an intermediate holding company	–	14,581
Finance lease charges	325	58
Others	122,445	16,013
Total finance costs	778,946	350,656
Less: Amounts capitalised in concession operating rights	(83,336)	(40,075)
Amounts capitalised in amounts due from customers for contract work	(275,391)	(60,906)
Amounts capitalised in construction in progress	(10,889)	(10,300)
	409,330	239,375

During the year, the Group has capitalised borrowing costs on qualifying assets. Borrowing costs were capitalised at a weighted average rate of its general borrowings of 3.7% (2012: 3.0%).

10 Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the twelve (2012: thirteen) directors were as follows:

For the year ended 31 December 2013

	Kong Qingping HK$'000 (note a)	Zhou Yong HK$'000 (note b)	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Pan Shujie HK$'000 (note c)	Hung Cheung Shew HK$'000	Zhang Yifeng HK$'000 (note d)	Li Jian HK$'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 2013 HK$'000
Fees	667	–	–	–	–	–	–	300	360	360	250	360	2,297
Other emoluments													
Salaries and allowances	–	4,796	1,220	1,220	1,199	1,882	305	–	–	–	–	–	10,622
Contributions to retirement benefit schemes	–	15	15	15	15	15	4	–	–	–	–	–	79
Performance related incentive payments (note f)	–	3,003	3,120	2,880	2,760	1,800	660	–	–	–	–	–	14,223
Total emoluments	667	7,814	4,355	4,115	3,974	3,697	969	300	360	360	250	360	27,221

For the year ended 31 December 2012

	Kong Qingping HK$'000 (note a)	Zhou Yong HK$'000 (note b)	Tian Shuchen HK$'000	Zhou Hancheng HK$'000	Pan Shujie HK$'000 (note c)	Hung Cheung Shew HK$'000	Zhang Yifeng HK$'000 (note d)	Cheong Chit Sun HK$'000 (note e)	Li Jian 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$'000	Total 2012 HK$'000
Fees	1,000	–	–	–	–	–	–	150	300	360	360	250	273	2,693
Other emoluments														
Salaries and allowances	–	3,427	960	1,056	320	1,807	1,200	1,517	–	–	–	–	–	10,287
Contributions to retirement benefit schemes	–	14	14	14	5	14	14	9	–	–	–	–	–	84
Performance related incentive payments (note f)	–	3,916	2,600	2,400	2,300	2,000	2,200	500	–	–	–	–	–	15,916
Total emoluments	1,000	7,357	3,574	3,470	2,625	3,821	3,414	2,176	300	360	360	250	273	28,980

Notes:

(a) Mr. Kong Qingping resigned as an non-executive director of the Company and ceased to be Chairman of the Company with effect from 15 August 2013.

(b) Mr. Zhou Yong was appointed as Chairman of the Company with effect from 15 August 2013. Following the new appointment Mr. Zhou acts as Executive Director, Chairman and Chief Executive Officer of the Company.

(c) Mr. Pan Shujie was appointed as an executive director of the Company on 22 August 2012.

(d) Mr. Zhang Yifeng resigned as an executive director of the Company on 21 March 2013 but continued to serve the Group afterward.

(e) Mr. Cheong Chit Sun re-designated from executive director to non-executive director of the Company on 2 March 2012 and resigned on 22 August 2012.

(f) The performance related incentive payments are determined primarily based on the performance of each director and the profitability of the Group.

10 Directors' and Chief Executive's Emoluments *(continued)*

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emolument during the year ended 31 December 2013 and 2012.

The five highest emolument individuals in the Group are all directors of the Company in both years.

11 Senior Management Emoluments

The emoluments of the senior management for the years ended 31 December 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	39,198	20,406
Contributions to retirement benefit schemes	210	110
	39,408	20,516

The emoluments of the senior management for 2013 and 2012 were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$1,000,000 or less	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	4	3
More than HK$2,500,000	9	5
	14	8

12 Income Tax Expense, net

	2013 HK$'000	2012 HK$'000 (restated)
Current tax:		
Hong Kong	85,564	67,128
Other jurisdictions	539,277	353,905
	624,841	421,033
Overprovision in prior years:		
Hong Kong	(1,788)	(12,563)
Other jurisdictions	(3,420)	(20,466)
	(5,208)	(33,029)
Deferred tax, net (note 42)	(120,254)	16,892
Income tax expense for the year, net	499,379	404,896

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

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

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

	2013 HK$'000	2012 HK$'000 (restated)
Profit before tax	3,192,660	2,541,397
Share of profits of		
Joint ventures	(430,228)	(413,284)
Associates	(21,941)	(18,255)
	2,740,491	2,109,858
Tax at domestic income tax rate of 16.5% (2012: 16.5%)	452,181	348,127
Tax effect of expenses not deductible for tax purpose	10,370	21,177
Tax effect of income not taxable for tax purpose	(73,930)	(52,859)
Overprovision in prior years	(5,208)	(33,029)
Tax effect of tax losses not recognised	4,468	36,260
Tax effect of deductible temporary differences not recognised	(4,163)	(440)
Tax effect of utilisation of previously unrecognised tax losses	(13,094)	(31,642)
Effect of different tax rates of profit arising in other jurisdictions	121,100	105,628
Deferred taxation on undistributed earnings of		
Mainland China subsidiaries and joint ventures (note 42)	7,048	2,481
Others	607	9,193
Tax charge for the year	499,379	404,896

13 Profit for the Year

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	7,574	6,802
– under provision in prior year	7	12
	7,581	6,814
Depreciation of property, plant and equipment	262,093	225,519
Less: Amounts capitalised in contracts in progress	(143,054)	(114,613)
	119,039	110,906
Rental income from investment properties net of direct expenses	(10,872)	(7,801)
Employee benefits expense including directors' emoluments:		
Staff costs	2,532,910	1,602,914
Contributions to retirement benefit plans	88,628	55,339
Less: Amounts capitalised in contracts in progress	(1,735,786)	(1,057,105)
	885,752	601,148
Depreciation of investment properties	1,008	1,019
Amortisation of concession operating rights (included in costs of sales)	140,478	138,744
Amortisation of trademark and project backlogs	25,955	19,466
Amortisation of prepaid lease payments	6,308	3,851
Operating lease rentals in respect of:		
Plant and machinery	270,144	224,153
Land and buildings	36,708	33,392
	306,852	257,545
Less: Amounts included in contracts in progress costs	(282,309)	(235,896)
	24,543	21,649
Contracts in progress costs recognised as expense	21,982,617	16,743,930
Raw materials and consumables used	404,387	322,103

14 Dividends

	2013 HK$'000	2012 HK$'000
Dividends recognised as distributions during the year:		
2012 Final, paid – HK9.00 cents (2012: 2011 Final HK7.00 cents) per share	**349,987**	251,072
2013 Interim, paid – HK9.00 cents (2012: 2012 Interim HK7.00 cents) per share	**349,987**	272,121
	699,974	523,193

The final dividend of HK12.00 cents (2012: HK9.00 cents) per share amounting to approximately HK$466,649,000 (2012: HK$349,987,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15 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:

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,772,145**	2,131,459

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,888,294**	3,718,288
Effect of dilutive potential ordinary shares in respect of share options	**57,760**	58,444
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,946,054**	3,776,732

16 Property, Plant and Equipment

	Land and buildings HK$'000	Heat and electricity supply facilities HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
The Group							
COST							
At 1 January 2012	444,944	1,379,296	718,869	116,476	78,546	195,023	2,933,154
Exchange adjustments	(337)	(247)	(458)	(22)	(26)	(90)	(1,180)
Additions	38,642	44,551	165,312	29,308	20,277	119,255	417,345
Acquisition of a subsidiary (note 44)	105,772	–	11,187	14,045	2,627	–	133,631
Reclassification upon the completion of construction	5,714	33,472	–	59	–	(39,245)	–
Disposals	–	–	(52,862)	(21,980)	(11,579)	–	(86,421)
At 31 December 2012	594,735	1,457,072	842,048	137,886	89,845	274,943	3,396,529
Exchange adjustments	12,101	47,254	2,456	1,260	1,301	6,981	71,353
Additions	11,907	52,545	137,550	27,203	17,911	141,932	389,048
Reclassification upon the completion of construction	120,265	42,468	9,911	–	–	(172,644)	–
Disposals	(7,069)	(285)	(112,396)	(9,815)	(8,302)	–	(137,867)
Transferred to assets held for sale	–	–	(4)	(445)	(2,664)	–	(3,113)
At 31 December 2013	731,939	1,599,054	879,565	156,089	98,091	251,212	3,715,950
DEPRECIATION							
At 1 January 2012	101,153	383,840	467,177	71,263	39,688	–	1,063,121
Exchange adjustments	(129)	(111)	(357)	(38)	2	–	(633)
Charge for the year	28,765	65,998	93,170	23,712	13,874	–	225,519
Disposals	–	–	(52,358)	(20,858)	(9,213)	–	(82,429)
At 31 December 2012	129,789	449,727	507,632	74,079	44,351	–	1,205,578
Exchange adjustments	5,842	15,328	1,568	541	420	–	23,699
Charge for the year	26,240	71,745	123,656	24,258	16,194	–	262,093
Disposals	(6,875)	(190)	(95,280)	(8,356)	(6,225)	–	(116,926)
Transferred to assets held for sale	–	–	–	(181)	(476)	–	(657)
At 31 December 2013	154,996	536,610	537,576	90,341	54,264	–	1,373,787
CARRYING VALUES							
At 31 December 2013	576,943	1,062,444	341,989	65,748	43,827	251,212	2,342,163
At 31 December 2012	464,946	1,007,345	334,416	63,807	45,494	274,943	2,190,951

16 Property, Plant and Equipment *(continued)*

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

	2013 **HK$'000**	2012 HK$'000
Land and buildings in Hong Kong under medium-term leases	**88,814**	91,191
Heat and electricity plants in Mainland China under medium-term leases	**255,220**	146,895
Other premises in Mainland China under medium-term leases	**89,565**	76,705
Freehold land in Macau	**79,216**	83,264
Freehold land in Canada	**20,234**	22,388
Freehold land in the United States of America	**43,894**	44,503
	576,943	464,946

At 31 December 2013, the carrying amount of the Group's land and building pledged as security for the Group's banking facilities amounted to approximately HK$20,234,000 (2012: HK$22,386,000).

At 31 December 2013, the carrying amount of the Group's property and motor vehicles held under finance lease is approximately HK$37,410,000 (2012: HK$38,417,000).

17 Investment Properties

	HK$'000
COST	
At 1 January 2012	54,342
Exchange adjustments	–
At 31 December 2012	54,342
Exchange adjustments	**196**
At 31 December 2013	**54,538**
DEPRECIATION	
At 1 January 2012	13,279
Exchange adjustments	–
Charge for the year	1,019
At 31 December 2012	14,298
Exchange adjustments	**147**
Charge for the year	**1,008**
At 31 December 2013	**15,453**
CARRYING VALUES	
At 31 December 2013	**39,085**
At 31 December 2012	40,044

17 Investment Properties *(continued)*

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

	2013 HK$'000	2012 HK$'000
Land and building in Macau:		
Freehold land	20,377	20,945
Medium-term leases	17,169	17,525
Others	1,539	1,574
	39,085	40,044

The fair value of the Group's investment properties at 31 December 2013 is approximately HK$179,231,000 (2012: HK$136,665,000).

The fair value of the investment properties has been arrived at based on an open market valuation performed by CBRE Valuation & Advisory Services – Greater China and 珠海立信資產評估事務所. The valuation including the use of inputs that are not based on an observable market data (that is, level 3 assets). Both of them are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

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.

18 Interests in Infrastructure Project Investments

	2013 HK$'000	2012 HK$'000
Interests in infrastructure project investments	1,196,578	923,555
Less: Portion due within one year included in current assets	(10,566)	(8,506)
Portion due after one year	1,186,012	915,049

Interests in infrastructure project investments represent fundings denominated in Renminbi advanced to joint ventures for BT and 'transfer-operate-transfer' infrastructure projects located in Mainland China. The Group is responsible for providing finance for the construction of the infrastructure of these projects, whereby the Group's return is predetermined in accordance with the provisions of the relevant agreements. The duration of the projects ranges from five to twenty-two years.

The effective interest rates on the infrastructure project investments range from 10.34% to 27.89% (2012: 10.34% to 27.66%) per annum. The interests in infrastructure project investments were not past due as at 31 December 2013 and 2012.

The Directors reviewed individually the infrastructure projects' operations and financial positions as at 31 December 2013 and 2012 based on the present values of estimated future cash flows from those investments, discounted at their respective original effective interest rates.

19 Prepaid Lease Payments

	2013 HK$'000	2012 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land located in Mainland China under medium-term leases	183,987	182,291

20 Interests in Subsidiaries

	The Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	1,789,519	1,439,519
Less: impairment loss recognised	(3,650)	(3,650)
	1,785,869	1,435,869
Amounts due from subsidiaries	5,546,303	3,482,733
	7,332,172	4,918,602

The amounts due from subsidiaries are unsecured, interest-free and have no specific repayment terms, but are considered by the directors to be part of the longer term interests in subsidiaries.

Details of principal subsidiaries are set out in note 52. FEG is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The market value of the Group's investment as at 31 December 2013 in FEG amounted to approximately HK$2,745,802,000 (2012: HK$2,442,487,000).

21 Interests in Joint Arrangements

Joint Ventures

	2013 HK$'000	2012 HK$'000 (restated)
Cost of investments, unlisted	1,193,896	1,093,001
Share of post-acquisition profits and other comprehensive income, net of dividends	955,997	1,537,926
	2,149,893	2,630,927

21 Interests in Joint Arrangements *(continued)*

Joint Ventures *(continued)*

Set out below are the particulars of the principal joint venture at 31 December 2013 and 2012, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2013 %	2012 %	Principal activity
Nanjing Changjiang Second Bridge Company Limited	Incorporated	PRC	65	65	Operation and management of a toll bridge

Set out below is the summarised financial information for Nanjing Changjiang Second Bridge Company Limited which is accounted for using the equity method.

	2013 HK$'000	2012 HK$'000
Current		
Cash and cash equivalents	332,122	734,681
Other current assets	5,676	1,590
Total current assets	337,798	736,271
Financial liabilities	(444,691)	(711,866)
Other current liabilities	(25,989)	(59,795)
Total current liabilities	(470,680)	(771,661)
Non-current		
Property, plant and equipment	1,563,611	1,609,038
Concession operating rights	2,295,821	2,354,138
Total non-current assets	3,859,432	3,963,176
Financial liabilities	(1,008,308)	(1,018,080)
Other liabilities	(456,110)	(488,303)
Total non-current liabilities	(1,464,418)	(1,506,383)
Net assets	2,262,132	2,421,403
Carrying values of Group's share of net assets	1,470,386	1,573,912

21 Interests in Joint Arrangements *(continued)*

Joint Ventures *(continued)*

	2013 HK$'000	2012 HK$'000
Revenue	1,029,783	1,069,531
Cost of sales	(354,546)	(333,707)
Other income/(expenses), net	12,401	(31,283)
Finance costs	(98,142)	(86,323)
Profit before tax	589,496	618,218
Income tax expense, net	(147,329)	(150,504)
Profit after tax	442,167	467,714
Other comprehensive income	65,744	(255)
Total comprehensive income	507,911	467,459
Group's share		
Profit for the year	287,408	304,014
Other comprehensive income	42,734	(166)
Dividends received from a joint venture	438,170	287,448

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

Nanjing Changjiang Second Bridge Company Limited is a private company and there are no quoted market prices available for its shares.

Set below is the aggregate financial information of joint ventures that are not individually material:

	2013 HK$'000	2012 HK$'000
Aggregate carrying value	679,507	1,057,015
Aggregate amounts of the Group's share:		
Post-tax profit from continuing operations	142,820	109,270
Other comprehensive income	24,021	2,284
Total comprehensive income	166,841	111,554

There are no contingent liabilities relating to the Group's interests in joint ventures.

21 Interests in Joint Arrangements *(continued)*

Joint Operations

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

Particulars regarding the principal joint operations as at 31 December 2013 and 2012 are as follows:

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2013 %	2012 %	Principle activities
Atal – Degremont – China State Joint Venture	Unincorporated	Hong Kong	32.5	32.5	Civil engineering works
China Overseas Building – Bordon Joint Venture	Unincorporated	Hong Kong	50	50	Building construction
China State – Atal Joint Venture	Unincorporated	Hong Kong	56.4	56.4	Civil engineering works
China State – Atal Joint Venture	Unincorporated	Hong Kong	51	–	Civil engineering works
China State – Leader Joint Venture	Unincorporated	Hong Kong	51	–	Civil engineering works
China State – Shui On Joint Venture	Unincorporated	Hong Kong	60	–	Building construction
Consorcio De Krueger – CSME	Unincorporated	Macau	55	55	Mechanical and electrical engineering works
Krueger – China State M & E Joint Venture	Unincorporated	Hong Kong	50	50	Mechanical and electrical engineering works
Leighton – China State – Van Oord Joint Venture	Unincorporated	Hong Kong	45	45	Civil engineering works

21 Interests in Joint Arrangements *(continued)*

Joint Operations *(continued)*

Name of entity	Form of business structure	Place of registration/ establishment and operations	Percentage of interest held by the Group 2013 %	2012 %	Principle activities
Maeda – China State Joint Venture	Unincorporated	Hong Kong	30	30	Civil engineering works
Penta-Ocean – Concentric – Alchmex Joint Venture	Unincorporated	Hong Kong	26	26	Civil engineering works

22 Interests in Associates

	2013 HK$'000	2012 HK$'000
Unlisted company		
Cost of investments in associates	22,607	22,607
Share of post-acquisition profits, net of dividends	26,150	13,549
	48,757	36,156

Included in the cost of investments in associates is goodwill of approximately HK$494,000 (2012: HK$494,000) arising from acquisitions of associates in prior years.

At 31 December 2013 and 2012, 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 2013	2012	Principal activities
Hong Kong Concrete Company Limited	Incorporated	Hong Kong	Ordinary	31.5%	31.5%	Manufacture and sale of ready-mixed concrete
Ou On-Sociedade De Administracao De Propriedades Limitada	Incorporated	Macau	Ordinary	40.0%	40.0%	Property management
Matadouro De Macau, S.A.	Incorporated	Macau	Ordinary	20.0%	20.0%	Operation of slaughterhouse

22 Interests in Associates *(continued)*

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

	2013 HK$'000	2012 HK$'000
Total assets	511,188	382,701
Total liabilities	(350,651)	(262,168)
Net assets	160,537	120,533
Group's share of net assets of associates	48,263	35,662

	For the year ended 31 December 2013 HK$'000	 2012 HK$'000
Revenue	800,025	556,988
Profit for the year and total comprehensive income for the year	68,664	57,889
Group's share of profits of associates for the year	21,941	18,255

23 Concession Operating Rights

	HK$'000
COST	
At 1 January 2012	5,018,881
Additions	715,131
Exchange adjustments	(1,299)
At 31 December 2012	5,732,713
Additions	809,993
Exchange adjustments	192,311
At 31 December 2013	6,735,017
AMORTISATION	
At 1 January 2012	92,416
Charge for the year	138,744
Exchange adjustments	(148)
At 31 December 2012	231,012
Charge for the year	140,478
Exchange adjustments	9,694
At 31 December 2013	381,184
CARRYING VALUES	
At 31 December 2013	6,353,833
At 31 December 2012	5,501,701

23 Concession Operating Rights *(continued)*

The concession operating rights relate to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) and Class 1 Highway from Yangquan to Niangziguan, Shanxi Province with carrying amounts of approximately HK$3,907,141,000 (2012: HK$3,927,204,000) and HK$2,446,692,000 (2012: HK$1,574,497,000) respectively, both of which are located in Mainland China. The carrying amount is measured by the construction and other costs incurred by the Group plus estimated profit margin, which is calculated by making reference to similar projects undertaken in Mainland China. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for 30 years from the date of approval by the local government. The operation of Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) is from 8 May 2011 to 7 May 2041. According to the relevant government authorities' approval documents and the relevant regulations, the Group is responsible for construction of the toll expressways, acquisition of the related facilities and equipment, operations, management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant concession operating rights and relevant assets are required to be returned to the local government authorities when the operating rights periods expire without any payments made to the Group.

At 31 December 2013 and 2012, the concession operating rights relating to Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) with a carrying amount of approximately HK$3,907,141,000 (2012: HK$3,927,204,000) had been pledged to secure the bank loan with a carrying amount of approximately HK$2,505,724,000 (2012: HK$2,454,366,000).

24 Trademark, Project Backlogs, Licences and Goodwill

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
Cost					
At 1 January 2012	–	–	9,950	–	9,950
Acquisition of a subsidiary (note 44)	216,708	45,359	–	577,664	839,731
At 31 December 2012 and 31 December 2013	216,708	45,359	9,950	577,664	849,681

24 Trademark, Project Backlogs, Licences and Goodwill *(continued)*

	Trademark HK$'000	Project backlogs HK$'000	Licences HK$'000	Goodwill HK$'000	Total HK$'000
Amortisation					
At 1 January 2012	–	–	–	–	–
Charge for the year	8,126	11,340	–	–	19,466
At 31 December 2012	8,126	11,340	–	–	19,466
Charge for the year	10,835	15,120	–	–	25,955
At 31 December 2013	18,961	26,460	–	–	45,421
Carrying values					
At 31 December 2013	**197,747**	**18,899**	**9,950**	**577,664**	**804,260**
At 31 December 2012	208,582	34,019	9,950	577,664	830,215

The intangible assets include trademark, project backlogs, construction licences and goodwill recognised from various acquisitions of subsidiaries by the Group.

The estimated useful lives of trademark and project backlogs of 20 and 3 years respectively are based on the terms of existing contracts and historical data.

The construction licences were granted by the Works Branch Development Bureau of the Hong Kong Special Administration Region ('HKSAR'). The construction licences basically have no legal life but are renewable every year as long as the subsidiary holding the licences is able to comply with certain provisions and requirements set out by the Works Branch Development Bureau of the HKSAR throughout the relevant period. Accordingly, the construction licences are not amortised but are instead tested for impairment annually and whenever there is an indication that they may be impaired.

For impairment assessment of licences, the recoverable amount of the licenses is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a 5-year period approved by the management, using the estimated zero growth rates which do not exceed the long-term average growth rate in which the construction licenses generate.

Goodwill is allocated to the Group's cash generating unit ('CGU') of FEG Group. For impairment assessment of goodwill, the recoverable amount of FEG Group is determined based on fair value less cost to sell by making reference to its market share price.

Based on the impairment testing at the end of the reporting period, the management considered that there is no impairment of the Group's construction licences and goodwill.

25 Available-For-Sale Investments

Available-for-sale investments comprise:

	2013 HK$'000	2012 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong at market value	3,360	6,331
– Debt securities listed in Hong Kong with fixed interest of 5.375% and maturity date in 2015	32,161	32,900
– Debt securities listed in Hong Kong with fixed interest of 4.125–5.350% and maturity date in 2022–2042 (note a)	46,453	39,587
– Debt securities listed in Hong Kong with fixed interest of 4.500–4.625% and maturity date in 2016–2022	94,973	57,789
– Debt securities listed overseas with floating interest and maturity date in 2049	16,458	16,785
	193,405	153,392
Unlisted securities:		
– Club debenture	–	380
– Investment funds and certificate of deposits	18,564	41,903
– Equity securities (note b)	331,673	302,186
Total	543,642	497,861

Notes:

(a) At 31 December 2013, an amount of HK$28,862,000 (2012: HK$20,194,000) included in the carrying amount of debt securities listed in Hong Kong, is debentures issued by a subsidiary of China Overseas Land & Investment Ltd. ('COLI'), a fellow subsidiary of the Group.

(b) At 31 December 2013, amount of HK$285,443,000 (2012: HK$256,101,000) included in the carrying amount of equity securities, are subsidiaries of COLI, a fellow subsidiary of the Group.

For the impairment assessment of listed equity securities, as there were significant declines in the fair values of the equity securities below their costs, an impairment loss amounting to HK$6,735,000 was recognised in the consolidated income statement in previous years. No impairment was made during the two years ended 31 December 2013 and 2012 as there is no objective evidence of impairment loss.

The maximum exposures to credit risk at the reporting date is the carrying value of the debt securities. None of these financial assets is either past due or impaired. No impairment loss on debt securities is recognised as the issuers of the securities have high credit ratings and no defaults in interest payments have occurred in the past.

25 Available-For-Sale Investments *(continued)*

Available-for-sale investments are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	77,373	60,724
Renminbi	4,092	4,917
United States dollar	208,609	188,964
Macao Pataca	253,568	243,256
	543,642	497,861

26 Investment in Convertible Bonds

On 7 February 2010, China Overseas (Hong Kong) Limited (formerly known as China State Construction Limited) ('COHK'), a wholly owned subsidiary of the Company, entered into a subscription agreement with Skyjoy Assets Management Limited ('Skyjoy') whereby COHK subscribed for guaranteed secured convertible bonds with a 15% coupon rate due 2015 issued by Skyjoy in the amount of HK$200,000,000 ('Principal Amount') convertible into 1,800 shares of US$1.00 each in the share capital of Skyjoy, representing 18% of the issued share capital of Skyjoy on a fully diluted basis. Skyjoy is the ultimate owner of land which is situated at Qiaodong District, Shijiazhuang, Mainland China.

During the year, COHK entered into an agreement with Skyjoy whereby Skyjoy agreed to fully redeem the convertible bonds held by COHK at an aggregate redemption amount of approximately HK$304,352,000. The redemption money was fully settled during the year and a gain on disposal of the convertible bonds of approximately HK$7,525,000 was recognised as investment income during the year.

27 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 the next twelve months from the end of the reporting period.

The fair values of these amounts on initial recognition are determined based on effective interest rate ranging from 5.25% to 7.83% per annum and the balances are denominated in Renminbi and Macao Pataca ('MOP').

At 31 December 2013, amounts due from investee companies including HK$377,892,000 (2012: HK$341,843,000) to subsidiaries of COLI, a fellow subsidiary of the Group.

28 Inventories

	2013 HK$'000	2012 HK$'000
Raw materials and consumables	127,001	129,112
Work in progress	1,074	1,446
Finished goods	35,352	54,816
	163,427	185,374

The cost of inventories recognised as expense and included in costs of sales amounted to approximately HK$404,387,000 (2012: HK$322,103,000).

29 Amounts Due from/(to) Customers for Contract Work

	2013 HK$'000	2012 HK$'000 (restated)
Contract costs incurred plus recognised profit less foreseeable losses	44,000,561	41,349,082
Less: progress billings	(44,828,672)	(37,231,075)
	(828,111)	4,118,007
Analysed for reporting purposes as:		
Amounts due from contract customers	1,075,267	5,621,095
Amounts due to contract customers	(1,903,378)	(1,503,088)
	(828,111)	4,118,007

At 31 December 2012, included in amounts due from customers for contract work is a balance of approximately HK$4,644,957,000 relating to a construction contract for which the Group has undertaken to perform all the obligations and assume all the rights of the Company's intermediate holding company in relation to the latter's role as the main contractor under the construction contract. This construction contract is for a construction project for a toll road situated in Mainland China which commenced in 2011, for which billing would only be made by the Group at the completion of the construction project. The amounts due from customers for contract work were transferred to assets held for sale as at 31 December 2013 as the construction project is expected to be transferred in 2014.

At 31 December 2013, retentions held by customers for contract work amounted to approximately HK$1,741,197,000 (2012: HK$1,791,588,000) and have been included in trade and other receivables under current assets. Advances received from customers for contract work not yet commenced at 31 December 2013 amounted to approximately HK$740,996,000 (2012: HK$361,254,000) and have been included in deposits received and advances from customers under current liabilities.

30 Trade and Other Receivables

	2013 **HK$'000**	2012 HK$'000 (restated)
Trade receivables and retention receivables	**15,940,449**	9,878,436
Less: Allowance for doubtful debts	**(16,957)**	(15,379)
	15,923,492	9,863,057
Receivable from a joint venture	**543,852**	–
Other receivables	**329,475**	434,187
Less: Allowance for doubtful debts	**(1,185)**	(1,123)
	872,142	433,064
Trade and other receivables	**16,795,634**	10,296,121
Current portion	**(8,654,467)**	(7,109,275)
Non-current portion (note)	**8,141,167**	3,186,846

Note:

The balances of non-current portion were mainly attributable to certain affordable housing projects (trading under BT model) in Mainland China. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be fully recovered from 2015 to 2018, with approximately HK$1,510,230,000 in 2015, HK$2,901,052,000 in 2016 and HK$3,729,885,000 from 2017 to 2018. As a result, they are classified as non-current.

The analysis of trade and other receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date or the term of the related contract, is as follows:

	2013 **HK$'000**	2012 HK$'000 (restated)
Trade receivables, net of allowance for doubtful debts, aged:		
0–30 days	**4,273,284**	3,409,538
31–90 days	**3,205,488**	1,517,763
Over 90 days	**7,247,375**	3,144,168
	14,726,147	8,071,469
Retention receivables	**1,741,197**	1,791,588
Other receivables	**328,290**	433,064
Trade and other receivables	**16,795,634**	10,296,121
Portion classified as current assets	**(8,654,467)**	(7,109,275)
Non-current portion	**8,141,167**	3,186,846

30 Trade and Other Receivables *(continued)*

Amounts of HK$6,443,102,000 (2012: HK$2,635,616,000) were included in the receivables aged over 90 days, which were mainly attributable to the affordable housing projects and were not due in accordance with the contract.

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2013, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,313,151,000 (2012: HK$1,152,012,000).

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2012: 90 days) to its customers and the retention receivables are recoverable upon the expiry of the defect liability period of construction.

Without taking into account those arising from affordable housing projects, the aging analysis of the Group's trade receivables balances which are past due but not impaired is presented as follows:

	2013 HK$'000	2012 HK$'000
91–180 days	697,867	187,430
181–365 days	5,668	5,249
Over 365 days	100,738	315,873
Total	804,273	508,552

Included in trade receivables that are past due but not impaired are receivables arising from construction contractors in Dubai of approximately HK$66,453,000 (2012: HK$302,001,000) which are under negotiation with the customers. Management has taken into account the technical and contractual grounds as advised by the relevant experts and consider that the default rate is low. The remaining trade receivables that are past due but not impaired have good repayment history and low default rate under the internal credit assessment system used by the Group.

Except for the amount of approximately HK$18,142,000 (2012: HK$16,502,000) which was provided for doubtful debts for the year ended 31 December 2013, no allowance for doubtful debts is considered to be necessary for past due trade receivables based on management's evaluation of credit worthiness and the past collection history of those receivables.

30 Trade and Other Receivables *(continued)*

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
1 January	16,502	16,901
Impairment losses recognised on receivables	1,108	–
Exchange adjustments	532	(399)
31 December	18,142	16,502

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

Trade and other receivables are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000 (restated)
Hong Kong dollar	3,206,058	2,576,282
Renminbi	12,034,336	5,987,327
Macao Pataca	476,377	383,807
United States dollar	141,800	166,295
Others	937,063	1,182,410
	16,795,634	10,296,121

31 Amounts Due from Subsidiaries

	The Company	
	2013 HK$'000	2012 HK$'000
Amounts due from subsidiaries	4,952,232	7,014,272
Less: allowance for receivable balances	(285,786)	(285,786)
	4,666,446	6,728,486

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

32 Balances with Fellow Subsidiaries/Immediate Holding Company/ an Intermediate Holding Company/an Associate/Related Companies

Balances with fellow subsidiaries/immediate holding company/an intermediate holding company/an associate/related companies are unsecured, interest-free and repayable on demand. The balances are mainly denominated in Renminbi.

The amounts due from related companies represent balances due from joint ventures of the Company's immediate holding company.

The amount due to a related company represents balances due to a wholly owned subsidiary of the Group's joint venture.

33 Amounts Due from/(to) Joint Ventures

The amounts due from and to joint ventures are unsecured, interest-free and repayable on demand. The balances are mainly denominated in Renminbi.

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

34 Pledged Bank Deposits, Deposits with Financial Institutions, Bank Balances and Cash

Pledged bank deposits

At 31 December 2013, bank deposits amounting to approximately HK$291,000 (2012: HK$1,291,000) are pledged and earn interest at fixed rates ranging from 0.3% to 0.8% (2012: 0.001% to 2.40%) per annum.

Deposits with financial institutions

Deposits with financial institutions comprise deposits with original maturity dates ranging from 1 to 6 months (2012: 1 to 6 months) earning interest at fixed rates ranging from 0.0094% to 0.208% (2012: 0.0092% to 0.734%) per annum.

Bank balances and cash

Bank balances, excluding bank current accounts, earn interest at market rates which range from 0.001% to 3.135% (2012: 0.001% to 3.10%) per annum. Bank balances comprise fixed deposits held by the Group with an original maturity of three months or less.

34 Pledged Bank Deposits, Deposits with Financial Institutions, Bank Balances and Cash *(continued)*

Bank balances and cash *(continued)*

Pledged bank deposits, deposits with financial institutions, bank balances and cash are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Hong Kong dollar	**2,639,767**	2,174,395	**9,950**	16,741
Renminbi	**4,517,027**	4,255,965	**38,873**	–
Others	**959,479**	446,465	**49,316**	8,645
	8,116,273	6,876,825	**98,139**	25,386

In respect of the Renminbi of the Group's subsidiaries incorporated in the PRC, conversion into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

35 Trade Payables, Other Payables and Accruals

An analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2013	2012
	HK$'000	HK$'000 (restated)
Trade payables, aged:		
0–30 days	**4,411,689**	3,392,184
31–90 days	**969,107**	1,211,889
Over 90 days	**519,415**	465,613
	5,900,211	5,069,686
Retention payables	**1,928,100**	1,542,120
Other payables and accruals	**736,404**	540,655
	8,564,715	7,152,461

Other payables included in the other payables and accruals amounting to approximately HK$704,568,000 (2012: HK$518,191,000), which comprise primarily staff costs, other tax and other operating expenses payables.

35 Trade Payables, Other Payables and Accruals *(continued)*

The average credit period on trade and construction cost payables is 60 days (2012: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame. At 31 December 2013, the amount of retention payables expected to be due after more than one year was approximately HK$1,104,090,000 (2012: HK$789,297,000).

Trade payables, other payables and accruals are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000 (restated)
Hong Kong dollar	4,034,632	3,849,404
Renminbi	3,762,261	2,281,622
Macao Pataca	340,209	302,599
United States dollar	47,041	43,428
Others	380,572	675,408
	8,564,715	7,152,461

36 Borrowings

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Bank overdraft	–	4,923	–	–
Bank loans, secured	2,524,063	3,837,497	–	–
Bank loans, unsecured	6,244,428	6,194,919	3,300,000	3,000,000
Other loans	7,800	7,800	–	–
	8,776,291	10,045,139	3,300,000	3,000,000
Carrying amount repayable:				
Within one year	236,449	48,780	–	–
More than one year but not exceeding two years	3,735,751	70,944	3,300,000	–
More than two years but not exceeding five years	2,756,266	6,607,704	–	3,000,000
More than five years	2,047,825	3,317,711	–	–
	8,776,291	10,045,139	3,300,000	3,000,000
Less: Amount due within one year shown under current liabilities	(236,449)	(48,780)	–	–
Amount due after one year	8,539,842	9,996,359	3,300,000	3,000,000

36 Borrowings *(continued)*

The Group's bank loans are mainly denominated in Hong Kong dollar and Renminbi, all of which are functional currencies of the respective Group entities. The Group's secured bank loans, including a bank loan of HK$3,307,047,000 which was reclassified to liabilities directly associated with assets classified as held for sale at 31 December 2013, are secured by land and buildings and concession operating rights of the Group and an asset provided by a customer.

The effective interest rates of borrowings are as follows:

The Group

	2013				2012			
	Hong Kong dollar	Renminbi	Canadian dollar	United States dollar	Hong Kong dollar	Renminbi	Canadian dollar	United States dollar
Bank overdrafts	–	–	–	–	–	–	4.25%	–
Bank loans, secured	–	5.90%	6.26%	–	–	6.40%	5.29%	–
Bank loans, unsecured	2.02%	6.52%	3.75%	3.51%	2.03%	6.77%	–	–
Other loans	–	–	–	3.30%	–	–	–	3.30%

The Company

The effective interest rate of an unsecured bank loan of the Company is 1.71% (2012: 1.66%).

The carrying amounts of bank overdrafts, bank loans and other loans approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong dollar	5,040,001	4,800,000	3,300,000	3,000,000
Renminbi	3,587,700	5,193,636	–	–
Canadian dollar	68,069	43,703	–	–
United States dollar	80,521	7,800	–	–
	8,776,291	10,045,139	3,300,000	3,000,000

37 Assets held for sale

The assets and liabilities relating to a wholly owned subsidiary of the Group, have been presented as held for sale following the completion of a BT construction contract in Mainland China in respect of which the Group has committed to transfer its entire interest in the subsidiary to an independent third party. The transaction is expected to complete in 2014. No gain or loss arises from this reclassification.

(a) Assets held for sale

	2013 HK$'000	2012 HK$'000
Amounts due from customers for contract work	8,476,861	4,644,957
Trade and other receivables	521,877	126,403
Bank balances and cash	35,520	567,852
Other assets	135,061	54,445
Total assets	9,169,319	5,393,657

(b) Liabilities directly associated with assets classified as held for sale

	2013 HK$'000	2012 HK$'000
Trade payables, other payables and accruals	903,766	125,341
Bank loan	3,307,047	1,344,351
Current tax payables	512,308	279,364
Total liabilities	4,723,121	1,749,056

(c) Cumulative income recognised in other comprehensive income relating to assets classified as held for sale

	2013 HK$'000	2012 HK$'000
Foreign exchange translation adjustment	115,294	11,209

38 Share Capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.025 each	**60,000,000,000**	**1,500,000**
Issued and paid up:		
Balance at 1 January 2012	3,586,743,521	89,668
Issue of ordinary shares upon exercise of share options	703,862	18
Issue of ordinary shares on placement (note)	300,000,000	7,500
Balance at 31 December 2012	3,887,447,383	97,186
Issue of ordinary shares upon exercise of share options	**1,297,268**	**33**
Balance at 31 December 2013	**3,888,744,651**	**97,219**

Note:

In July 2012, China Overseas Holdings Limited ('COHL'), a substantial shareholder of the Company, entered into a placing agreement with Citigroup Global Markets Asia Limited and BNP Paribas Capital (Asia Pacific) Limited (collectively the 'Placing Agents') pursuant to which COHL agreed to sell via Placing Agents to independent purchasers 300,000,000 ordinary shares of the Company at HK$7.57 per share ('Placing Price'). At the same time, COHL and the Company entered into a subscription agreement under which COHL agreed to subscribe for 300,000,000 new ordinary shares of the Company at the Placing Price. Upon the completion of such top-up placing arrangement, the Company's issued capital increased by approximately 8.4% and net proceeds of approximately HK$2,230 million were raised. The Company intends to apply such net proceeds as general working capital and capital expenditure of the Group which may include funding affordable housing project and infrastructure project investments through BT and BOT business models.

39 Share Premium and Reserves

	Share premium HK$'000	Special reserve HK$'000 (note a)	Capital redemption reserve HK$'000 (note b)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (note c)	Retained profits HK$'000 (note d)	Total HK$'000
The Group									
At 1 January 2012	5,895,009	(1,473,655)	337	3,181	(16,654)	517,308	68,146	4,407,012	9,400,684
Profit for the year	–	–	–	–	–	–	–	2,131,459	2,131,459
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	–	–	–	(1,047)	–	–	–	(1,047)
Gain on fair value changes of available-for-sale investments, net of tax	–	–	–	–	95,256	–	–	–	95,256
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	–	–	–	–	(21,625)	–	–	–	(21,625)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	75,234	–	–	75,234
Total comprehensive income for the year	–	–	–	–	72,584	75,234	–	2,131,459	2,279,277
Disposal of partial interest in a subsidiary (note (a)(ii))	–	33,527	–	–	–	–	–	–	33,527
Issue of ordinary shares upon exercise of share options	183	–	–	(43)	–	–	–	–	140
Issue of ordinary shares upon placement	2,263,500	–	–	–	–	–	–	–	2,263,500
Shares issuance expenses	(41,297)	–	–	–	–	–	–	–	(41,297)
2011 final dividend paid	–	–	–	–	–	–	–	(251,072)	(251,072)
2012 interim dividend paid	–	–	–	–	–	–	–	(272,121)	(272,121)
Transfer to statutory reserve	–	–	–	–	–	–	7,204	(7,204)	–
At 31 December 2012	8,117,395	(1,440,128)	337	3,138	55,930	592,542	75,350	6,008,074	13,412,638
Profit for the year	–	–	–	–	–	–	–	2,772,145	2,772,145
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	–	–	–	–	(1,114)	–	–	–	(1,114)
Gain on fair value changes of available-for-sale investments, net of tax	–	–	–	–	9,026	–	–	–	9,026
Exchange differences arising on translation of foreign operations	–	–	–	–	–	590,625	–	–	590,625
Total comprehensive income for the year	–	–	–	–	7,912	590,625	–	2,772,145	3,370,682
Issue of ordinary shares upon exercise of share options	340	–	–	(80)	–	–	–	–	260
2012 final dividend paid	–	–	–	–	–	–	–	(349,987)	(349,987)
2013 interim dividend paid	–	–	–	–	–	–	–	(349,987)	(349,987)
Transfer to statutory reserve	–	–	–	–	–	–	114,379	(114,379)	–
At 31 December 2013	8,117,735	(1,440,128)	337	3,058	63,842	1,183,167	189,729	7,965,866	16,083,606

39 Share Premium and Reserves *(continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000 (note b)	Share option reserve HK$'000	Retained profits HK$'000 (note d)	Total HK$'000
The Company					
At 1 January 2012	5,895,009	337	3,181	402,680	6,301,207
Profit and total comprehensive income for the year (note e)	–	–	–	584,172	584,172
Issue of ordinary shares upon exercise of share options	183	–	(43)	–	140
Issue of ordinary shares upon placement	2,263,500	–	–	–	2,263,500
Share issuance expenses	(41,297)	–	–	–	(41,297)
2011 final dividend paid	–	–	–	(251,072)	(251,072)
2012 interim dividend paid	–	–	–	(272,121)	(272,121)
At 31 December 2012	8,117,395	337	3,138	463,659	8,584,529
Profit and total comprehensive income for the year (note e)	–	–	–	816,610	816,610
Issue of ordinary shares upon exercise of share options	340	–	(80)	–	260
2012 final dividend paid	–	–	–	(349,987)	(349,987)
2013 interim dividend paid	–	–	–	(349,987)	(349,987)
At 31 December 2013	8,117,735	337	3,058	580,295	8,701,425

39 Share Premium and Reserves *(continued)*

Notes:

(a) Special reserve arose from:

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

(ii) During 2012, the Group obtained control over FEG which then became the Group's subsidiary (details set out in note 44). Subsequent to the acquisition, a wholly-owned subsidiary of the Company, disposed of an aggregate of 45,500,000 shares of FEG at a price of HK$1.26 per share through private placing to certain independent investors. As a result, the Group's shareholding in FEG was reduced from 76.2% to 74.1%. The partial disposal did not result in a loss of control and was thus accounted for as an equity transaction. Accordingly, the excess of approximately HK$34 million, representing the difference between the cash consideration received for the disposal of partial interest in FEG of approximately HK$57 million and carrying amount of the attributable share of net assets of FEG of approximately HK$23 million, was credited to the special reserve.

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

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

(d) Included in retained profits at 31 December 2013 is the proposed 2013 final dividend of approximately HK$466,649,000.

(e) The profit for the year attributable to owners of the Company included a profit of approximately HK$816,610,000 (2012: HK$584,172,000) which has been dealt with in the financial statement of the Company.

(f) Under the Companies Law of the Cayman Islands, the distributable reserves of the Company amounted to approximately HK$8,698,030,000 representing the share premium and retained profits as at 31 December 2013 (2012: HK$8,581,054,000).

40 Guaranteed Notes Payables

In April 2013, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US$500 million (equivalent to approximately HK$3,860 million) (the 'Notes') at the issue price of 99.542%. The Notes, which bear fixed interest at the rate of 3.125% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 2 April 2018 at the principal amount. The fair value of the Notes at 31 December 2013 was estimated at approximately HK$3,751 million, which was determined based on the closing market price of the Notes at that date and is within level 1 of the fair value hierarchy.

41 Deferred Income

	2013 HK$'000	2012 HK$'000
Deferred income arose from the following:		
Connection services	**670,638**	543,254

Connection fee income is attributable to the connecting pipeline construction for heat transmission and continuing repairs and maintenance services relating to the pipelines. Connection fee income is recorded as deferred income and amortised on a straight-line basis over the expected service period of heat and steam transmission to be rendered with reference to the term of the operating license of the relevant entities.

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

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

	2013 HK$'000	2012 HK$'000
Deferred income due within one year included in trade payables, other payables and accruals under current liabilities	**31,836**	22,463
Deferred income due after one year	**638,802**	520,791
	670,638	543,254

42 Deferred Taxation

The analysis of the Group's deferred tax assets and deferred tax liabilities is as follows:

	2013 HK$'000	2012 HK$'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than twelve months	**113,029**	–
Deferred tax asset to be recovered within twelve months	**37,998**	–
	151,027	–
Deferred tax liabilities:		
Deferred tax liability to be crystalised after more than twelve months	**389,554**	357,634
Deferred tax liability to be crystalised within twelve months	**5,253**	4,631
	394,807	362,265

42 Deferred Taxation *(continued)*

	Accelerated tax depreciation HK$'000	Concession operating rights HK$'000	Deferred income HK$'000	Undistributed earnings of Mainland China subsidiaries and joint ventures HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	16,485	168,219	27,493	65,142	–	–	(1,325)	–	276,014
Exchange adjustments	71	(43)	(2,673)	–	–	–	–	–	(2,645)
Charged/(credited) to consolidated income statement (note 12)	6,757	22,287	–	2,481	(3,957)	460	(6,000)	(5,136)	16,892
Reallocated to tax liabilities	–	–	–	(1,255)	–	–	–	–	(1,255)
Acquisition of a subsidiary	3,029	–	–	–	54,006	4,698	–	11,526	73,259
At 31 December 2012	26,342	190,463	24,820	66,368	50,049	5,158	(7,325)	6,390	362,265
Exchange adjustments	–	4,671	282	–	–	–	(453)	568	5,068
(Credited)/charged to consolidated income statement (note 12)	(16,922)	53,456	(5,672)	7,048	(7,590)	–	(150,574)	–	(120,254)
Reallocated to tax liabilities	–	–	–	(9,299)	–	–	6,000	–	(3,299)
At 31 December 2013	9,420	248,590	19,430	64,117	42,459	5,158	(152,352)	6,958	243,780

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

	2013 HK$'000	2012 HK$'000
Deferred tax assets	151,027	–
Deferred tax liabilities	(394,807)	(362,265)
	(243,780)	(362,265)

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

	2013 HK$'000	2012 HK$'000
Unused tax losses (note a)	416,797	494,377
Excess of depreciation charged in the consolidated financial statements over tax depreciation allowances (note b)	111	41
	416,908	494,418

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 approximately HK$353,131,000 (2012: HK$471,396,000) 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.

43 Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	1,116	1,187	1,087	1,158
In the second to fifth years, inclusive	3,482	3,825	2,976	3,302
Over five years	2,022	2,612	1,304	1,636
	6,620	7,624	5,367	6,096
Less: Future finance charges	(1,253)	(1,528)		
Present value of lease obligations	5,367	6,096		
Less: Amount due for settlement within twelve months			(1,087)	(1,158)
Amount due for settlement after twelve months			4,280	4,938

The average lease term is 7 years. At 31 December 2013, the average effective borrowing rate was 5.6% (2012: 2.5%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the property and motor vehicles at nominal prices.

All finance lease payables are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
United States dollar	5,028	5,365
Canadian dollar	300	615
Hong Kong dollar	39	116
	5,367	6,096

The Group's finance lease payables are secured by the lessor's title to the leased assets (note 16).

44 Business Combination

On 2 February 2012, Add Treasure Holdings Limited (the 'Offeror'), a wholly-owned subsidiary of the Company entered into a conditional subscription agreement (the 'Subscription Agreement') with FEG, a public limited company incorporated in the Cayman Islands listed on the SEHK. Pursuant to the Subscription Agreement, FEG conditionally agreed to allot and issue to the Offeror and the Offeror conditionally agreed to subscribe for 1,038,550,000 new shares of FEG, for a total consideration of HK$644 million (the 'Subscription'). The Subscription completed on 28 February 2012. Together with the 103,920,000 shares already owned by a wholly-owned subsidiary of the Company before the Subscription, the Group's interest in FEG increased to 1,142,470,000 shares, representing 53.1% interest of the enlarged issued capital of FEG immediately after the completion of the Subscription.

Pursuant to Rule 26.1 and Rule 13.1 of the Hong Kong Code on Takeovers and Mergers (the 'Takeover Code'), the Offeror was required to and made a mandatory unconditional cash offer for all the issued shares of FEG (other than those then already owned or agreed to be acquired or subscribed to by the Company, the Offeror and persons acting in concert with it), on the basis of HK$1.18 in cash for each ordinary share of the Company (the 'Share Offer') and for the cancellation of all outstanding share options granted under the share option scheme of FEG (the 'Share Options', each of which entitling the relevant holder to subscribe for a new ordinary share of the Company) on the bases of HK$0.66 and HK$0.53 per Share Option in cash for Share Options with exercise prices at HK$0.52 and HK$0.65 per share respectively (the 'Option Offer') (the Share Offer and Option Offer are collectively referred to as the 'Offers'). Upon the closure of the Offers on 23 March 2012, the Offeror received the valid acceptance in respect of 499,433,279 shares under the Share Offer, and a total of 23,600,000 and 44,651,000 Share Options with exercise prices at HK$0.52 and HK$0.65 respectively under the Option Offer. The total considerations paid under the Offers was approximately HK$629 million. Immediately after the Offers, the Group held 1,641,903,279 shares of FEG, representing approximately 76.2% interest in FEG.

FEG and its subsidiaries are principally engaged in contracting and engineering business with expertise in exterior facade works and with operations in different parts of the world. The Board believed that the acquisition of an internationally advanced curtain wall manufacturing and installation company would complement the Company's leading technical and project management capabilities, thus enabling a synergy to the Company in terms of business development opportunities and geographical diversification.

After obtaining effective control of FEG in March 2012, the acquisition was accounted for using the acquisition method. The total considerations of approximately HK$1,419 million in aggregate consist of the consideration paid for the Subscription and Offers and the fair values of share holdings in FEG before the acquisition (previously classified as available-for-sale investments) at the date of obtaining effective control.

44 Business Combination *(continued)*

Details of consideration, net identifiable assets acquired and goodwill in respect of the acquisition are as follows:

	HK$'000
Purchase considerations:	
Cash paid	1,273,064
Fair value of previously held interest	145,488
Total purchase considerations	1,418,552

The fair values of identifiable assets acquired and liabilities assumed as at the date of obtaining effective control are as follows:

	HK$'000
Property, plant and equipment	133,631
Trademark and project backlogs	262,067
Available-for-sale investments	54,637
Amounts due from customers for contract work	214,550
Inventories	4,195
Trade and other receivables	325,645
Deposits and prepayments	13,861
Tax recoverable	5,497
Pledge bank deposits	25,681
Bank balances and cash	707,110
Amounts due to customers for contract work	(151,123)
Trade and other payables	(233,012)
Tax liabilities	(40,699)
Borrowings	(99,644)
Obligations under finance leases	(2,208)
Deferred tax liabilities	(73,259)
Total identifiable net assets	1,146,929
Goodwill	577,664
Non-controlling interests	(306,041)
Total	1,418,552
Consideration paid in cash	(1,273,064)
Cash and cash equivalents acquired	707,110
Net cash outflow on the acquisition	(565,954)

44 Business Combination *(continued)*

Acquired receivables

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$326 million, including trade and retention receivables with a fair value of approximately HK$295 million. The gross balances of trade and retention receivables are approximately HK$321 million of which the recoverability of balances of approximately HK$26 million is in doubt.

Non-controlling interests

The Group has chosen to recognise the non-controlling interests at the acquisition date at the proportion of net assets acquired shared by the non-controlling interests in FEG Group, amounting to approximately HK$306 million at the acquisition date.

Impact of acquisition on the results of the Group

The goodwill of approximately HK$577,664,000 arising from the acquisition is attributable to the future profitability of the acquired business.

None of the goodwill recognised is expected to be deductible for income tax purpose.

	HK$'000
Acquisition related costs (included in other expenses in the consolidated income statement for the year ended 31 December 2012)	20,013

FEG Group contributed approximately HK$1,053 million and HK$34 million to the Group's revenue and profit respectively for the period between the date of acquisition and 31 December 2012. If the acquisition had occurred on 1 January 2012, the total revenue and profit for the year ended 31 December 2012 would have been approximately HK$20,008 million and HK$1,939 million respectively.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and result the Group would have actually achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

45 Major Non-Cash Transaction

During the year ended 31 December 2013, the Group recognised concession operating rights of approximately HK$782,435,000 (2012: HK$685,934,000) in respect of consideration for the provision of construction services in a service concession arrangement. The same amount has been accounted for as revenue from construction contracts as set out in note 5.

46 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 2013, the number of shares in respect of which options had been granted and remain outstanding under the Scheme was 58,575,000 (2012: 59,872,000), representing approximately 1.51% (2012: 1.54%) 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 options granted and which may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

All the Company's outstanding options were granted on 14 September 2005. As at 31 December 2013, there were 58,575,000 vested options outstanding with an adjusted exercise price of HK$0.2544 per share.

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

	Outstanding at 1 January 2012 '000	Exercised after rights issue '000	Outstanding at 31 December 2012 '000	Re-classified during the year '000	Exercised during the year '000	Outstanding at 31 December 2013 '000
Directors	8,542	–	8,542	(3,289)	(639)	4,614
Employees	32,807	(567)	32,240	3,289	–	35,529
Consultants	19,227	(137)	19,090	–	(658)	18,432
	60,576	(704)	59,872	–	(1,297)	58,575

46 Share-Based Payments *(continued)*

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

	Outstanding at 1 January 2012 '000	Exercised during the year '000	Outstanding at 31 December 2012 '000	**Exercised during the year '000**	**Outstanding at 31 December 2013 '000**
Granted on 14 September 2005					
– with exercisable period of 14 September 2006 to 13 September 2015	6,919	–	6,919	**(71)**	**6,848**
– with exercisable period of 14 September 2007 to 13 September 2015	9,593	–	9,593	**(70)**	**9,523**
– with exercisable period of 14 September 2008 to 13 September 2015	11,704	–	11,704	**(114)**	**11,590**
– with exercisable period of 14 September 2009 to 13 September 2015	11,722	–	11,722	**(132)**	**11,590**
– with exercisable period of 14 September 2010 to 13 September 2015	20,638	(704)	19,934	**(910)**	**19,024**
	60,576	(704)	59,872	**(1,297)**	**58,575**
Exercisable at the end of the year	60,576		59,872		**58,575**

In respect of the share options exercised during the year, the weighted average share price was HK$11.53 (2012: HK$6.54).

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.

No share option was granted during the year ended 31 December 2013 and 2012.

47 Operating Lease Arrangements

The Group as lessee

At 31 December 2013 and 2012, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due:

	2013 HK$'000	2012 HK$'000
Within one year	33,257	31,082
In the second to fifth year inclusive	15,846	28,712
Over five years	–	22,323
	49,103	82,117

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 the operating leases of plant and machinery.

The Group as lessor

At the end of the reporting period, investment properties with carrying amounts of HK$39,085,000 (2012: HK$40,044,000) were let out under operating leases.

Property rental income earned, net of direct expenses, during the year was approximately HK$10,872,000 (2012: HK$7,801,000) which was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to seven years without termination options granted to tenants.

At 31 December 2013 and 2012, the Group had contracted with tenants for the following future minimum lease payments:

	2013 HK$'000	2012 HK$'000
Within one year	15,365	11,641
In the second to fifth year inclusive	17,989	10,024
Over five years	3,932	209
	37,286	21,874

48 Commitments

At 31 December 2013 and 2012, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2013 HK$'000	2012 HK$'000
Contracted but not provided for		
– construction in progress for property, plant and equipment	77,940	109,323
– investment	1,566,216	–

49 Related Party Transactions

Apart from the balances due from or to related parties set out in notes 25, 27, 30, 32, and 33, the Group had the following transactions with related parties during the year:

The Group had the following transactions with an intermediate holding company, fellow subsidiaries, associate and joint ventures during the year:

Transactions	2013 HK$'000	2012 HK$'000 (restated)
Fellow subsidiaries		
Rental income	–	543
Rental expenses	14,824	12,620
Security service payment	20,558	22,882
Revenue from construction contracts	374,877	564,860
Project consultancy services income	39,262	45,523
Construction costs	684,372	829,092
Insurance premium income	1,445	3,160
Design consultancy fee charge	71,751	–
Associate		
Purchase of construction materials	138,444	179,177
Joint ventures		
Revenue from construction contracts	557,994	91,144
Rental income from lease of machinery	1,100	3,541
Purchase of materials	54,388	39,162
Sales of building materials	23,884	35,349
Insurance premium income	44,697	9,662
Construction costs	19,228	39,825
Intermediate holding company		
Interest expense	–	14,581
Commission income	3,236	8,853
Construction costs	3,094,994	1,580,547

49 Related Party Transactions *(continued)*

Transactions with other state-controlled entities in Mainland China

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

Apart from transactions with its intermediate holding company, fellow subsidiaries, associate and joint ventures of the Group, the Group has transactions with other state-controlled entities including but not limited to the following:

- Revenue from construction contracts
- Investment income
- Finance costs

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

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

Compensation of key management personnel

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	66,340	49,301
Post-employment benefits	289	194
	66,629	49,495

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

50 Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

51 Event after Balance Sheet Date

On 29 August 2013, City Universe Limited ('City Universe'), an indirect wholly-owned subsidiary of the Company entered into a subscription agreement (the 'Subscription Agreement'), with Fast Shift Investment Limited ('Fast Shift') and Ace Wonder Limited ('ACE'), the holding company of Fast Shift. After completion of the acquisition, Fast Shift has a 29% interest in a mixed-use property development located in the northern shore of Taipa Island, Macau (the 'Project'). Pursuant to the Subscription Agreement, City Universe agreed to subscribe for 100% of the issued class B shares of Fast Shift, which entitled the holder to 29% of the economic benefits in or losses arising from the residential portion of the Project ('Sale Share') and to acquire the relevant portion of shareholder loan (the 'Sale Loan') (both the subscription of Sale Share and the acquisition of the Sale Loan are referred as the 'Transaction'). The total consideration for the Sale Share and the Sale Loan is approximately HK$2,066 million of which HK$500 million was paid as a deposit in 2013. The Transaction was completed with the remaining balance of consideration fully settled in January 2014.

52 Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	Attributable equity interest held 2012 %	Principal activities
Directly held by the Company:					
China Overseas Insurance Limited	Hong Kong	300,000,000 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	355,569,190 ordinary shares of HK$1 each and 844,430,810 non-voting deferred shares of HK$1 each	100	100	Building construction, civil and foundation engineering works and investment holding
Classicman International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Xun An Engineering Company Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Lease of machinery and investment holding

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	Attributable equity interest held 2012 %	Principal activities
Directly held by the Company: *(continued)*					
Zetson Enterprises Ltd	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Add Treasure Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China State Construction Finance (Cayman) I Limited	Cayman Islands/ Hong Kong	1 ordinary share of US$1	100	100	Issuance of guaranteed notes
Indirectly held by the Company:					
Alchmex International Construction Limited	United Kingdom/ Hong Kong	4,000,000 ordinary shares of GBP1 each	100	100	Building construction, civil and marine engineering works, project and construction management
Barkgate Enterprises Limited	British Virgin Islands/ Hong Kong	200 ordinary shares of US$1 each	100	100	Investment holding
Best Inherit Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China Construction Engineering (Macau) Company Limited	Macau	MOP 300,000,000	100	100	Building construction and civil engineering works, properties holding and investment holding

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
China Overseas Building Construction Limited	Hong Kong	4,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Building construction, project management and investment holding
China Overseas Public Utility Investment Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China Overseas Technology Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
China State Civil Engineering Limited	Hong Kong	1,999,900 ordinary shares of HK$10 each and 100 non-voting deferred shares of HK$10 each	100	100	Civil engineering works, project management and investment holding
China State Grand Wealth Investments Limited	Hong Kong	1 ordinary share of HK$1	100	100	Investment holding
China State Foundation Engineering Limited	Hong Kong	46,500,000 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100	100	Foundation engineering works and project management
China 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

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	Attributable equity interest held 2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
China State Machinery Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Lease of plant and machinery
China State Mechanical & Electrical Engineering Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	100	Mechanical and electrical engineering works, project management
Citycharm Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
COHL (Macao) Commercial and Industrial Company Limited	Macau	MOP 200,000	100	100	Investment holding
CSFE (Macau) Limited	Macau	MOP 200,000	100	100	Foundation engineering works
C.S.H.K. Dubai Contracting L.L.C.	United Arab Emirates	1,000 ordinary shares of AED1,000 each	100	100	Building construction and road contracting
CSCEC Trade Mark Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Holding of trade marks
CSME (Macau) Limited	Macau	MOP 200,000	100	100	Mechanical and electrical engineering works and investment holding
Eastgood Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Investment holding

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
Ever Power Group Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Fuller Sky Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Magnified Industries Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Perfect Castle Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Speedclass Development Limited	Hong Kong	100 ordinary shares of HK$1 each	100	100	Building construction and project management
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Building construction
Value Idea Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
Weedon International Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	100	Investment holding
中建(珠海)有限公司 (i)	PRC	HK$10,770,000	100	100	Property investment and management

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	Attributable equity interest held 2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
瀋陽皇姑熱電有限公司 (i)	PRC	RMB680,660,000	100	100	Generation and supply of heat and electricity and investment holding
瀋陽皇姑粉煤灰建材有限公司 (ii)	PRC	RMB8,000,000	100	100	Manufacturing and sales of coal products
深圳中海建築有限公司 (i)	PRC	RMB350,000,000	100	100	Building construction and investment holding
深圳市中海建設監理有限公司 (ii)	PRC	RMB50,000,000	100	100	Provision of project consultancy services
深圳海龍建築製品有限公司 (i)	PRC	RMB50,000,000	100	100	Manufacturing and sales of precast structures
中建陽泉基礎設施投資有限公司 (ii)	PRC	RMB100,000,000	100	100	Infrastructure construction and operation
陽泉市陽五高速公路投資管理有限公司 (ii)	PRC	RMB202,000,000	100	100	Infrastructure construction and operation
深圳海豐德投資有限公司 (ii)	PRC	RMB100,000,000	100	100	Investment holding
天津港悦基建發展有限公司 (i)	PRC	US$15,000,000	100	100	Infrastructure investment
深圳市中建宏達投資有限公司 (ii)	PRC	RMB200,000,000	100	100	Investment holding
深圳市中海投資有限公司 (ii)	PRC	RMB500,000,000	100	100	Investment holding

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	Attributable equity interest held 2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
中海創業投資(深圳)有限公司 (i)	PRC	US$29,800,000	100	100	Investment holding
中建國際投資(中國)有限公司 (前稱中建宏達投資(中國)有限公司) (ii)	PRC	US$588,000,000	100	100	Investment holding
中建(漳州)建設開發有限公司 (ii)	PRC	US$48,000,000	100	100	Building investment
重慶海建投資有限公司 (ii)	PRC	RMB10,000,000	100	100	Building investment
山西五盂高速公路有限公司 (ii)	PRC	US$290,000,000	100	100	Infrastructure investment and construction
重慶海勝基礎設施開發有限公司 (ii)	PRC	RMB380,000,000	100	100	Infrastructure investment
杭州海嘉建設有限公司 (ii)	PRC	RMB210,000,000	100	100	Infrastructure investment
無錫海嘉建設有限公司 (ii)	PRC	RMB150,000,000	100	100	Infrastructure investment
鎮江海嘉建設有限公司 (ii)	PRC	RMB120,000,000	100	100	Infrastructure investment
Far East Global Group Limited (iii)	Cayman Islands/ Hong Kong	2,155,545,000 ordinary shares of HK$0.01 each	74.06	74.06	Investment holding
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of HK$100 each	74.06	74.06	Design, manufacture and installation of curtain walls, aluminium windows and other related products
溫州海嘉建設有限公司 (ii), (iv)	PRC	RMB300,000,000	100	–	Infrastructure investment

52 Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held 2013 %	2012 %	Principal activities
Indirectly held by the Company: *(continued)*					
平陽海嘉建設有限公司 (ii), (iv)	PRC	RMB100,000,000	100	–	Infrastructure investment
中建國際投資(镇江)有限公司 (ii), (iv)	PRC	RMB180,000,000	100	–	Infrastructure investment

Notes:

(i) Registered as foreign owned enterprise.

(ii) Limited liability company registered in the PRC.

(iii) Listed company.

(iv) 溫州海嘉建設有限公司, 平陽海嘉建設有限公司 and 中建國際投資(鎮江)有限公司 were incorporated on 10 January 2013, 27 August 2013 and 14 November 2013 respectively.

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

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

FIVE YEAR FINANCIAL SUMMARY

Consolidated Results

	For the year ended 31 December				
	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000 (restated)	2012 HK$'000 (restated)	**2013** **HK$'000**
Revenue	11,563,808	12,977,157	17,390,621	21,910,660	**27,191,939**
Operating profit	658,086	1,099,520	1,668,626	2,349,233	**3,149,821**
Share of profits of					
Joint ventures	163,358	243,636	359,002	413,284	**430,228**
Associates	11,592	20,419	13,702	18,255	**21,941**
Finance costs	(12,956)	(15,552)	(192,690)	(239,375)	**(409,330)**
Profit before tax	820,080	1,348,023	1,848,640	2,541,397	**3,192,660**
Income tax expense, net	(91,599)	(227,774)	(338,461)	(404,896)	**(499,379)**
Profit for the year	728,481	1,120,249	1,510,179	2,136,501	**2,693,281**
Attributable to:					
Owners of the Company	674,066	1,036,278	1,507,405	2,131,459	**2,772,145**
Non-controlling interests	54,415	83,971	2,774	5,042	**(78,864)**
	728,481	1,120,249	1,510,179	2,136,501	**2,693,281**

Note: The figures from 2009 to 2012 have been restated for the reclassification of interest income generated from BT projects to revenue and the retrospective application of HKFRS 11 'Joint Arrangements' in the current year.

Consolidated Net Assets

	As at 31 December				
	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000 (restated)	2012 HK$'000 (restated)	**2013 HK$'000**
NON-CURRENT ASSETS					
Property, plant and equipment	1,122,980	1,454,445	1,870,033	2,190,951	**2,342,163**
Investment properties	43,031	42,038	41,063	40,044	**39,085**
Interests in infrastructure project investments	553,762	673,575	673,224	915,049	**1,186,012**
Prepaid lease payments	78,795	176,494	184,978	182,291	**183,987**
Interests in joint ventures	1,562,740	2,327,699	2,506,098	2,630,927	**2,149,893**
Interests in associates	35,175	34,552	29,237	36,156	**48,757**
Concession operating rights	1,058,730	4,046,058	4,926,465	5,501,701	**6,353,833**
Deferred tax assets	–	–	–	–	**151,027**
Trademark, project backlogs and licences	9,950	9,950	9,950	252,551	**226,596**
Goodwill	–	–	–	577,664	**577,664**
Available-for-sale investments	116,179	396,953	490,842	497,861	**543,642**
Investment in convertible bonds	–	219,686	240,000	296,827	**–**
Amounts due from investee companies	250,142	362,247	356,085	361,471	**399,645**
Trade and other receivables	–	–	919,473	3,186,846	**8,141,167**
Deposit paid for an investment	–	–	–	–	**500,000**
Loan to a joint venture	–	–	–	–	**127,550**
	4,831,484	9,743,697	12,247,448	16,670,339	**22,971,021**
CURRENT ASSETS	10,465,372	9,001,781	14,657,740	21,164,237	**27,865,616**
TOTAL ASSETS	15,296,856	18,745,478	26,905,188	37,834,576	**50,836,637**
NON-CURRENT LIABILITIES					
Borrowings	(1,936,286)	(2,880,362)	(4,961,268)	(9,996,359)	**(8,539,842)**
Guaranteed notes payables	–	–	–	–	**(3,860,286)**
Deferred income	(180,480)	(244,047)	(421,938)	(520,791)	**(638,802)**
Deferred tax liabilities	(93,219)	(228,813)	(276,014)	(362,265)	**(394,807)**
Loans from intermediate holding company	(1,703,578)	(2,470,537)	–	–	**–**
Obligations under finance leases	–	–	–	(4,938)	**(4,280)**
	(3,913,563)	(5,823,759)	(5,659,220)	(10,884,353)	**(13,438,017)**
CURRENT LIABILITIES	(7,719,303)	(8,298,319)	(11,748,892)	(13,097,255)	**(20,964,558)**
TOTAL LIABILITIES	(11,632,866)	(14,122,078)	(17,408,112)	(23,981,608)	**(34,402,575)**
NET ASSETS	3,663,990	4,623,400	9,497,076	13,852,968	**16,434,062**

Note: The figures from 2009 to 2012 have been restated for the retrospective application of HKFRS 11 'Joint Arrangements' in the current year.

PARTICULARS OF INVESTMENT PROPERTIES

	Address	Use	Lease Term	Approximate gross floor area (sq.ft)	Group's interest %
(a)	11th, 12th and 13th Floors, China Construction Commercial Building, Rua do Campo No: 88–96 and Rua de Santa Clara No: 1–3A, Macau	Commercial	Freehold	15,672	100
(b)	1st, 2nd, 3rd, 22nd and 23rd Floor, Zhongjian Commercial Building, Yingbin Road South, Gongbei District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	39,057	100
(c)	No. 201, Ground Store, No. 245 Qiaoguang Road, Gongbei District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	1,057	100
(d)	Room 1104, 11th Floor, Zhongzhu Building, No. 1081 Yingbin Road, South Gongbei District, Zhuhai Guangdong Province, the PRC	Commercial	Medium-term lease	1,134	100
(e)	Shop A on Ground Floor and Car Parking Spaces Nos. 1 to 24 on 1st Floor, Fu Po Garden, Estrada Marginal do Hipodromo, No: 70–76, Macau	Commercial	Medium-term lease	6,542	100
(f)	Shops on Basement, Ground Floor and 1st Floor, Car Parking Spaces Nos. 1 to 6 on 1st Floor and Nos. 15 to 16 on 2nd Floor, Edificio Ou Va, Rua do Ribeira do Patane, No: 109–115, Avenida Marginal do, Patane No: 26–36, Macau	Commercial	Freehold	16,175	100

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