EXPLORING OPPORTUNITIES

ANNUAL REPORT **2012**

中翔國際集團有限公司
China International Holdings Limited

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"Continue to set higher goals - the best performance today is tomorrow's lowest requirements"

Dear Shareholders,

It is with much pleasure that I present to you our annual report for Financial Year ended 31 December 2012 ("FY2012").

No matter how the market conditions fluctuated, the Company continued to focus on our core business which we believe will bring to the Company ideal results. We continued to strengthen our core business in water plant development and operations; property development with human and financial resources, and made further development in our new energy and natural resources business.

I am pleased to report that we remain a well funded company with a strong management team and a growing business with steady progress in each of these significant areas.

The year in review

In FY2012, the net profit of the Group increased to RMB19.02 million, whereas the profit attributable to the Company was RMB8.09 million.

This was achieved on the back of a decrease of 24.6% in turnover, recording RMB57.90 million in FY2012 as compared to RMB76.81 million in FY2011. The decrease was mainly due to the decrease of turnover from Water Supply Services and Land Development Segments in FY2012 as compared to those of FY2011.

In line with the lower turnover, cost of services provided in FY2012 decreased by RMB16.74 million or 42.6% to RMB22.60 million as compared to RMB39.34 million in FY2011.

Overall, the Group's gross profit in FY2012 decreased by RMB2.17 million or 5.8% to RMB35.30 million as compared to RMB37.47 million in FY2011.

Other income in FY2012 increased by RMB14.95 million or 180.60% to RMB23.23 million as compared to RMB8.28 million in FY2011. The increase was mainly due to the increase in interest income.

Income tax expenses in FY2012 decreased by RMB1.15 million or 18.1% to RMB5.24 million as compared to RMB6.39 million in FY2011 mainly due to the decrease in taxable profits from operating segments of the Group during the year.

Net cash generated from operating activities in FY2012 was RMB14.21 million mainly due to the turnover generated from water supply services and toll charging operations during the year.

Net cash used in investing activities in FY2012 was RMB380.16 million primarily due to the loan advanced to other parties and payments for deposits of acquisition of a subsidiary during the year.

Net cash generated from financing activities in FY2012 was RMB144.29 million primarily due to loans advanced from non-related parties..

Chairman's Statement

Cash and cash equivalents as at 31 December 2012 was RMB78.49 million as compared to RMB300.14 million in FY2011. Compared to FY2011, the cash position of the Group has decreased.

The Group has announced on 24 May 2012 that following the completion of the 2D seismic data acquisition program by main contractor Honghua International, the project company, MKS, retained Gaffnet, Cline and Associates ("GCA"), the international independent petroleum consultants, to undertake a review of and form its own view on the surface data and subsurface seismic data acquired from the program by Honghua International. GCA completed such review on 23 May 2012. On GCA's recommendation, MKS has undertaken further surface geological work while preparing for contracting our a well drilling program targeting AOI-2 prospect.

The Group wished to highlight that oil and gas exploration is an expensive and high risk operation. This project undertaken by the group is still at the preliminary exploration stage. Further exploration and study will be needed to ascertain whether economically viable resources exist.

The Group has also announced on 2 January 2013, that CCI Andi Bridge Co.,Ltd ("Andi"), a 55% owned subsidiary of the Company, had been notified by Hebei Provincial Government on 31 December 2012 to cease its toll charging operations effective immediately.

The cessation of toll charging at Andi has significant impact on the Company's business composition as Andi is the last toll project under the Company's current operations. The results of Andi has been classified as discontinued operations in the financial statements.

Looking ahead

The Group also announced on 2 January 2013 that further to the announcement made on 16 September 2012 regarding the proposed acquisition of 55% of the issued and paid-up share capital in Triumph Kind Investment Limited ("Proposed Acquisition"), the Company and the Vendor had agreed to extend the completion date due to necessary approval process. The Group expects this acquisition to enable significant expansion in our property development business and generate economic benefits to the Group in the near future.

Despite the uncertainties in our operating environment, we are confident that we have made adequate strategic plans for each of our business segments. Simultaneously, we have many tasks and challenges ahead of us, especially as we work towards successfully integrating our newly acquired business in 2013. I believe we must remain focused and positive, despite an uncertain economic outlook. I am confident that we have the capability to create values for our shareholders.

Acknowledgements

Lastly, I would like to extend my deepest gratitude and appreciation to my fellow directors, diligent management team and staff for their contributions and trust over the year. I would also like to thank all the loyal shareholders, with all of your faith and support, we will continue to move forward with confidence.

Shan Chang
Chairman

Board of Directors

Shan Chang

Mr Shan is one of the founders and the Chairman of the Company. Mr Shan has over 20 years of experience in the construction industry in the PRC and Hong Kong and more than 10 years business and financial management experience in listed companies. Mr Shan is the Chairman of CIGIS (China) Ltd. Mr Shan holds an Executive Master of Business Administration degree from the Tsinghua University, a Master of Science degree in Engineering from the China Academy of Railway Science and a Bachelor of Science degree in Engineering from the Tong Ji University. Age 53.

Fong Weng Khiang

Mr Fong was appointed as an Independent Director on 14 January 2006. Mr Fong has more than 24 years of working experience in the building industry and property development. He had stationed in China between 1994 and 2000, served as Regional Director for a multinational conglomerate headquartered in Singapore. Mr Fong holds a Bachelor of Science (Building) degree from the University of Singapore, a Master of Science (International Construction Management) degree from the Nanyang Technological University, and has a postgraduate Diploma in Financial Management conferred by New York University and the Singapore Institute of Management. Mr Fong is a member of the Singapore Institute of Surveyors and Valuers and a professional member of the Royal Institution of Chartered Surveyors. Age 59.

Zhang Rong Xiang

Mr Zhang is one of the founders of the Company. Mr Zhang was re-appointed as Managing Director of the Company on 26 April 2012. Mr Zhang has more than 20 years of experience in construction, civil engineering and seismic studies in the PRC and Hong Kong, including 15 years with the Comprehensive Institute of Site Investigation and Surveying, Ministry of Construction of the PRC. Mr Zhang holds an Executive Master of Business Administration degree from the Peking University, a Master of Science degree in Engineering from the China Academy of Building Research and a Bachelor of Engineering degree from the Hefei University of Technology. Mr Zhang is a member of the Council of the Architectural Society of China, a Registered Engineer for Construction Supervision and Registered Civil Engineer (Geot.) in the PRC. Age 50.

Board of Directors

Zhu Jun

Mr Zhu joined the Company in April 2003 and was appointed Executive Director of the Company on 25 June 2003. Mr Zhu is responsible for the business development and financial matter of the Group. Mr Zhu also sits on the Board of United Energy Group Co. Ltd. Prior to joining the Company, Mr Zhu worked in banking, financial and capital market sector for more than 13 years as a senior executive. He served as Assistant Director of SINOLINK Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange, for about 4 years. Mr Zhu holds a Master and a Bachelor degree in Economics from the Peking University. Age 47.

Chee Teck Kwong Patrick

Mr Chee Teck Kwong Patrick, PBM, was appointed as an Independent Director on 16 June 2008. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. Mr Chee is admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980 he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore. He is now practicing as a Senior Legal Consultant with KhattarWong LLP. Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of Hanwell Holdings Limited, CSC Holdings Limited, Ramba Energy Limited, Singapore Windsor Holdings Limited, Tat Seng Packaging Group Ltd, Hai Leck Holdings Limited and Hengxin Technology Ltd. Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club and the Organising Chairman of National Street Soccer League. Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masayarakat) from the President of Republic of Singapore. Age 59.

Shen Xia

Mr Shen joined the Company and was appointed Executive Director of the Company on 17 May 2010. Mr Shen is responsible for corporate finance and natural resources business operations of the Group. Prior to joining the Company, Mr Shen had more than 17 years of experience in investment banking focusing on natural resources sector. Mr Shen holds a Master degree from University of Oxford in England and a Bachelor degree from Zhejiang University in Hangzhou, China. Mr. Shen is an executive director of Hong Kong Stock Exchange listed company Yueshou Environmental Holdings Limited. Age 50.

Key Management

Yange Han

Ms Han was appointed Chief Financial Officer and Company Secretary on 19 July 2010. Prior to joining the Company, Ms Han had over 13 years of experience in auditing, consulting and corporate finance in the US and China as a Director with PricewaterhouseCoopers and two years as an Executive Director with NYSE Euronext. Ms Han holds post-baccalaureate degree in Business Administration from University of Washington and a Bachelor of Arts degree from China Communication University. Ms Han is a Certified Public Accountant in the State of California in the US. Age 45.

Corporate Structure

中翔國際集團有限公司
China International Holdings Limited

Corporate Information

Directors
Mr Shan Chang, Non-Executive Chairman
Mr Fong Weng Khiang, Independent Deputy Chairman
Mr Zhang Rong Xiang, Managing Director
Mr Zhu Jun, Executive Director
Mr Chee Teck Kwong Patrick, Independent Director
Mr Shen Xia, Executive Director

Company Secretaries
Ms Yange Han
Ms Claudia Teo Kwee Yee

Independent Auditor
Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Philip Tan Jing Choon
(since financial year ended 31 December 2012)

Hong Kong Office
Room 3001, Shun Tak Centre, West Tower
168 – 200 Connaught Road Central
Hong Kong

Beijing Office
Floor 21, Tower C, Webok Time Centre
17 South Zhongguancun Street
Haidian District, Beijing
PRC 100081

Website
www.CIHGRP.net

Share Registrar
Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Share Transfer Agent
Boardroom Corporate & Advisory Services (Pte) Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

Registered Office
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda
Telephone: 1 441 295 5950
Fax: 1 441 292 4720

Principal Bankers
CITIC Industrial Bank
Industrial and Commercial Bank of China
CITIC Ka Wah Bank

Statement of Corporate Governance

The Directors of China International Holdings Limited (the “Company”) are committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders’ interests and enhancement of long term shareholder value are met.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

The Board’s primary role is to protect and enhance long–term shareholders’ value. To fulfill this role, the Board is responsible for setting the overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices of the Group.

The Board conducts regular scheduled meetings on a quarterly basis to review and approve matters such as material acquisition and disposal of assets, major investments and divestments, major funding proposals, corporate governance policies, repurchase of shares, dividends, release of the Group’s quarterly financial results and material interested person transactions. Ad–hoc meetings are convened as and when they are deemed necessary in between the scheduled meetings. The Bye–Laws of the Company allow board meetings to be conducted by means of such telephone, electronic or other communication facilities. When a physical Board meeting is not possible, the Board members can communicate through electronic means or via circulation of written resolutions for approval.

The Board delegates four Board Committees to assist in the execution of its responsibilities, namely Nominating Committee (“NC”), Remuneration Committee (“RC”), Audit Committee (“AC”) and Risk Management Committee (“RMC”). Most Committees are chaired by an Independent Director and consist of a majority of independent or non–executive Directors.

At least one of the Company Secretaries will attend all meetings of the Board and Board committee meetings of the Company to ensure that Board procedures are followed and applicable rules and regulations are complied with.

Directors are provided with regular updates, particularly on relevant new laws and regulations by the Company Secretaries. The Directors also have access to the advice and services of the Company Secretaries and Management, and may in appropriate circumstances, seek independent professional advice concerning the Group’s affairs. Directors also have the opportunity to visit the Group’s subsidiaries and meet with Management to gain a better understanding of the Group’s business operations and governance practices.

Upon appointment of a new Director, the Company would issue a formal letter of appointment setting out the statutory and other duties and obligations of the Director. The Company will conduct briefings for new Directors to orientate them on the Group’s operations and furnish them with information and updates on the Group’s corporate governance practices.

The number of Board meetings and Board committee meetings held during the financial year ended 31 December 2012 and the attendance of each Director where relevant are as follows:

Statement of Corporate Governance

Name of Director	Board Meetings	AC Meetings	NC Meetings	RC Meetings
Number of Meetings	7	4	1	1
Mr Shan Chang	6	3	1	1
Mr Fong Weng Khiang	6	4	1	1
Mr Zhang Rong Xiang	7	–	–	–
Mr Zhu Jun	7	–	–	–
Mr Chee Teck Kwong Patrick	7	4	1	1
Mr Shen Xia	7	–	–	–

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently has six Directors, one–third of whom are independent directors. Their collective experience and contributions are valuable to the Company. The Directors as at the date of this report are as follows:

Name of Director	Position
Mr Shan Chang	Non-Executive Chairman
Mr Fong Weng Khiang	Independent Director and Deputy Chairman
Mr Zhang Rong Xiang	Managing Director
Mr Zhu Jun	Executive Director
Mr Chee Teck Kwong Patrick	Independent Director
Mr Shen Xia	Executive Director

The NC reviews the size and composition of the Board on an annual basis. The Board is of the view that the current board size is appropriate for the Company's business nature and scope of operations. The Board is of the view that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision–making.

Non–executive and independent members of the Board exercise no management functions in the Company or its subsidiary. Although all the Directors have an equal responsibility for the Group's operations, the role of these non–executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and take into account the long term interests of the Shareholders, as well as the interests of employees, customers, suppliers and the many communities in which the Group conducts business. The Non–executive Directors help to develop proposals on strategies, business operations and practices of the Group and review the performance of Management in meeting agreed goals and objectives.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and Managing Director are separate, with a clear division of responsibilities between the two directors.

Our Non–Executive Chairman, Mr Shan, plays a pivotal role in steering the strategic direction and growth of the business, as he has considerable business experience. He also ensures information flow between Management and the Board, while the Managing Director, Mr Zhang, assumes full executive responsibilities over the business directions and operational decisions of the Group.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re–nomination and re–election at regular intervals.

The NC comprises three Directors, a majority of whom, including the Chairman, are independent. The NC members are:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Fong Weng Khiang
Mr Shan Chang

The Chairman of NC is not a substantial shareholder of the Company and is not associated in any way with the substantial shareholders of the Company.

The NC has written terms of reference that describe the responsibilities of its members. The NC's functions are to develop and maintain a transparent and formal process for the appointment of new directors, to make recommendations on directors who are due for retirement by rotation to seek re–election at general meeting, and to determine the status of independence of each director. The role of the NC includes reviewing nominations for the appointment and re–appointment to the Board and the various Board committees, and overseeing the induction process for directors. The NC is also tasked to assess the effectiveness and contributions of the Board and its members to the strategic growth and development of the Company. In doing so, the NC determines how the Board's performance may be evaluated, and proposes objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each director. Where a director has multiple board representations, the NC will evaluate annually whether or not a director is able to and has been adequately carrying out his duties as director of the Company based on internal guidelines such as attendance, contactability and responsiveness. Despite some of the Directors having other board representations, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The Directors submit themselves for re–nomination and re–election as Directors at regular intervals of at least once every three years. Pursuant to Bye–law 104 of the Company's Bye–Laws, one–third of the Directors are to retire from office by rotation at the Company's Annual General Meeting ("AGM"). In addition, pursuant to the Bye–Laws of the Company, a newly appointed director must retire and submit himself for re–election at the next AGM following his appointment.

The NC has reviewed the independence of each Director for FY2012 in accordance with the Code's definition of independence and is of the opinion that Mr Fong Weng Khiang and Mr Chee Teck Kwong Patrick are independent.

The NC oversees the selection and appointment of new directors. The process includes the identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability before recommending for nomination to the Board.

The following are the information relating to the date of appointment of the Directors and the date of their last re–election:

	Date of first appointment	Date of last re-election
Mr Shan Chang	7 Nov 1998	26 April 2012
Mr Fong Weng Khiang	14 Jan 2006	26 April 2012
Mr Zhang Rong Xiang	15 Jan 1999	26 April 2012
Mr Zhu Jun	25 Jun 2003	27 April 2011
Mr Chee Teck Kwong Patrick	16 Jun 2008	27 April 2011
Mr Shen Xia	17 May 2010	27 April 2011

Mr Zhu Jun and Mr Shen Xia have given their consent for re–election as Directors of the Company. The NC has recommended that Mr Zhu Jun and Mr Shen Xia who are retiring at this forthcoming AGM, for re-election as Directors of the Company.

Key information of the Directors can be found on Page 4 and 5 of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has adopted an evaluation questionnaire to assess the performance and effectiveness of the Board as a whole. It focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information, efficiency and effectiveness of Board processes and accountability, as well as directors' standards of conduct. The findings are then collated and analysed, and thereafter present to the NC for discussion.

Although the Directors are not evaluated individually, the factors taken into considerations for the re–nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The review of the Board performance is undertaken collectively by the Board annually.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on–going basis.

Directors receive a regular supply of detailed information from management concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management, so that they are equipped to play a full part as far as possible in Board meetings. The Board papers include sufficient information from management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings.

The Board members have separate and independent access to the Management of the Company and of the subsidiaries and the Company Secretaries on all matters whenever they deem necessary, and vice versa. They have been provided with sufficient background and explanatory information for the assessment of the matters to be brought before the Board.

At least one of the Company Secretaries attends all Board Meetings and prepares the minutes of meetings. The appointment and removal of the Company Secretary are subjected to the approval of the Board.

If necessary, the Company will, upon the request of Directors (whether as a group or individually), provide them with independent professional advice, at the Company's expense to enable the Directors to discharge their duties.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following Directors, a majority of whom, including the Chairman, are independent:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Fong Weng Khiang
Mr Shan Chang

The RC holds at least one meeting per year. The key functions of the Remuneration Committee under the Terms of Reference are, inter alia:

(a) to recommend to the Board a framework of remuneration for the Board and executive officers, and to determine specific remuneration packages for each executive director; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) in the case of service contracts, to consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any share option schemes or performance share plans as may be implemented, to consider whether directors should be eligible for benefits under such incentive schemes.

The members of the RC shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his own remuneration.

The RC also has access to independent and professional advice on remuneration matters, if required.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The directors' fees paid to the Directors each year will be subject to the shareholders' approval at the forthcoming annual general meeting ("AGM").

The remuneration for the Company's Executive Directors and key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual review of the remuneration package of Directors will be carried out by the RC to ensure that the remuneration of the Executive Directors and key senior management commensurate with their performance, giving due consideration to the financial and commercial health and business needs of the Group.

The performance of the Managing Director (together with other key senior executives) will be reviewed periodically by the RC and the Board.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The fees and remuneration paid (other than share options granted) to each of the Directors and key executives of the Company for the financial year ended 31 December 2012 are set out below.

	Fee	Salary	Allowance	Bonus	Total
	%	%	%	%	%
Directors					
Below S$250,000					
Mr Shan Chang	100	–	–	–	100
Mr Fong Weng Khiang	82	–	18	–	100
Mr Zhang Rong Xiang	22	72	–	6	100
Mr Zhu Jun	30	41	24	5	100
Mr Chee Teck Kwong Patrick	82	–	18	–	100
Mr Shen Xia	20	57	18	5	100
Key Executives					
Below S$250,000					
Ms Yange Han	–	100	–	–	100
Mr Liang Hong Guang	–	100	–	–	100

The Non-Executive Directors, including the Independent Directors, have no service contracts with the Company and their terms of appointment are specified in the Bye Laws of the Company. The service period of the Managing Director is for a period not exceeding a fixed term of 5 years as per the Bye–Laws of the Company. The service contract of the Executive Directors is for a period of three years and the contract can be terminated by giving the other party not less than 6 months' notice or payment in lieu of notice.

There are no employees of the Group who are immediate family members of a Director, the Managing Director or a substantial shareholder, and whose remuneration exceeds S$150,000 during the financial year ended 31 December 2012.

In deriving and approving appropriate remuneration packages, the RC is mindful of factors such as employment conditions within the industry, roles and responsibilities of the individuals and the need to link reward to performance. The Company has also put in place a share option scheme and a performance share plan for executives as part of its remuneration mix and as a staff–retention tool. Details of the share option scheme are found under the Directors' Report.

The Company had adopted the CIHL Share Option Scheme (the "SOS") on 8 March 2010. The SOS is administered by the RC. No options were granted in FY2012. Details of the SOS can be found on page 20 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board adopted the principle that the Board is accountable to the shareholders while the management is accountable to the Board. The Board is committed to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a periodic basis and to keep shareholders informed of significant developments of the Company's operations. The monthly financial information is available for the Board members to review on a periodic basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Directors, a majority of whom, including the Chairman is independent. The AC members are:

Mr Fong Weng Khiang (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

The AC members have many years of experience in board of directors and senior management positions. The Board is of the view that the AC members have sufficient financial management expertise and experience to discharge their responsibilities.

The AC carries out its functions as set out under its terms of reference. The AC monitors the changes in accounting policies, reviews internal audit appraisals and adequacy of the Group's internal controls, reviews interested person transactions, and discusses accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. In addition, the AC reviews together with the external auditor, the audit plan, audit issues, audit report and Management's response.

The AC is authorised to investigate any matter within its terms of reference and has full access to Management and resources, which are necessary to enable it to discharge its functions properly.

The Company has put in place a whistle–blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The AC has full access to and co–operation by Management and has full discretion to invite any executive director or executive officer to attend their meetings.

The AC meets with the external auditor and internal auditor, at least once a year, without the presence of Management. The AC has reviewed and satisfied with the external auditor's independence and objectivity. No non-audit service was provided by the external auditor during FY2012.

The AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation as auditors at the forthcoming Annual General Meeting of the Company. The Company confirms that Rules 712 and 716 of the Listing Manual of the SGX-ST has been complied with, specifically, the Board and the Audit Committee are satisfied that the appointment of different auditing firms for the Group companies would not compromise the standard and effectiveness of the audit of the Company.

Internal Controls

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The AC has met with the management, internal and external auditors once during the financial year to review the internal and external auditors' audit plans. Also, as part of the annual statutory audit on financial statements, the external auditors report to the AC and the appropriate level of management any material weaknesses in financial internal controls over the areas which are significant to the audit. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC has assisted the Board to conduct periodic reviews on the adequacy of the system of internal controls of the Group, which reviews the areas of financial, operational and compliance risks.

Relying on the reports from the internal and external auditors and management representation letters, the AC carries out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

The Directors have received and considered the representation letters from the Managing Director and Chief Financial Officer jointly in relation to the financial information for the year.

Material associates and joint ventures which the Company does not control, are not dealt with for the purposes of this statement.

Based on the various management controls put in place and the reports from the internal and external auditors, and reviews by the management and the Management representation letters, the Board with the concurrence of the AC is of the opinion that the system of internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide reasonable assurance against material financial misstatements or material loss and to safeguard the Group's assets.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

The Board had established the Risk Management Committee on 6 August 2012 comprising three Directors. The RMC members are:

Mr Shan Chang (Chairman)
Mr Zhang Rong Xiang
Mr Shen Xia

The RMC will hold at least two meetings a year. The RMC assists the Board in fulfilling its oversight responsibilities on risk management. The key functions of the Risk Management Committee under terms of Reference are, inter alia:

(a) Review the overall risk management system and process and make recommendations on changes as and when considered appropriate;

(b) Review the Group's risk policies, guideline and limits; and

(c) Review periodically the Group's material risk exposures and evaluate the adequacy and effectiveness of the mitigating measures implemented by management.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Group has outsourced its internal audit function to Crowe Horwath First Trust Risk Advisory Pte Ltd. During the financial year, to review the effectiveness of the key internal controls, including financial, operational and compliance controls, and risk management on an on-going basis. Procedures are in place for internal auditors to report independently their findings to the AC on internal audit matters, and to the Management on administrative matters. Management will update the AC on the status of the remedial action plans.

The internal auditor reports to the Chairman of the AC at least annually.

The AC reviews the internal audit reports and activities periodically and the effectiveness of the Company's internal audit function. The AC also reviews and approves the annual internal audit plan. The AC is of the view that the internal audit function is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

The internal auditors have conducted an annual review in accordance with their audit plan, of the effectiveness of the Company's material internal controls. Material non-compliance or failures in internal controls and recommendations for improvements (if any) will be reported to the Audit Committee.

The AC has also reviewed the effectiveness and adequacy of the IA function and the AC is satisfied that the IA function is adequately resourced and has appropriate standing within the Group.

Communication With Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to maintain a regular, effective and fair communication with shareholders. Pursuant to the continuous disclosure obligations under Listing Manual of SGX-ST, the Company makes disclosures through announcements via SGXNET. Price-sentive information is publicly released and announced within the mandatory period, which is also available on the Company's website.

In addition, the Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to voice their views to, raise issues to and seek clarification from the Board of Directors or Management regarding the Company and its operations. Shareholders are encouraged to attend the AGM in person or by proxy.

The Chairpersons of the AC, NC, RC and RMC attend the AGM of the Company to address any queries from the shareholders. The Company's external auditors are also invited to assist in addressing any queries by shareholders relating to the conduct of audit and the preparation and content of their auditors' report.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

Dealings in Securities

The Group has adopted internal policies that are consistent with Rule 1207(19) of the listing manual issued by SGX-ST in relation to dealings in the Company's securities.

Directors, officers and employees of the Company are notified that they are prohibited from trading in the Company's shares while in possession of unpublished material price–sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results.

The Directors and key officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST.

Interested Person Transactions ("IPTs")

The Company has established guideline on interested person transactions. The AC reviews material interested person transactions and keeps the Board informed of such transactions, if any.

Measures are taken to ensure that terms and conditions of interested person transactions are not more favorable than those granted to non–related persons under similar circumstances.

There were no interested person transactions entered into during the financial year ended as at 31 December 2012.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving interest of any directors or controlling shareholders during and as at the end of financial year of 2012.

Risk Management

Management regularly reviews the Group's businesses and assesses operational environment in order to identify areas of significant business and financial risks such as foreign exchange risks, interest rate risk, credit risk and liquidity risk, as well as appropriate measures to control and mitigate these risks. The significant risk management policies are as disclosed in the audited financial statements of this Annual Report on page 48 to 51.

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012.

Directors

The directors of the Company in office at the date of this report are as follow:

Mr Shan Chang
Mr Fong Weng Khiang
Mr Zhang Rong Xiang
Mr Zhu Jun
Mr Chee Teck Kwong Patrick
Mr Shen Xia

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" of this report.

Directors' interests in shares or debentures

According to the register of director's shareholdings, none of the directors holding offices at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2012	**At 1.1.2012**
Company		
(No. of ordinary shares)		
Mr Zhang Rong Xiang	2,566,000	2,566,000
Mr Fong Weng Khiang	4,500,000	4,500,000

Mr Shan Chang and Mr Zhang Rong Xiang were directors of China Construction Group Inc, a substantial shareholder of the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

As at 31 December 2012, details of share options granted by the Company to the directors pursuant to the CIHL Share Option Scheme adopted on 10 May 2004 (the "2004 Scheme") are as follows:

	No. of unissued ordinary shares of the Company under option			
Name of director	**Granted in financial year ended 31.12.2012**	**Aggregate granted since commencement of scheme to 31.12.2012**	**Aggregate exercised since commencement of scheme to 31.12.2012**	**Aggregate outstanding as at 31.12.2012**
Mr Shan Chang	–	28,000,000	–	–
Mr Fong Weng Khiang	–	4,500,000	4,500,000	–
Mr Zhang Rong Xiang	–	28,000,000	–	–
Mr Zhu Jun	–	11,000,000	–	–
Mr Chee Teck Kwong Patrick	–	4,500,000	–	4,500,000
	–	76,000,000	4,500,000	4,500,000

The 2004 Scheme was terminated on 2 August 2009, 4,500,000 share options granted to a director of the Company in accordance with 2004 Scheme were outstanding for conversion into 4,500,000 shares in the capital of the Company as at 31 December 2012.

The 2004 Scheme was administered by the Remuneration Committee, members of which included Mr Fong Weng Khiang, Mr Shan Chang and Mr Chee Teck Kwong Patrick.

A new CIHL Share Option Scheme has been adopted on 8 March 2010 (the "2010 Scheme"). As at the date of this report, following share options have been granted by the Company to the directors pursuant to 2010 Scheme:

	No. of unissued ordinary shares of the Company under option			
Name of director	**Granted in financial year ended 31.12.2012**	**Aggregate granted since commencement of scheme to 31.12.2012**	**Aggregate exercised since commencement of scheme to 31.12.2012**	**Aggregate outstanding as at 31.12.2012**
Mr Shan Chang	–	10,000,000	–	10,000,000
Mr Fong Weng Khiang	–	4,000,000	–	4,000,000
Mr Zhang Rong Xiang	–	8,000,000	–	8,000,000
Mr Zhu Jun	–	8,000,000	–	8,000,000
Mr Chee Teck Kwong Patrick	–	4,000,000	–	4,000,000
Mr Shen Xia	–	7,000,000	–	7,000,000
	–	41,000,000	–	41,000,000

Pursuant to the 2010 Scheme, there were 17,000,000 share options granted to the above directors of the Company on 8 March 2010 at the exercise price of S$0.075, and 3,000,000 share options granted to a director of the Company on 17 May 2010 at the exercise price of S$0.087. The vesting schedule of the share options is 50% after the first anniversary of the grant date and 50% after the second anniversary of the grant date. The expiry dates of the share options are on 7 March 2015 and 16 May 2015 respectively.

Share options (Cont'd)

There were 21,000,000 share options granted to the above directors of the Company on 2 June 2011 at the exercise price of S$0.052. The vesting schedule of the options is 50% after the first anniversary of the grant and 50% after the second anniversary of the grant. The expiry date of the options is on 1 June 2016.

Since the commencement of the 2010 Scheme to the end of the financial year ended 31 December 2012, save as disclosed above:

(a) no share options were granted to directors of the Company or its subsidiaries;

(b) no employees of the Company or its subsidiaries have received 5% or more of the total share options available under the 2010 Scheme;

(c) no share options were granted to the controlling shareholders of the Company and their associates; and

(d) no share options were granted at a discount.

No shares were issue during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

The 2010 Scheme is administered by the Remuneration Committee, members of which included Mr Fong Weng Khiang, Mr Shan Chang and Mr Chee Teck Kwong Patrick.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year and date of this report were as follows:

Mr Fong Weng Khiang (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

All members of the AC were independent non-executive directors.

The AC carries out its functions as set out its terms of reference. In performing those functions, the AC:

- monitors the changes in accounting policies;
- reviews internal audit appraisals and adequacy of the Group's internal controls;
- reviews interested person transactions;
- discusses accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; and
- reviews together with the independent auditor, the audit plan, audit issues, audit report and management's response.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Directors' Report

For the financial year ended 31 December 2012

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

28 March 2013

Statement by Directors

For the financial year ended 31 December 2012

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 25 to 91 are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

28 March 2013

Independent Auditor's Report

To the members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 91, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines 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. We conducted our audit in accordance with International Standards on Auditing. 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Other Matters

The audited financial statements for the financial year ended 31 December 2011 were reported on by an independent auditor other than Nexia TS Public Accounting Corporation. The independent auditor's report dated 28 March 2012 issued by the predecessor independent auditor on the financial statements for the financial year ended 31 December 2011 was unqualified.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2012

Singapore
28 March 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Continuing operations			
Revenue	5	57,899	76,814
Cost of services provided		(22,603)	(39,344)
Gross profit		35,296	37,470
Other income - net	6	23,233	8,279
Administrative expenses		(14,277)	(12,148)
Other operating expenses		(17,652)	(19,544)
Operating profit		26,600	14,057
Finance costs	7	(2,420)	–
Share of losses of associated companies	18(a)	(913)	(701)
Profit before income tax		23,267	13,356
Income tax expense	9	(5,237)	(6,392)
Profit for the financial year from continuing operations		18,030	6,964
Discontinued operations			
Profit for the financial year from discontinued operations	11	992	3,862
Profit for the financial year		19,022	10,826
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		209	(2,495)
Other comprehensive income/(loss) for the financial year, net of tax		209	(2,495)
Total comprehensive income for the financial year		19,231	8,331
Profit for the financial year attributable to:			
Owners of the Company		8,088	135
Non-controlling interests		10,934	10,691
		19,022	10,826
Total comprehensive income/(loss) for the financial year attributable to:			
Owners of the Company		8,297	(2,360)
Non-controlling interests		10,934	10,691
		19,231	8,331

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	RMB (Fen)	RMB (Fen)
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the financial year			
Basic and diluted earnings/(loss) per share			
From continuing operations	12	0.86	(0.25)
From discontinued operations	12	0.07	0.27

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	87,755	80,757	–	–
Intangible assets	14	122	19,285	–	–
Investment properties	15	27,500	22,900	–	–
Goodwill	16	20,303	20,303	–	–
Investment in subsidiaries	17	–	–	220,049	220,049
Investment in associated companies	18(a)	100,996	97,025	–	–
Long-term loan receivable	19	150,000	–	–	–
Deferred income tax assets	20	606	519	–	–
		387,282	240,789	220,049	220,049
CURRENT ASSETS					
Properties for development	21	240,334	235,207	–	–
Refundable deposits	22	122,235	10,000	122,235	–
Prepayments, deposits and other receivables	23	101,105	7,180	376	293
Inventories	24	2,131	939	–	–
Trade receivables	25	5,004	6,974	–	–
Gross amounts due from customers for contract work	26	20,650	15,341	–	–
Due from associated companies	18(b)	52,295	45,175	–	–
Due from related party	27	837	517	–	–
Due from subsidiaries	17	–	–	413,632	504,194
Due from non-controlling shareholders of subsidiaries	27	671	589	–	–
Cash and cash equivalents	28	74,567	308,603	*	*
		619,829	630,525	536,243	504,487
Assets of discontinued operations	11(a)	21,913	–	–	–
		641,742	630,525	536,243	504,487
CURRENT LIABILITIES					
Trade payables	29	18,318	11,980	–	–
Other payables and accruals	30	9,720	19,737	2,358	2,140
Receipts in advance	26	16,621	18,440	–	–
Gross amounts due to customers for contract work	26	5,499	4,678	–	–
Due to subsidiaries	17	–	–	166,637	128,712
Due to associated companies	18(b)	–	5,469	–	–
Current income tax liabilities		9,514	12,509	–	–
Due to non-controlling shareholders of subsidiaries	27	38,011	38,188	–	–
		97,683	111,001	168,995	130,852
Liabilities of discontinued operations	11(b)	4,607	–	–	–
		102,290	111,001	168,995	130,852
NET CURRENT ASSETS		539,452	519,524	367,248	373,635
TOTAL ASSETS LESS CURRENT LIABILITIES		926,734	760,313	587,297	593,684

**Less than RMB1,000*

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	20	5,454	6,926	–	–
Long-term loan payables	31	148,436	–	–	–
		153,890	6,926	–	–
NET ASSETS		772,844	753,387	587,297	593,684
EQUITY					
Equity attributable to owners of the Company					
Share capital	32(a)	219,943	219,943	219,943	219,943
Reserves	33(a)	650,860	646,728	627,159	625,110
Accumulated losses		(178,170)	(184,384)	(259,805)	(251,369)
		692,633	682,287	587,297	593,684
Non-controlling interests		80,211	71,100	–	–
TOTAL EQUITY		772,844	753,387	587,297	593,684

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Profit before income tax		24,552	19,132
Adjustments for:			
- Amortisation of intangible assets	14	1,593	1,596
- Depreciation of property, plant and equipment	10	5,876	5,202
- Interest expenses	7	2,420	–
- Interest income		(15,519)	(8,146)
- Employee share option expense		2,049	2,516
- Gain on disposal of property, plant and equipment		(41)	(33)
- Gain on fair value gain on investment properties	6	(4,600)	(1,400)
- Share of losses of associated companies		913	701
- Allowance for impairment of prepayments, deposits and other receivables		–	2,538
		17,243	22,106
Changes in working capital			
- Properties for development		(5,003)	(24,978)
- Refundable deposits		10,000	–
- Prepayments, deposits and other receivables		(1,046)	(769)
- Gross amounts due from customers for contract work		(5,309)	(14,840)
- Trade receivables		1,970	(4,694)
- Inventories		(1,192)	233
- Due from related party		(320)	(249)
- Due from non-controlling shareholders		(82)	(89)
- Due to non-controlling shareholders		(177)	8
- Receipts in advance		(1,797)	7,112
- Gross amount due to customers for contract work		821	(11,325)
- Other payables and accruals		1,378	(4,210)
- Trade payables		6,338	9,164
Cash generated from/(used in) operations		22,824	(22,531)
PRC income tax paid		(8,615)	(2,241)
Net cash generated from/(used in) operating activities		14,209	(24,772)
Cash flows from investing activities			
Increase/(decrease) of restricted bank balances pledged		8,320	(8,320)
Interest received		12,481	4,353
Payments for structured bank deposits		(20,000)	(290,000)
Proceeds on settlement of structured bank deposits		20,000	292,036
Payments for deposit of acquisition of a subsidiary		(122,235)	–
Purchases of property, plant and equipment		(21,378)	(9,019)
Proceeds from disposal of property, plant and equipment		41	33
Acquisition of associated companies		–	(32,000)
Capital contributions to associated companies		(10,144)	(22,808)
Loans to non-related parties		(240,000)	–
Loans to a non-controlling shareholder		–	(540)
Loans to associated companies		(7,120)	(44,748)
Purchases of intangible assets		(122)	–
Net cash used in investing activities		(380,157)	(111,013)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Interest and other finance costs paid		(2,319)	–
Loans from non-related parties		148,436	–
Dividends paid to owners of the Company		–	(15,758)
Dividends paid to non-controlling shareholders		(1,823)	(3,319)
Net cash generated from/(used in) financing activities		144,294	(19,077)
Net decrease in cash and cash equivalents		(221,654)	(154,862)
Cash and cash equivalents			
Beginning of financial year		300,140	455,002
End of financial year	28	78,486	300,140

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves* RMB'000	Capital redemption reserve RMB'000	Currency translation reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
2012												
Beginning of financial year	219,943	45,312	565,589	7,764	16,836	8,324	(2,503)	5,406	(184,384)	682,287	71,100	753,387
Total comprehensive income for the financial year	–	–	–	–	–	–	209	–	8,088	8,297	10,934	19,231
Payment of dividends	–	–	–	–	–	–	–	–	–	–	(1,823)	(1,823)
Transfer	–	–	–	–	1,874	–	–	–	(1,874)	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	2,049	–	2,049	–	2,049
End of financial year	219,943	45,312	565,589	7,764	18,710	8,324	(2,294)	7,455	(178,170)	692,633	80,211	772,844
2011												
Beginning of financial year	219,943	45,312	565,589	7,764	14,732	8,324	(8)	2,890	(166,657)	697,889	63,728	761,617
Total comprehensive (loss)/ income for the financial year	–	–	–	–	–	–	(2,495)	–	135	(2,360)	10,691	8,331
Payment of dividends	–	–	–	–	–	–	–	–	(15,758)	(15,758)	(3,319)	(19,077)
Transfer	–	–	–	–	2,104	–	–	–	(2,104)	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	2,516	–	2,516	–	2,516
End of financial year	219,943	45,312	565,589	7,764	16,836	8,324	(2,503)	5,406	(184,384)	682,287	71,100	753,387

* As stipulated by the relevant laws and regulations for foreign investment enterprises in PRC, the PRC subsidiaries of the Group are required to provide for statutory surplus reserve fund and voluntary contribution of enterprise expansion fund. Appropriations to such reserve funds are made out of a total of 10.5% of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied to convert into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the statutory reserves under shareholders' funds.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is listed on the main board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company is an exempted company incorporated in Bermuda with limited liability under the Companies Act of Bermuda.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is in the People's Republic of China (the "PRC").

The principal activities of the Company are those of investment holding company. The principal activities of its subsidiaries and associated companies are disclosed in Note 17 and Note 18 respectively to the financial statements.

The toll collection business segment was discontinued during the financial year (Note 11).

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 Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value.

The financial statements are presented in Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand (RMB'000) as indicated.

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

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business 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.

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 profit or loss.

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 IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation (Cont'd)

(b) 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 value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. 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 profit or loss.

(d) Associates

Associates are all entities 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 profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, 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/(loss) of associated companies' in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.2 Consolidation (Cont'd)

(d) Associates (Cont'd)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's 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.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(e) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of significant accounting policies (Cont'd)

2.3 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who is responsible for allocating resources and assessing performance of the operating segments.

2.5 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 'Renminbi' ("RMB"), which is the Group's presentation currency and the Company's functional 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 profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income/(losses)– 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 profit or loss, 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 profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Summary of significant accounting policies (Cont'd)

2.5 Foreign currency translation (Cont'd)

(c) Group companies (Cont'd)

(ii) income and expenses for each profit or loss 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.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives, as follows:

	Useful life
Buildings	20 years
Water plant and its ancillary facilities	20 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

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

Construction in progress represents water plant and its ancillary facilities under construction, and is stated at cost less impairment losses. 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/(losses) – net' in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company'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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Operating and toll collection rights of toll bridges and its ancillary facilities under the service concession arrangements

Service concession arrangements represent the rights by which the local government grants a contract for the respective operating and toll collection rights for Zouwei bridge and its ancillary facilities (the "Toll bridges and its ancillary facilities") for a period of 25 years from the date of commencement of its operation in February 1999. Upon expiration of the concession period, the Toll bridges and its ancillary facilities shall be transferred to the local government without compensation. The Toll bridges and its ancillary facilities under the service concession arrangements are stated at cost, i.e. the fair value of the consideration received or receivable in exchange for the services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures are capitalised as an additional cost of service concession arrangements when the recognition criteria are satisfied. Other subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred.

Amortisation of service concession arrangements is calculated to write off their costs on a unit-of-usage basis whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession period of the service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

2. Summary of significant accounting policies (Cont'd)

2.7 Intangible assets (Cont'd)

(c) Development of software

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the development project. Development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding 5 years.

2.8 Investment properties

Investment properties are land and/or buildings that are held for long term rentals yields and/or for capital appreciation. Investment properties are measured initially at its cost including all direct costs attributable to the property.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best use basis. Changes in fair value are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property is the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.9 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale

2. Summary of significant accounting policies (Cont'd)

2.10 Properties for development

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – 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.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Recognition and measurement

Regular 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 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Summary of significant accounting policies (Cont'd)

2.13 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.

2.14 Impairment of financial assets

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 profit or loss. If a loan 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 profit or loss.

2.15 Inventories

Inventories for construction contracts, comprising raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

2.16 Construction contracts

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an assets.

When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of significant accounting policies (Cont'd)

2.16 Construction contracts (Cont'd)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method', to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.17 Operating leases

(i) Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) Where the Group is the lessor

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.18 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, less cash subject to restriction.

2. Summary of significant accounting policies (Cont'd)

2.20 Share capital

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

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 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 profit or loss 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.

2.23 Borrowing costs

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

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

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 and its 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.

2. Summary of significant accounting policies (Cont'd)

2.24 Current and deferred income tax (Cont'd)

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; 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries 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 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 income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Dividend distribution

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

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Toll income*

Toll income is recognised on a cash receipt basis, net of any applicable revenue taxes and surcharges.

(ii) *Water supply income*

Water supply income is recognised based on water supplied during the financial year.

2. Summary of significant accounting policies (Cont'd)

2.26 Revenue recognition (Cont'd)

(iii) Construction of water pipeline

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to 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 is probable to be recoverable.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Rental income

Rental income, on operating leases is recognised over the term of the lease on a straight-line basis.

(vi) Land development construction contracts

Revenue from construction and upgrade services is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a construction and upgrade services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.27 Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost less accumulated impairment losses.

Exploration and evaluation assets represent costs of acquiring exploration rights and the expenditures in the search for mineral resources on an area of interest basis. Costs incurred before the Group has obtained the legal right to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

(a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(b) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise the economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

2. Summary of significant accounting policies (Cont'd)

2.27 Exploration and evaluation assets (Cont'd)

When an area of interest is abandoned or decided by the directors that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of a financial period and its accumulated costs are written off to the extent that they will not be recoverable. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the mineral reserves.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrated, any previously recognised exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets (included in property, plant and equipment).

2.28 Employee benefits

(i) Pension obligations

The Group is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to Mandatory Provident Fund, a defined contribution retirement scheme, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in profit or loss as and when incurred.

Pension contributions are recognised as expenses in the period in which the related services are performed.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(a) including any market performance conditions (for example, an entity's share price);

(b) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

2. Summary of significant accounting policies (Cont'd)

2.28 Employee benefits (Cont'd)

(iii) Share-based payments (Cont'd)

(c) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.29 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 (Cont'd)

2.30 Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital 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.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes the detailed policies such as risk identification and measurement and exposure limits.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Asia with dominant operations in PRC. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in the Hong Kong dollar ("HKD") and the United States dollar ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2012, if the HKD had weakened/strengthened by 10% against the RMB with all other variables held constant, profit for the financial year would have been RMB15,499,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated long-term borrowings. The impact for 2011 is negligible.

At 31 December 2012, if the USD had weakened/strengthened by 10% (2011: 10%) against the RMB with all other variables held constant, profit for the financial year would have been RMB4,434,000 (2011: RMB3,285,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated loans to an associated company.

3. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2012			
Financial assets			
Fixed rate			
Bank deposits	18,387	–	18,387
Other receivable	90,000	–	90,000
Loans to associated companies	52,295	–	52,295
Long-term loan receivable	–	150,000	150,000
	160,682	150,000	310,682
Floating rate			
Bank deposits	60,017	–	60,017
Financial liabilities			
Fixed rate			
Loan-term loan payables	–	148,436	148,436
2011			
Financial assets			
Fixed rate			
Bank deposits	245,993	–	245,993
Loans to associated companies	45,175	–	45,175
	291,168	–	291,168
Floating rate			
Bank deposits	62,688	–	62,488

The Group is not exposed to changes in interest rates for fixed rate financial assets and financial liabilities, and the impact of the exposure to interest rate risk from financial assets at variable rate is not significant.

3. Financial risk management (Cont'd)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group conducts credit evaluations on borrowers and establishes an allowance for doubtful accounts based on estimates, factors surrounding the credit risks of specific borrower and any other relevant information.

The details of the Group's exposure to credit risk in relation to the Group's financial assets are described as follows:

(i) Due from related parties, non-controlling shareholders of subsidiaries and associated companies

When loans are granted to related companies, advance assessment is being made by the management on the recoverability of the loans, and whenever possible, security is required.

(ii) Trade receivables

It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

(iii) Refundable deposits

As set out in Note 22 to the financial statements, the Group exposed to credit risk in relation to refundable deposits as follow:

(A) the Group entered into a contractual arrangement with the holders of land use rights and a refundable deposit of RMB10,000,000 was paid as deposits to the holders of land use rights for a possible land development project located in PRC.

(B) On 15 September 2012, the Group entered into a conditional share transfer agreement ("Agreement") with a listed company in Hong Kong Exchanges and Clearing Limited ("Vendor") in relation to the acquisition of 55% equity interest in a property development company in Yichang, PRC. A refundable deposit of HK$150,000,000 was paid to the Vendor.

As at 31 December 2012 and 2011, the Group considers the credit risk associated with the balance is minimal and was mitigated by the contractual arrangement as the balance is refundable in nature and the maximum exposure to the credit risk is the maximum balance of the refundable deposits.

The deposit of RMB10,000,000 in relation to (A) was refunded to the Group during the financial year as the tender was unsuccessful.

3. Financial risk management (Cont'd)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient funds to enable it to meet its contractual and financial obligations. At the end of the reporting period, assets held by the Group for maintaining liquidity risk included cash and cash equivalents as disclosed in Note 28 to the financial statements.

To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents, deemed adequate by management for working capital purposes so as to mitigate the effectiveness of cash flows.

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

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2012			
Trade and other payables	66,049	–	66,049
Borrowings	3,340	152,682	156,022
	69,389	152,682	222,071
2011			
Trade and other payables	75,374	–	75,374

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, repurchase shares, raise new debts, redeem existing debts or sell assets to reduce debts.

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above the Group is not subject to any other externally imposed capital requirements.

(e) Fair values estimation

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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.

In the process of applying the accounting policies, the directors have made a judgement that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimations, are dealt with below.

(a) Valuation of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

The carrying amounts of the relevant investment properties as at 31 December 2012 was approximately RMB27,500,000 (2011: RMB22,900,000).

(b) Taxation

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment assessment for trade and other receivables and refundable deposits

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables and refundable deposits, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of uncollectible debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables allowance for impairment charge in the period in which such estimate has been changed.

If the net present values of estimated cash flows increase/decrease by 10% from management's estimates for all past due loans and receivables, the Group's allowance for impairment will decrease/increase by RMB432,000 (2011: RMB681,000) respectively.

The impairment of prepayments, deposits and other receivables for the financial year ended 31 December 2012 was approximately RMB2,538,000 (2011: RMB2,538,000).

(d) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of goodwill and where applicable, cash-generating-units ("CGUs"), have been based on value-in-use calculations. These calculations require the use of estimates (Note 16).

4. Critical accounting estimates and judgements (Cont'd)

(d) Estimated impairment of goodwill (Cont'd)

If the management's estimated growth rate used in the value-in-use calculation for the CGUs have been lowered by 1%, or estimated pre-tax discount rate applied to the discounted cash flows for this CGUs had been raised by 1%, the value-in-use calculation at 31 December 2012 would have decreased by RMB3,942,000 and RMB2,098,000 respectively (2011: RMB9,091,000 and RMB1,210,000). This decrease in the value-in-use would have no impact to the carrying amount of goodwill amounting to RMB20,303,000 (2011: RMB20,303,000).

(e) Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience.

If the revenue on uncompleted contracts at the end of the reporting period has been higher/lower by 10% from management's estimates, the Group's revenue would have been higher/lower by approximately RMB2,004,000 (2011: RMB377,000).

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by approximately RMB338,000 (2011: RMB659,000).

(f) Impairment of investment in associated companies

The Group tests annually whether interests in associated companies have suffered any impairment based on both quantitative and qualitative criteria. Such assessments include various estimates and assumptions, the financial health, cashflow projection and future prospects of the respective associated companies. In assessing the recoverable amount of investments in associated companies, the entire carrying amount of the investment including goodwill is tested as a single asset.

At the end of each reporting period, the net carrying amount of interests in respective associated companies, comprising the net of the equity investments in associated companies, interest receivables from associated companies and due from/(to) associated companies, are as follows:-

	2012 RMB'000	**2011 RMB'000**
Interests in Future Trillion Holdings Limited ("Future Trillion") and its subsidiary (the "Future Trillion Group")	106,563	93,230
Interests in LiuHe County YuKun Mining Co. Ltd. ("Liuhe") and its subsidiary (the "Liuhe Group")	49,288	44,728
	155,851	137,958

4. Critical judgements and key estimates (Cont'd)

(f) Impairment of investment in associated companies (Cont'd)

As at 31 December 2012, the recoverable amount of the Group's interests in Future Trillion Group and the Liuhe Group of approximately RMB106,563,000 and RMB49,288,000 respectively (2011: RMB93,230,000 and RMB44,728,000) is determined by reference to exploration and evaluation assets held by the associated companies. In determining whether there is an impairment of the exploration and evaluation assets in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", the directors assessed whether any key impairment indicators which indicates that there is impairment on its exploration and evaluation assets including:

(i) The period for which the associated companies has the right to explore in the specific area has expired during the financial year or will expire in the near future, and is not expected to be renewed;

(ii) Substantive expenditure on further exploration for and evaluation of natural gas resources in the specific area is neither budgeted nor planned;

(iii) Exploration for and evaluation of natural gas and gold resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the associated companies has decided to discontinue such activities in the specific area;

(vi) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

As set out in Note18(a) to the financial statements, the Group has not identified any of these impairment indicators of the exploration and evaluation assets held by the associated companies.

(g) Ownership of properties

In March 2006, CIHL (Tianjin) Water Development Company Limited ("Water Development") obtained approval from the local government agency, to authorise the use of the parcel of land directly associated with water plant and its ancillary facilities for the purpose of supplying gray water for a period of 50 years. As at 31 December 2012, the legal title for the use of the above captioned parcel of land was not transferred to Water Development. Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, the directors consider that the Group obtained the right to use through contractual arrangement with the local government agency, hence they expect the transfer of legal titles in future should have no major difficulties.

(h) Fair value of discontinued operations

The carrying amount of the intangible assets as at 31 December 2012 amounting to RMB17,690,000. As at the date of this report, management is still in negotiation with the local government on the compensation quantum. However, based on management's historical experience, the compensation is typically higher than or equal the cost of construction. Therefore, management is of the view that there is no impairment in intangible assets based on the historical trend of the compensation received from local government.

5. Revenue

	Group 2012 RMB'000	Group 2011 RMB'000
Revenue from land development construction contracts	30	14,950
Revenue from water supply of gray water and construction of water pipeline	60,397	63,994
	60,427	78,944
Less: PRC business tax and value added tax	(2,528)	(2,130)
	57,899	76,814

6. Other income - net

	Group 2012 RMB'000	Group 2011 RMB'000
Currency translation gain/(loss), net	1,401	(2,648)
Fair value gain on investment properties	4,600	1,400
Gain on disposals of property, plant and equipment	35	33
Interest income from:		
- banks	1,941	6,843
- loans to non-related parties	11,447	–
- loans to associated companies	2,045	1,244
Rental income, net	996	994
Other	768	413
	23,233	8,279

7. Finance costs

	Group 2012 RMB'000	Group 2011 RMB'000
Interest expenses on loans from non-related parties	2,420	–

8. Employee benefits expense

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries, allowances and bonuses	10,596	10,282
Pension costs of defined contribution plans	2,764	2,828
Employee share option expense	2,049	2,516
Other staff welfare	28	35
	15,437	15,661

9. Income tax expense

Tax expense attributable to profit is made up of:

	Group	
	2012	2011
	RMB'000	RMB'000
From continuing operations		
Profit for the financial year		
Current income tax – PRC enterprise income tax	5,990	3,688
Deferred income tax	2,264	3,055
	8,254	6,743
(Over)/under provision in prior financial years		
Current income tax – PRC enterprise income tax	(342)	66
Deferred income tax	(2,675)	(417)
	5,237	6,392
From discontinued operations		
Profit for the financial year		
Current income tax – PRC enterprise income tax	77	1,004
Deferred income tax	244	868
	321	1,872
(Over)/under provision in prior financial years		
Current income tax – PRC enterprise income tax	(28)	42
	293	1,914
Total income tax expense attributable to continuing and discontinued operations	5,530	8,306

Pursuant to relevant laws and regulations in PRC, the subsidiaries, CCI Andi Bridges Co., Ltd. ("Zuowei") is entitled to a reduction from PRC enterprise income tax up to 2011. The tax rate applicable to Zuowei is 25% in 2012 (2011: 24%).

9. Income tax expense (Cont'd)

Pursuant to relevant laws and regulations in PRC, CIHL (Tianjin) Water Development Co., Ltd. ("Water Development") is exempted from PRC enterprise income tax for two years from its first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise income tax for the following three years. Water Development was in its fifth profit-making year for the financial year ended 31 December 2012 and was therefore entitled to a 50% relief from PRC enterprise income tax for the financial year ended 31 December 2012. The tax rate applicable to Water Development for the financial year ended 31 December 2012 is 12.5% (2011: 12.5%).

Pursuant to relevant laws and regulations in PRC, other subsidiaries in PRC are required to pay PRC enterprise income tax at a standard rate of 25% (2011: 25%).

No provision for income tax of Hong Kong entities since there is no assessable profit for the financial year.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries, in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Profit before income tax from		
- continuing operations	23,267	13,356
- discontinued operations (Note 11)	1,285	5,776
	24,552	19,132
Tax calculated at PRC income tax rate of 25% (2011: 24%)	6,138	4,592
- Associated companies results reported net of tax	228	172
- Income not subject to tax	(1,203)	(210)
- Expenses not deductible for tax purposes	4,017	4,555
- (Over)/under provision of income tax in prior years	(370)	108
- Tax losses for which no deferred income tax asset was recognised	598	73
- Tax relief	(3,878)	(737)
- Utilisation of previously unrecognised tax losses	–	(247)
Income tax expense	5,530	8,306

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB598,000 (2011: RMB73,000) in respect of losses amounting to RMB2,684,000 (2011: RMB292,000) that can be carried forward against future taxable income. The tax losses can be carried forward up to a period of 5 years.

10. Profit before income tax

The Group's profit before income tax is arrived at after charging/(crediting) the following:

	Group	
	2012	2011
	RMB'000	RMB'000
Auditors' remuneration		
Fees on audit services paid/payable to:		
- auditor of the Company	878	868
- other auditors	358	43
Fees on non-audit services paid/payable to:		
- other auditors	–	139
	1,236	1,050
Cost of inventories consumed [(1)]	3,796	4,654
Cost of land development services rendered [(1)]	180	9,348
Depreciation of property, plant and equipment [(2)]	5,876	5,202
Employee benefits expense [(3)] (Note 8)	15,437	15,661
Gain on disposals of property, plant and equipment	(35)	(33)
Legal and professional fees	6,504	908
Operating lease rental payments	1,012	783
Water pipeline installation and construction costs [(1)]	12,464	19,788

(1) The amount was included in cost of services provided.
(2) The amount of approximately RMB3,413,000 (2011: RMB3,178,000) was included in cost of services provided.
(3) The amount of approximately RMB1,075,000 (2011: RMB907,000) was included in cost of services provided.

11. Discontinued operations

CCI Andi Bridges Co., Ltd ("Andi"), a 60% owned subsidiary of the Company has been granted with a 25 years of concession rights on toll collection on 25 December 1998.

On 2 January 2013, the Company announced that Andi has been notified by Hebei Provincial Government to cease its toll charging operations effective from 31 December 2012.

As such, the assets and liabilities related to Andi except for the property, plant and equipment, which are not associated with the toll charging operations, are classified as discontinued operations on the statement of financial position, and the entire results from Andi are presented separately on the statement of comprehensive income as "Discontinued operations".

11. Discontinued operations (Cont'd)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Operating cash inflows	4,387	6,905
Investing cash outflows	–	(178)
Financing cash outflows	(1,824)	(1,700)
Total cash inflows	2,563	5,027

(a) Details of the assets directly associated with discontinued operations are as follow:

	Group
	2012
	RMB'000
Intangible assets	17,692
Prepayments, deposits and other receivables	159
Cash and bank balances (Note 28)	4,062
	21,913

(b) Details of the liabilities directly associated with discontinued operations are as follow:

	Group
	2012
	RMB'000
Other payables and accruals	3,116
Advance income	22
Current income tax liabilities	77
Deferred income tax liabilities	1,392
	4,607

11. Discontinued operations (Cont'd)

(c) The results of the discontinued operations are as follows:

	Group 2012 RMB'000	Group 2011 RMB'000
Revenue	11,157	13,705
Cost of services provided	(5,258)	(5,615)
	5,899	8,090
Other income	116	64
Less:		
Other operating expenses	(4,719)	(2,356)
Finance costs	(11)	(22)
Profit before tax (Note 9)	1,285	5,776
Income tax expense	(293)	(1,914)
Net profit	992	3,862

12. Earnings/(loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares assumed the deemed exercise of the share options outstanding during the reporting period have been issued at no consideration.

The share options are not potential dilutive ordinary shares since the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the financial year ended 31 December 2012 and 2011. Therefore, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the financial year ended 31 December 2012 and 2011.

The calculation of basic and diluted earnings per share is based on the following:

	2012	2011
Profit/(loss) attributable to owners of the Company (RMB'000)		
- continuing operations	7,493	(2,182)
- discontinued operations	595	2,317
	8,088	135
Weighted average number of ordinary shares in issue ('000)	874,604	874,604
Basic and diluted earnings/(loss) per share (RMB Fen)		
- continuing operations	0.86	(0.25)
- discontinued operations	0.07	0.27
	0.93	0.02

13. Property, plant and equipment

	Land and buildings RMB'000	Water plant and its ancillary facilities RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
2012							
Cost							
Beginning of financial year	23,947	57,370	162	3,584	5,861	3,562	94,486
Reclassification	1,411	–	–	(1,411)	–	–	–
Additions	1,080	60	23	191	692	10,952	12,998
Disposals	–	–	–	–	(238)	–	(238)
End of financial year	26,438	57,430	185	2,364	6,315	14,514	107,246
Accumulated depreciation							
Beginning of financial year	5,236	3,934	94	1,288	3,177	–	13,729
Charge for the financial year	1,015	3,500	31	375	1,079	–	6,000
Disposals	–	–	–	–	(238)	–	(238)
End of financial year	6,251	7,434	125	1,663	4,018	–	19,491
Net book value							
End of financial year	20,187	49,996	60	701	2,297	14,514	87,755
2011							
Cost							
Beginning of financial year	13,480	50,318	157	1,803	5,193	6,124	77,075
Additions	10,467	–	5	1,781	668	4,490	17,411
Transfer	–	7,052	–	–	–	(7,052)	–
End of financial year	23,947	57,370	162	3,584	5,861	3,562	94,486
Accumulated depreciation							
Beginning of financial year	4,520	787	63	962	2,108	–	8,440
Charge for the financial year	716	3,147	31	326	1,069	–	5,289
End of financial year	5,236	3,934	94	1,288	3,177	–	13,729
Net book value							
End of financial year	18,711	53,436	68	2,296	2,684	3,562	80,757

Depreciation charge of RMB124,000 (2011: RMB87,000) has been capitalised and included in the development properties.

The Group's land and buildings are located in PRC.

Water Development has obtained approval from the local government agency, for the use of the parcel of land directly associated with water plant and its ancillary facilities for the purpose of supplying gray water for a period of 50 years. No official land use rights certificate has been issued for the use of the relevant land.

14. Intangible assets

	Service concession arrangements RMB'000	Computer software RMB'000	Total RMB'000
Group			
2012			
Cost			
Beginning of financial year	36,650	–	36,650
Additions	–	122	122
Transferred to discontinued operations	(36,650)	–	(36,650)
End of financial year	–	122	122
Accumulated amortisation			
Beginning of financial year	17,365	–	17,365
Charge for the financial year	1,593	–	1,593
Transferred to discontinued operations	(18,958)	–	(18,958)
End of financial year	–	–	–
Net book value			
End of financial year	–	122	122
2011			
Cost			
Beginning and end of financial year	36,650	–	36,650
Accumulated amortisation			
Beginning of financial year	15,769	–	15,769
Charge for the financial year	1,596	–	1,596
End of financial year	17,365	–	17,365
Net book value			
End of financial year	19,285	–	19,285

Pursuant to the service concession arrangements signed with local government, the Group is allowed to operate and generate toll income from Zuowei bridge and its ancillary facilities for a period of 25 years from the date of commencement of its operation in February 1999. Upon expiration of the respective concession period, the Zuowei bridges and its ancillary facilities shall be transferred to the local government without compensation.

On 2 January 2013, the Group announced that they have been notified by Hebei Provincial Government to cease its toll charging operations with effect from 31 December 2012.

15. Investment properties

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of financial year	22,900	21,500
Fair value gain recognised in profit or loss	4,600	1,400
End of financial year	27,500	22,900

The Group's investment properties are located in PRC and are held to generate rental income.

Investment properties are carried at fair values at the end of the reporting period as determined by independent professional valuers. Valuations are made annually by making reference to sales evidence as available in the market and where appropriate on the basis of capitalisation of the net rental income.

Investment properties are leased to non-related parties under operating leases (Note 37(b)).

Direct operating expenses, including repairs and maintenance, of approximately RMB254,000 (2011: RMB253,000) are recognised in profit or loss.

16. Goodwill

	Group	
	2012	2011
	RMB'000	RMB'000
Cost and carrying value		
Beginning and end of financial year	20,303	20,303

Goodwill arose from business combination is allocated to water supply service cash-generating-units ("CGUs") comprising Water Development at acquisition. CGUs are expected to benefit from that business combination.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the management with a growth rate of 43% (2011: 16.5%). Discount rate of approximately 28.9% (2011: 45.2%) was used for the cash flow forecasts as at 31 December 2012.

If the management's estimated growth rate used in the value-in-use calculation for the CGUs has been lowered by 1%, or estimated pre-tax discount rate applied to the discounted cash flows for this CGUs had been raised by 1%, the value-in-use calculation at 31 December 2012 would have decreased by RMB3,942,000 and RMB2,098,000 respectively (2011: RMB9,091,000 and RMB1,210,000).

17. Investment in subsidiaries

	Company 2012 RMB'000	Company 2011 RMB'000
Unlisted investments, at cost	264,060	264,060
Less: Impairment losses	(44,011)	(44,011)
	220,049	220,049
Due from subsidiaries	429,011	519,573
Less: Impairment losses	(15,379)	(15,379)
	413,632	504,194
Due to subsidiaries	166,637	128,712

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Place of incorporation/ establishment	Issued and paid-up capital	Equity holding 2012 %	Equity holding 2011 %
Held by the Company					
(a)(b) Hebei Bridges Investments Limited ("HBIL")	Investment holding	Samoa	US$2,891,567	100	100
(a)(b) Tianjin Bridges Investments Limited ("TBIL")	Investment holding	Samoa	US$28,915,663	100	100
(a)(c) China Toll Bridges & Roads (S) Pte. Limited	Dormant	Singapore	US$9,780	100	100
(a) China Infrastructure Management (Hong Kong) Limited	Provision of management services to the Group	Hong Kong	HK$10,000	100	100
(a)(b) China (Tianjin) Water Resources Limited ("CTWRL")	Investment holding	Samoa	US$1	100	100
(a)(b) CIHL Development Limited ("CHIL Dev")	Investment holding	Samoa	US$1	100	100
(a)(b) Pinnacle China Ltd ("PCL")	Investment holding	British Virgin Islands	US$1	100	100

17. Investment in subsidiaries (Cont'd)

Details of the subsidiaries are as follows (Cont'd):

Name of companies	Principal activities	Place of incorporation/ establishment	Issued and paid-up capital	Equity holding 2012	Equity holding 2011
				%	%
Held by HBIL					
(a)(d) CCI Andi Bridges Co., Ltd ("Zuowei")	Toll bridge operations and management	PRC	US$2,410,000	55	60
Held by TBIL					
(a)(e) CIH Haimen (Tianjin) Enterprise Limited ("Haimen")	Dormant	PRC	RMB48,000,000	75	75
Held by CTWRL					
(a)(f) CIHL (Tianjin) Water Development Co., Ltd. ("Water Development")	Construction of water pipeline and supply of gray water	PRC	RMB60,000,000	60	60
Held by CHIL Dev					
(a)(g) CIHL (Tianjin) City Development Limited ("XZCID")	Investment holding and property investment	PRC	RMB50,000,000	100	100
Held by XZCID					
(a)(h) Tianjin CIHL Xinzhong Real Estate Development Co., Limited. ("XZPD")	Property development	PRC	RMB30,000,000	100	100
(a)(i) Beijing Shiji Longquan Real Estate Development Co., Limited ("SJLQ")	Provision of engineering and land leveling service for preliminary land development projects	PRC	RMB10,000,000	95	95

17. Investment in subsidiaries (Cont'd)

(a) Reviewed by Nexia TS Public Accounting Corporation for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by Robert Tan & Co.

(d) Audited by Zhangjiakou Zhangyuan Certified Public Accountants Co. Ltd.

(e) Audited by HLB (Tianjin) Certified Public Accountants.

(f) Audited by BDO Zhonglian Mindu Shu Lun Pan Certified Public Accountants Co., Ltd.

(g) Audited by Zhongrui Yuehua Certified Public Accountants TianJin Branch. XZCID operates a branch office 天津新中城市實業發展有限公司北京工程管理分公司 ("XZCID Beijing Branch") with statutory registration in Beijing, PRC. The registered capital of XZCID was RMB50,000,000. As at 31 December 2011, the Group has fulfilled its investment obligation to the extent of RMB7,851,050.

(h) Audited by Tianjin ChengTai Certified Public Accountants Co. Ltd. The registered capital of XZPD was increased from RMB20,000,000 to RMB30,000,000 for the financial year ended 31 December 2011. As at 31 December 2011, the Group has fulfilled its investment obligation.

(i) Audited by Beijing ZhongYanTong Accountant Office Co., Ltd.

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited-Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

18. Investment in associated companies

		Group	
	Note	2012 RMB'000	2011 RMB'000
Unlisted investment in associated companies	(a)	100,996	97,025
Due from associated companies	(b)	52,295	45,175
Due to associated companies	(b)	–	(5,469)
Interest receivables (included in prepayments, deposits and other receivables)		2,560	1,227
		155,851	137,958

Note

(a) Investment in associated companies

		Group	
	Note	2012 RMB'000	2011 RMB'000
Investment in Future Trillion Group	(i)	58,867	59,406
Investment in Liuhe Group	(ii)	42,129	37,619
		100,996	97,025

18. Investment in associated companies (Cont'd)

(a) Investment in associated companies (Cont'd)

(i) Investment in Future Trillion Group

	Group 2012 RMB'000	Group 2011 RMB'000
Unlisted investments		
Share of net assets	19,256	19,386
Goodwill	39,611	40,020
	58,867	59,406

Details of Future Trillion Group are as follows:

Name of companies	Principal activities	Place of incorporation /registration	Issued and paid up capital	Equity holding 2012 %	Equity holding 2011 %
(a)(b)(d) Future Trillion Holdings Limited ("FT")	Investment holding	British Virgin Islands	US$3,055	34.53	34.53
Held by FT					
(a)(c) MKS Limited	Provision for natural gas exploration	Independent State of Papua New Guinea	Kina7,257,000	28.35	28.35

(a) Reviewed by Nexia TS Public Accounting Corporation for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by A & A Registered Public Accountants.

(d) In 2011, the Group entered into a contractual arrangement to subscribe for 388 ordinary shares of Future Trillion at a consideration of approximately RMB22,277,000 (equivalent to US$3,500,000). Following the completion of the subscription, the Group's investment in Future Trillion and MKS increased from 25% to 34.53% and from 20% to 28.35% respectively. The subscription was completed on 16 December 2011, the Group has fulfilled its investment obligation of approximately RMB16,808,000 in 2011 and approximately RMB5,469,000 in 2012.

18. Investment in associated companies (Cont'd)

(a) Investment in associated companies (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

Summaried financial information in respect of Future Trillion Group is set out as below:

	2012 RMB'000	2011 RMB'000
As at 31 December		
Total assets	131,216	116,575
Total liabilities	(68,253)	(53,978)
Net assets	62,963	62,597
Less: Non-controlling interests	(7,199)	(6,452)
Net assets attributable to owners of Future Trillion Group	55,764	56,145
Group's share of associates' net assets	19,256	19,386
Financial year ended 31 December		
Total revenue	–	–
Loss for the financial year	(2,169)	(1,280)
Share of loss of associated company	(749)	(320)

Future Trillion Group obtained an exploration right license of a natural gas exploration project in June 2008. Details of the exploration right license are as follows:

Name of license	Location	Area of license	Expiration date
Petroleum Propecting License (License number: 294)	Independent State of Papua New Guinea	Approximately 6,000 km^2	June 2014

Future Trillion Group performed different exploration and geological studies for the exploration project for the financial year ended 31 December 2012. Based on integration of the updated surface geology data, the re-processing and re-interpretation of seismic data, and the construction of balanced structural cross sections, a re-evaluation of the AOI-2 area has resulted in a 3D subsurface model that provides a more confident interpretation of the area's prospectivity. As a result, the Tumuli interpretation is considered to be more reliable, the level of geological risk has been reduced.

The future prospect of the Group's investment in Future Trillion Group is largely dependent on the discovery of the existence of economic viable resources of the natural gas exploration project. Further exploration and study will be needed to ensure the said area contains economically viable resources. The project is still in exploration stage and further exploration and study has not been completed subsequent to the end of the reporting period and up to the date of this report.

18. Investment in associated companies (Cont'd)

(a) Investment in associated companies (Cont'd)

(ii) Investment in Liuhe Group

	Group 2012 RMB'000	Group 2011 RMB'000
Unlisted investments		
Share of net assets	25,085	20,575
Goodwill	17,044	17,044
	42,129	37,619

Details of Liuhe Group are as follows:

	Name of companies	Principal activities	Place of incorporation /registration	Issued and paid up capital RMB'000	Equity holding 2012 %	Equity holding 2011 %
(a)(b) (c)	LiuHe County YuKun Mining Co. Ltd. ("Liuhe") ("柳河县钰坤矿业有限公司")	Provision for gold mining	PRC	64,000	19.9	20
Held by Liuhe						
(a)(b)	LiuHe County AiPuLei Mining Co. Ltd. ("Aipulei") ("柳河县爱普勒矿业有限公司")	Provision for gold exploration	PRC	500	19.9	20

(a) Reviewed by Nexia TS Public Accounting Corporation for consolidation purposes.

(b) Audited by Liuhe JinLu Certified Public Accountants.

(c) The registered capital was increased from RMB40,000,000 to RMB64,000,000 for the financial year ended 31 December 2012. As at 31 December 2012, the Group has fully fulfilled its investment obligation based on the relative proportion of equity interest in Liuhe.

18. Investment in associated companies (Cont'd)

(a) Investment in associated companies (Cont'd)

(ii) Investment in Liuhe Group (Cont'd)

Summaried financial information in respect of Liuhe Group is set out as below:

	2012 RMB'000	2011 RMB'000
As at 31 December		
Total assets	185,322	144,055
Total liabilities	(59,267)	(41,181)
Net assets	126,055	102,874
Group's share of associates' net assets	25,085	20,575
Financial year ended 31 December		
Total revenue	–	–
Loss for the financial year	(819)	(1,904)
Share of loss of associated company	(164)	(381)
Dilution loss in investment	(62)	–

Liuhe Group holds a mining right license and an exploration right license in the surrounding area associated with the mining right expiring in November 2017 and exploration right expired in December 2012 respectively. The existing gold mining operation was suspended in 2008 following the drill out of high-graded mineral reserves. During the financial year, Liuhe Group completed several geological and technical studies to establish the existence of proved and probable mine reserve estimates of the surrounding area of the existing mining right license and has applied for the renewal of existing exploration right license.

Details of the exploration and mining right licenses are as follows:

Name of license	Location	Mining capacity	Area of license	Expiration date
Mining right license ("采矿许可证") (License number: C2200002010124120089728)	PRC	99,000 ton /year	1.28km^2	November 2017
Exploration right license ("矿产资源勘查许可证") (License number: T22120101202043010)	PRC	N/A	26.85km^2	–

18. Investment in associated companies (Cont'd)

(b) Due from/(to) associated companies

(i) Due from Future Trillion of approximately RMB45,432,000 (2011: RMB38,312,000) is denominated in United Stated Dollars, and is secured by equity interests in Future Trillion Group held by its controlling shareholder and corporate guarantee executed by the controlling shareholder of Future Trillion, interest bearing at 6% (2011: 6%) per annum and is repayable in 2013; and

(ii) Due from Liuhe Group of approximately RMB6,863,000 (2011: RMB6,863,000) is denominated in Renminbi, and is unsecured, interest bearing at 12% (2011: 10%) per annum and is repayable in 2013.

The fair value of the amounts due from/(to) associated companies approximates their carrying amounts.

19. Long-term loan receivable

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Loan to a non-related party	150,000	–

On 9 April 2012, the Group entered into loan arrangements with a non-related party to extend a loan of RMB150,000,000. This loan is unsecured, interest-bearing at 9.25% per annum and will be repayable in full on 9 April 2015.

The carrying amounts and fair value of the long-term loan receivable is as follows:

	Group	
	2012	
	Carrying amount	**Fair value**
	RMB'000	**RMB'000**
Loan to a non-related party	150,000	154,661

The fair values are determined from the cash flow analysis, discounted at annual market borrowing rate of 6.15% (2011: Nil) of an equivalent instrument at the end of the reporting period which management expects to be available to the Group.

20. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The analysis of deferred income tax assets and liabilities is as follows:

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
To be recovered/settled within on year		
Deferred income tax assets	606	519
Deferred income tax liabilities	(5,454)	(6,926)
Deferred income tax liabilities - net	(4,848)	(6,407)

The gross movement on the deferred income tax account is as follows:

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Beginning of financial year	6,407	2,901
(Credited)/charged to profit or loss	(167)	3,506
Reclassified to discontinued operations (Note 11)	(1,392)	–
End of financial year	4,848	6,407

The movement in deferred income tax assets and liabilities during the financial year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation RMB'000	Fair value gain on investment properties RMB'000	Others RMB'000	Total RMB'000
2012				
Beginning of financial year	1,185	2,283	2,939	6,407
Charged/(credited) to profit or loss	1,271	1,150	(2,588)	(167)
Reclassified to discontinued operations (Note 11)	(1,392)	–	–	(1,392)
End of financial year	1,064	3,433	351	4,848
2011				
Beginning of financial year	257	1,933	711	2,901
Charged to profit or loss	928	350	2,228	3,506
End of financial year	1,185	2,283	2,939	6,407

20. Deferred income tax (Cont'd)

As at 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The deferred tax liabilities not recognised is approximately RMB5,462,000 (2011: RMB1,082,000).

21. Properties for development

	Group	
	2012	2011
	RMB'000	RMB'000
Amount comprises:		
Prepaid land lease payments	200,000	200,000
Other construction costs and capitalised expenditures	40,334	35,207
	240,334	235,207

In August 2010, the Group acquired the land use rights of a parcel of land located in Tianjin, PRC, for property development through public auction at a consideration of RMB200,000,000. As at 31 December 2012, the property development project was under preliminary design stage and no substantial construction works have been commenced subsequent to the end of the reporting period.

Other details of the property development project are as follows:-

Gross site areas	:	121,778.90m^2
Expected completion date	:	Before June 2016
Effective Group interest	:	100%

22. Refundable deposits

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of financial year	10,000	10,000
Additions	122,235	–
Refunded during the financial year	(10,000)	–
End of financial year	122,235	10,000

On 10 June 2008, the Group entered into a contractual arrangement with the holders of land use rights and a refundable deposit of RMB10,000,000 (2011: RMB10,000,000) was paid as deposits payment of compensation to the holders of land use rights for a possible land development project located in PRC. Pursuant to the contractual arrangement, the acquisition of land use rights will be completed when the holders of the land use rights commence the pre-construction work and approval for the land development project is obtained from the local government. RMB10,000,000 was paid upon the inception of the contractual arrangement and the remaining RMB240,000,000 is due for payment 30 days after the holders of the land use rights commenced the pre-construction work and approval for the land development project is obtained from the local government.

22. Refundable deposits (Cont'd)

Pursuant to the contractual agreement, the deposit is refundable to the Group if the tender was unsuccessful. In 2012, the deposit was refunded to the Group as the tender was unsuccessful.

On 15 September 2012, the Group entered into a conditional share transfer agreement ("Agreement") with a company listed on Hong Kong Exchanges and Clearing Limited ("Vendor") in relation to the acquisition of 55% equity interest in a property development company in Yichang, PRC. A refundable deposit of HK$150,000,000 was paid to the Vendor.

Pursuant to the share transfer agreement, the deposit is refundable if any conditions precedent under the agreement is not fulfilled or if the Group exercises its right to terminate under the terms of the agreement. The acquisition is still subject to SGX and shareholders' approval.

23. Prepayments, deposits and other receivables

		Group		Company	
		2012	2011	2012	2011
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Deposits		377	374	52	52
Prepayments	(a)	4,303	3,744	324	241
Other receivables	(b)	98,963	5,600	–	–
		103,643	9,718	376	293
Less: Impairment loss on other receivables		(2,538)	(2,538)	–	–
		101,105	7,180	376	293

The prepayments, deposits and other receivables are mainly denominated in Renminbi.

Note

(a) The Group's prepayments as at 31 December 2011 include prepayments paid to a related party of approximately RMB1,100,000. The balances are unsecured, interest free and have no fixed repayment terms. In 2012, the prepayments were refunded to the Group.

(b) The Group's other receivables as at 31 December 2012 include balance due from a local government agency of approximately RMB2,338,000 (2011: RMB2,338,000). The Group has entered into a contractual arrangement with the local government agency for reimbursement of payments for the upgrade of Haimen bridge in 2008. Pursuant to the contractual arrangement, the balance was overdue and the management has assessed the recoverability of the outstanding balance and full impairment on the outstanding balance was recognised for the year ended 31 December 2011.

The Group's other receivables as at 31 December 2012 include an amount of RMB90,000,000 (2011: Nil) receivable from a government agency in relation to an agreement entered into on 31 July 2012, on a cost-plus project management fee and the cost of project financing basis. The Re-development Centre is a governmental agency under the District Government of Men Tou Gou, Beijing, and is responsible for the residential relocation development projects in Men Tou Gou District. The Project is situated in an area approximately 32,300 square meters in Men Tou Gou District. The Group will be responsible for the provision of project financing, site preparation and the construction of 119,500 square meters of relocation housing on the site. The project is funded entirely from internal sources of the Group. This amount is unsecured, interest bearing at 6.15% per annum and is repayable in 2013. The fair value of this amount approximates its carrying amounts.

24. Inventories

	Group	
	2012	2011
	RMB'000	RMB'000
Raw materials for construction of water pipeline	2,131	939

25. Trade receivables

The Group offers 0 to 30 days (2011: 0 to 30 days) credit terms to customers for water supply service. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The trade receivables of the Group comprise 2 receivables (2011: 2 receivables) that individually represent 28-43% (2011: 27-64%) of trade receivables.

The aging analysis of trade receivables, based on the invoice date is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
0 to 30 days	682	164
More than 30 days	4,322	6,810
	5,004	6,974

As at 31 December 2012, trade receivables of RMB4,322,000 (2011: RMB6,810,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Management believes that the amounts that are past due are collectible, based on historic payment behaviour and credit-worthiness of the customers.

The aging analysis of these trade receivables is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
0 to 30 days	365	116
More than 30 days	3,957	6,694
	4,322	6,810

All trade receivables are denominated in Renminbi.

26. Gross amounts due from/(to) customers for contract work

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
Contract costs incurred plus recognised profits less recognised losses to date	40,731	18,210
Less: Progress billings	(25,580)	(7,547)
	15,151	10,663
Gross amount due from customers for contract work	20,650	15,341
Gross amount due to customers for contract work	(5,499)	(4,678)
	15,151	10,663

Advances received in respect of construction contracts amounted approximately RMB9,889,000 as at 31 December 2012 (2011: RMB10,316,000) is included in receipts in advance.

27. Due from/(to) related parties and non-controlling shareholders of subsidiaries

The amounts due from/(to) related parties and non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed repayment terms. These amounts are denominated in Renminbi.

28. Cash and cash equivalents

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	74,424	300,140	*	*
Restricted bank balances	143	8,463	-	-
	74,567	308,603	*	*

* *Less than RMB1,000*

As at 31 December 2012, restricted bank balances of approximately RMB143,000 (2011: RMB8,463,000) was placed for securing the performance and fund utilisation for a land development project of the Group (2011: securing the performance and fund utilisation for a land development project of the Group and purchases of property, plant and equipment).

28. Cash and cash equivalents (Cont'd)

The total cash and bank balances are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	69,874	308,065	–	–
Hong Kong dollar	4,677	518	–	–
United States dollar	4	3	–	–
Singapore dollar	12	17	*	*
	74,567	308,603	*	*

* *Less than RMB1,000*

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business.

For the purpose of presenting the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	Group	
	2012	2011
	RMB'000	RMB'000
Cash and bank balances (as above)	74,567	308,603
Less: Restricted bank balances	(143)	(8,463)
Cash held by discontinued operations (Note 11(a))	4,062	–
Cash and cash equivalents per consolidated statement of cash flows	78,486	300,140

29. Trade payables

Trade payables generally have credit terms ranging from 0 to 30 days and are denominated in Renminbi.

30. Other payables and accruals

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	5,971	7,861	1,197	979
Other payables	3,749	11,876	1,161	1,161
	9,720	19,737	2,358	2,140

The other payables and accruals are mainly denominated in Renminbi.

31. Long-term loan payables

	Group 2012 RMB'000	Group 2011 RMB'000
Loan from non-related parties	148,436	–

On 9 April 2012, the Group entered into loan arrangements with two non-related parties to secure loans for amounts of HK$159,400,000 and HK$25,199,000 respectively. These loans are unsecured, interest-bearing at 2.25% per annum and will be repayable in full on 9 April 2015.

The carrying amounts and fair value of the long-term loan payables is as follows:

	Group 2012 Carrying amount RMB'000	Group 2012 Fair value RMB'000
Loan from non-related parties	148,436	131,143

The fair values are determined from the cash flow analysis, discounted at annual market borrowing rate of 6.15% (2011: Nil) of an equivalent instrument at the end of the reporting period which management expects to be available to the Group.

32. Share capital

(a) Ordinary shares

	Group and Company 2012 S$'000	Group and Company 2011 S$'000
Authorised:		
20,000,000,000 ordinary shares of S$0.05 each	1,000,000	1,000,000

	Number of shares '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of S$0.05 each		
2011 and 2012		
Beginning and end of financial year	874,604	219,943

32. Share capital (Cont'd)

(b) Share options

Details of the specific categories of options are pursuant to CIHL Share Options Scheme adopted on 10 May 2004 (the "2004 Scheme") granted as follows:-

Date of grant	Vesting period	Exercise period	Exercise price
			S$
25 March 2006	40% of 4,500,000 options to be vested on 25 March 2007	25 March 2007 to 24 March 2011	0.05
	30% of 4,500,000 options to be vested on 25 March 2008	25 March 2008 to 24 March 2011	0.05
	30% of 4,500,000 options to be vested on 25 March 2009	25 March 2009 to 24 March 2011	0.05
6 August 2008	40% of 4,500,000 options to be vested on 6 August 2009	6 August 2009 to 5 August 2013	0.07
	30% of 4,500,000 options to be vested on 6 August 2010	6 August 2010 to 5 August 2013	0.07
	30% of 4,500,000 options to be vested on 6 August 2011	6 August 2011 to 5 August 2013	0.07

Under the 2004 Scheme, if the share options remain unexercised after a period of 5 years from the date of grant, the share options expire. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed one year after if the employee leaves the Group, unless the remuneration committee otherwise approved.

The 2004 Scheme was terminated on 2 August 2009 and the outstanding share options granted under the 2004 Scheme remains valid until their respective expiration date.

On 8 March 2010, the Group adopted another CIHL Share Options Scheme (the "2010 Scheme") and details of the specific categories of share options granted under the 2010 Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
			S$
8 March 2010	50% of 20,000,000 options to be vested on 8 March 2011	8 March 2011 to 7 March 2015	0.075
	50% of 20,000,000 options to be vested on 8 March 2012	8 March 2012 to 7 March 2015	0.075
17 May 2010	50% of 3,000,000 options to be vested on 17 May 2011	17 May 2011 to 16 May 2015	0.087
	50% of 3,000,000 options to be vested on 17 May 2012	17 May 2012 to 16 May 2015	0.087
19 July 2010	50% of 1,500,000 options to be vested on 19 July 2011	19 July 2011 to 18 July 2015	0.079
	50% of 1,500,000 options to be vested on 19 July 2012	19 July 2012 to 18 July 2015	0.079
2 June 2011	50% of 24,500,000 options to be vested on 2 June 2012	2 June 2012 to 1 June 2016	0.052
	50% of 24,500,000 options to be vested on 2 June 2013	2 June 2013 to 1 June 2016	0.052

32. Share capital (Cont'd)

(b) Share options (Cont'd)

Under the 2010 Scheme, if the share options remain unexercised after a period of 5 years from the date of grant, the share options expire. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed immediately after if the employee leaves the Group, unless the remuneration committee otherwise approved.

	2012		2011	
	Number of share options '000	Weighted average exercise price S$	Number of share options '000	Weighted average exercise price S$
Outstanding at the beginning of financial year	52,000	0.0645	27,500	0.0741
Granted during the financial year	–	–	24,500	0.0520
Outstanding at the end of financial year	52,000	0.0645	52,000	0.0645
Exercisable at the end of financial year	39,750	0.0684	16,000	0.0749

At the end of the reporting period, the outstanding share options have a weighted average remaining contractual life of 2.7 years (2011: 3.7 years) and the exercise prices range from S$0.052 to S$0.087 (2011: S$0.052 to S$0.087). The share-based payments to directors and executives recognised in profit or loss for the financial year ended 31 December 2012 was approximately RMB2,049,000 (2011: RMB2,516,000).

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

	2012	2011
Share price	S$0.052	S$0.052
Exercise price	S$0.052	S$0.052
Expected volatility	65.80%	65.80%
Expected life	5 years	5 years
Risk free rates	1.02%	1.02%
Expected dividend yield	4.22%	4.22%
Exercise Multiple	2.2 and 2.8 times	2.2 and 2.8 times
Employee exit rate	0% and 13%	0% and 13%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years (2011: 5 years). The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, excise restriction and behavioral considerations.

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
2012							
Beginning of financial year	45,312	565,589	479	8,324	5,406	(251,369)	373,741
Total comprehensive loss for the financial year	–	–	–	–	–	(8,436)	(8,436)
Recognition of share-based payments	–	–	–	–	2,049	–	2,049
End of financial year	45,312	565,589	479	8,324	7,455	(259,805)	367,354
2011							
Beginning of financial year	45,312	565,589	479	8,324	2,890	(226,752)	395,842
Total comprehensive loss for the financial year	–	–	–	–	–	(8,859)	(8,859)
Payment of dividends	–	–	–	–	–	(15,758)	(15,758)
Recognition of share-based payments	–	–	–	–	2,516	–	2,516
End of financial year	45,312	565,589	479	8,324	5,406	(251,369)	373,741

33. Reserves (Cont'd)

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premium payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company and the Group represents the balance of the amount of credit arising from the capital reduction pursuant to a special resolution passed on 10 May 2004 for the reduction of issued and paid-up share capital of the Company from S$0.20 to S$0.05 on each of the 751,987,750 issued and paid-up shares.

(iii) Share options reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments as set out in Note 2.28(iii) to the financial statements.

(iv) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

34. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	2012 RMB'000	2011 RMB'000
Related parties		
- Cash received on behalf of the Group	4,991	49,479
- Rental and other operating expenses reimbursed/reimbursable	316	256
- Consultancy service fee paid	–	(1,300)
Associated companies		
- Interest income received/receivable	2,045	1,244

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

34. Related party transactions (Cont'd)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Directors' fees	1,800	1,800
Salaries, allowances and bonuses	2,909	2,867
Pension costs of defined contribution plans	11	10
Share option expense	1,925	2,506
	6,645	7,183

The amounts above comprise directors' remuneration of the Company of RMB5,857,000 (2011: RMB6,358,000).

35. Segment information

The Group has four reportable segments as follows:

Toll collection	-	Toll income of toll bridges
Water supply services	-	Construction of water pipeline and supply of gray water
Land development	-	Provision of engineering and land leveling service for preliminary land development projects
Property development	-	Development and sale of properties

The Group's reportable segments are strategic business units that offer different products and services.

The accounting policies of the operating segments are the same as those set out in Note 2 to the financial statements.

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
Financial year ended 31 December 2012						
Revenue	57,869	30	–	–	11,157	69,056
Segment results	35,446	(150)	–	–	5,899	41,195
Interest income	571	1,860	29	12,973	86	15,519
Rental income	–	–	–	1,017	–	1,017
Other income	29	35	–	718	30	812
Administrative expenses	–	–	–	(14,277)	–	(14,277)
Other operating expenses	(5,019)	(4,130)	–	(8,503)	(4,719)	(22,371)
Fair value gain on investment properties	–	–	–	4,600	–	4,600
Currency translation gain	–	–	–	1,401	–	1,401
Operating profit						27,896
Finance costs	(6)	–	–	(2,414)	(11)	(2,431)
Share of losses of associated companies	–	–	–	(913)	–	(913)
Income tax (expense)/credit	(4,473)	572	–	(1,336)	(293)	(5,530)
Profit for the financial year						19,022
Depreciation and amortisation	(3,968)	(235)	–	(1,673)	(1,593)	(7,469)
Share option expense	–	–	–	(2,049)	–	(2,049)

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2012						
Total assets	123,989	113,935	241,528	527,659	21,913	1,029,024
Total assets includes:						
Property, plant and equipment	57,046	192	352	30,165	–	87,755
Intangible assets	122	–	–	–	17,692	17,814
Goodwill	20,303	–	–	–	–	20,303
Investment properties	–	–	–	27,500	–	27,500
Investment in associated companies	–	–	–	100,996	–	100,996
Long-term loan receivable	–	–	–	150,000	–	150,000
Deferred income tax assets	585	–	–	21	–	606
Inventories and properties for development	2,131	–	240,334	–	–	242,465
Gross amounts due from customers for contract works	5,283	15,367	–	–	–	20,650
Trade receivables	5,004	–	–	–	–	5,004
Prepayments, deposits and other receivables	917	95,499	11	4,678	159	101,264
Refundable deposits	–	–	–	122,235	–	122,235
Due from associated companies	–	–	–	52,295	–	52,295
Due from related party	–	–	–	837	–	837
Due from non-controlling shareholders of subsidiaries	–	500	–	171	–	671
Cash and cash equivalents	32,598	2,377	831	38,761	4,062	78,629
Total assets						1,029,024
Addition to non-current assets	5,565	–	–	18,572	–	24,137

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2012						
Total liabilities	40,347	3,977	300	206,949	4,607	256,180
Total liabilities includes:						
Trade payables	14,877	3,441	–	–	–	18,318
Other payables and accruals	986	536	300	7,898	3,116	12,836
Gross amounts due to customers for contract work	5,499	–	–	–	–	5,499
Receipts in advance	16,621	–	–	–	22	16,643
Due to non-controlling shareholders of subsidiaries	–	–	–	38,011	–	38,011
Current income tax liabilities	2,364	–	–	7,150	77	9,591
Deferred income tax liabilities	–	–	–	5,454	1,392	6,846
Long-term loan payables	–	–	–	148,436	–	148,436
Total liabilities						256,180

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
Financial year ended 31 December 2011						
Revenue	61,920	14,894	–	–	13,705	90,519
Segment results	31,924	5,546	–	–	8,090	45,560
Interest income	946	77	157	6,906	60	8,146
Rental income	–	–	–	995	–	995
Other income	36	–	–	410	4	450
Administrative expenses	(6)	–	–	(12,142)	–	(12,148)
Other operating expenses	(3,765)	(3,335)	(449)	(9,457)	(2,356)	(19,362)
Fair value gain on investment properties	–	–	–	1,400	–	1,400
Currency translation loss	–	–	–	(2,648)	–	(2,648)
Allowance for impairment of other receivables	–	–	–	(2,538)	–	(2,538)
Operating profit						19,855
Finance costs	–	–	–	–	(22)	(22)
Share of losses of associated companies	–	–	–	(701)	–	(701)
Income tax expense	(3,367)	(572)	–	(2,453)	(1,914)	(8,306)
Profit for the financial year						10,826
Depreciation and amortisation	(3,352)	(361)	–	(1,489)	(1,596)	(6,798)
Share option expense	–	–	–	(2,516)	–	(2,516)

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2011						
Total assets	153,801	19,022	241,166	425,780	31,545	871,314
Total assets includes:						
Property, plant and equipment	61,050	157	547	16,358	2,645	80,757
Intangible assets	–	–	–	–	19,285	19,285
Goodwill	20,303	–	–	–	–	20,303
Investment properties	–	–	–	22,900	–	22,900
Investment in associated companies	–	–	–	97,025	–	97,025
Deferred income tax assets	498	–	–	21	–	519
Inventories and properties for development	939	–	235,207	–	–	236,146
Gross amounts due from customers for contract work	–	15,341	–	–	–	15,341
Trade receivables	6,974	–	–	–	–	6,974
Prepayments, deposits and other receivables	1,877	832	36	4,319	116	7,180
Refundable deposits	–	–	–	10,000	–	10,000
Due from associated companies	–	–	–	45,175	–	45,175
Due from related companies	–	–	–	517	–	517
Due from non-controlling shareholders of subsidiaries	–	500	–	89	–	589
Cash and cash equivalents	62,160	2,192	5,376	229,376	9,499	308,603
Total assets						871,314
Addition to non-current assets	4,495	–	–	12,916	–	17,411

35. Segment information (Cont'd)

	Continuing operations				Discontinued operations	
	Water supply services RMB'000	Land development RMB'000	Property development RMB'000	All other segments RMB'000	Toll collection RMB'000	Total RMB'000
As at 31 December 2011						
Total liabilities	39,832	4,343	156	70,510	3,086	117,927
Total liabilities includes:						
Trade payables	8,420	3,560	–	–	–	11,980
Other payables and accruals	5,011	211	156	13,380	979	19,737
Gross amounts due to customers for contract work	4,678	–	–	–	–	4,678
Receipts in advance	18,440	–	–	–	–	18,440
Due to associated companies	–	–	–	5,469	–	5,469
Due to non-controlling shareholders of subsidiaries	–	–	–	38,188	–	38,188
Current income tax liabilities	3,283	572	–	7,695	959	12,509
Deferred income tax liabilities	–	–	–	5,778	1,148	6,926
Total liabilities						117,927

Geographical information	Revenue 2012 RMB'000	Revenue 2011 RMB'000	Non–current assets 2012 RMB'000	Non–current assets 2011 RMB'000
Hong Kong	–	–	12	27
PRC except Hong Kong	69,056	90,519	327,798	180,837
Overseas	–	–	58,866	59,406
	69,056	90,519	386,676	240,270

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

For the financial year ended 31 December 2012, revenue from two major customers contributed to the Group's revenue of approximately RMB7,990,000 and RMB6,109,000 respectively were included in water supply services segment.

For the financial year ended 31 December 2011, revenue from two major customers contributed to the Group's revenue of approximately RMB28,189,000 and RMB14,950,000 respectively were included in water supply service segment and land development segment respectively.

36. Capital commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted but not provided for in the financial statements in respect of:		
- Additions of construction in progress – water pipelines and its ancillary facilities	747	760
- Computer software	326	–
	1,073	760

37. Lease commitments

(a) Operating lease commitments – where the Group is a lessee

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 RMB'000	2011 RMB'000
At 31 December		
Within one year	1,031	1,079
Within two years to five years	–	1,019
	1,031	2,098

Operating lease payments represent rentals payable by the Group for certain of its administrative office. Leases are negotiated for an average term of 2 years (2011: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Operating lease commitments – where the Group is a lessor

The Group sublets premises to non-related parties under non-cancellable operating leases. The lessees are required to pay absolute fixed annual increase to the lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	2012 RMB'000	2011 RMB'000
At 31 December		
Within one year	1,319	1,055

38. Event after the reporting period

On 4 January 2013, a subsidiary of the Group, CHIL (Tianjin) City Development Limited acquired additional 5% equity interest of Beijing Shiji Longquan Real Estate Development Co., Limited from an existing non-controlling shareholder, thereby making it a wholly-owned subsidiary.

39. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

- Amendment to IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 19 – Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IFRSs 10, 11 and 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013)
- Annual improvements 2011 (effective for annual periods beginning on or after 1 January 2013)
  - IFRS 1 – First time adoption
  - IAS 1 – Presentation of Financial Statements
  - IAS 19 – Employee Benefits
  - IAS 16 – Property, Plant and Equipment
  - IAS 32 – Financial Instruments: Presentation
  - IAS 34 – Interim Financial Reporting
- IFRS 10 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12 – Disclosure of Interest in Other Entities (effective for annual period beginning on or after 1 January 2013)
- IFRS 13 – Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (revised 2011) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (revised 2011) – Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 20 – Stripping cost in the production phase of a surface mine (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IAS 32 – Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2014)
- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1 January 2015)

40. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013.

Shareholding Statistics

As at 22 March 2013

STATISTICS OF SHAREHOLDINGS

Authorised Share Capital	:	S$1,000,000,000
Issued and Paid Up Capital	:	S$43,730,187.50
Class of Shares	:	Ordinary Shares of S$0.05
Voting rights	:	One vote per share

As at 22 March 2013, the Company did not hold any treasury shares.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	223,026,125	25.50
2	UOB Kay Hian Pte Ltd	214,101,570	24.48
3	Raffles Nominees (Pte) Ltd	81,229,518	9.29
4	DBS Vickers Securities (S) Pte Ltd	54,529,000	6.23
5	OCBC Securities Private Ltd	28,154,000	3.22
6	United Overseas Bank Nominees Pte Ltd	17,455,000	2.00
7	Ye Tianyun	15,000,000	1.72
8	Chan Sin Mian	6,093,000	0.70
9	Lim Cher Heng	4,747,000	0.54
10	Fong Weng Khiang	4,500,000	0.51
11	Maybank Kim Eng Securities Pte Ltd	3,615,562	0.41
12	Phillip Securities Pte Ltd	3,519,000	0.40
13	Leow Fan Siew	3,328,000	0.38
14	Hee Lee Set	3,000,000	0.34
15	Quah Wee Lai	3,000,000	0.34
16	Tan Chong Hoe	3,000,000	0.34
17	CIMB Securities (Singapore) Pte Ltd	2,780,000	0.32
18	Teoh Gaik Liew	2,550,000	0.29
19	Mak Chee Fong	2,274,000	0.26
20	Tan Brian Roy	2,250,000	0.26
	Total	678,151,775	77.53

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 - 999	5	0.05	2,105	0.00
1,000 - 10,000	7,151	76.65	23,341,001	2.67
10,001 - 1,000,000	2,138	22.92	150,671,869	17.23
1,000,001 and above	35	0.38	700,588,775	80.10
Total :	**9,329**	**100.00**	**874,603,750**	**100.00**

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders as at 22 March 2013

	Direct Interest	%	Deemed Interest	%
China Construction Group Inc	220,025,125	25.16	–	–
Wellful Holdings Limited	210,556,570	24.07	–	–
Century Investment Co., Limited	80,828,055	9.24	–	–
China Construction Holdings Limited(1)	–	–	220,025,125	25.16
Lin Rongqiang(2)	–	–	210,556,570	24.07
Mu Dejun(3)	–	–	80,828,055	9.24
Gong Xuan(3)	–	–	80,828,055	9.24

Footnote:

(1) The sole shareholder of China Construction Group Inc is China Construction Holdings Limited, holding 100% of the total issued share capital. Therefore, China Construction Holdings Limited is deemed to be interested in the 220,025,125 shares beneficially owned by China Construciton Group Inc by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(2) The sole shareholder of Wellful Holdings Limited is Lin Rongqiang holding 100% of the total issued share capital. Therefore, Lin Rongqiang is deemed to be interested in the 210,556,570 shares beneficially owned by Wellful Holdings Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(3) The shareholders of Century Investment Co., Limited are Mu Dejun and Gong Xuan holding 70% and 30% respectively of the total issued share capital. Therefore, Mu Dejun and Gong Xuan are deemed to be interested in the 80,828,055 shares beneficially owned by Century Investment Co. Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

According to the Company's record as at 22 March 2013, there was 40.72% of the Company's shares being held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA INTERNATIONAL HOLDINGS LIMITED (the "Company") will be held at M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2013 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Bye-Law 104:

   Mr Zhu Jun [Retiring under Bye-Law 104] **(Resolution 2)**
   Mr Shen Xia [Retiring under Bye-Law 104] **(Resolution 3)**

3. To approve the payment of Directors' fees of RMB1,800,000 for the financial year ending 31 December 2013 (2012: RMB1,800,000). **(Resolution 4)**

4. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the audtors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Rule 806 of the Listing Manual of the SGX- ST**

   That pursuant to Rule 806 of the SGX-ST, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company as at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX- ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 6)**

7. **Authority to issue shares under the CIHL Share Option Scheme**

That the Directors of the Company be authorised and empowered to offer and grant options under the CIHL Share Option Scheme ("the 2010 Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2010 Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2010 Scheme and such other share-based incentive scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to issue shares under the CIHL Performance Share Plan**

That the Directors of the Company be authorised and empowered to offer and grant awards under the CIHL Performance Share Plan ("the Plan") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and such other share-based incentive scheme (including the CIHL Share Option Scheme) shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Yange Han
Claudia Teo Kwee Yee
Company Secretaries

Singapore, 9 April 2013

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding , in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme and such other share-based incentive scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Plan and such other share-based incentive scheme (including CIH Share Option Scheme) up to a number not exceeding in total (for the entire duration of the Plan) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. If a member of the Company, being a Depositor (as defined in the Bye-Laws of the Company) whose name appears in the Depository Register (as defined in the Bye-Laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/she/it should complete the proxy form and deposit the duly completed proxy form at the office of the Company's Singapore Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the Annual General Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, the proxy form must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time appointed for holding the Annual General Meeting. Delivery of the proxy form shall not preclude him from attending and voting in person at the Annual General Meeting and in such event, the proxy form shall be deemed to be revoked.

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