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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3311)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	2012	2011	Change
			%
RESULTS (HK$'000)			
Group revenue	**19,765,008**	16,379,311	20.7
Share of revenue of jointly controlled entities	**3,069,660**	2,202,768	39.4
	22,834,668	18,582,079	22.9
Gross profit	**2,409,715**	1,798,184	34.0
Gross profit margin	**12.19%**	10.98%	11.0
Profit attributable to owners of the Company	**2,131,459**	1,507,405	41.4
FINANCIAL INFORMATION PER SHARE			
Earnings - basic (HK cents)	**57.32**	44.22	29.6
Proposed final and interim paid dividends for the year (HK cents)	**16.00**	13.00	23.1
Net assets (HK$)	**3.48**	2.65	31.3

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK9.00 cents per share.

The board of directors (the "Board") of China State Construction International Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2012 was HK$2,131 million, representing an increase of 41.4% as compared to last year while basic earnings per share increased by 29.6% to HK57.32 cents.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Group revenue	3	**19,765,008**	16,379,311
Costs of sales		**(17,355,293)**	(14,581,127)
Gross profit		**2,409,715**	1,798,184
Investment income	5	**523,458**	316,296
Other income and other gains, net		**75,394**	85,705
Gain on fair value changes of investment in convertible bonds		**56,827**	20,314
Administrative expenses		**(704,139)**	(538,680)
Distribution and selling expenses		**(5,505)**	(15,523)
Other operating expenses		**(30,430)**	(22,954)
Share of profits of			
Jointly controlled entities		**417,741**	379,947
Associates		**18,255**	13,702
Finance costs	6	**(239,375)**	(192,690)
Profit before tax		**2,521,941**	1,844,301
Income tax expense	7	**(385,440)**	(334,122)
Profit for the year	8	**2,136,501**	1,510,179
Attributable to :			
Owners of the Company		**2,131,459**	1,507,405
Non-controlling interests		**5,042**	2,774
		2,136,501	1,510,179
Earnings per share (HK cents)	10		
Basic		**57.32**	44.22
Diluted		**56.44**	43.45

Group revenue	**19,765,008**	16,379,311
Share of revenue of jointly controlled entities	**3,069,660**	2,202,768
	22,834,668	18,582,079

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000
Profit for the year	**2,136,501**	1,510,179
Other comprehensive income		
Release of investment revaluation reserve to income statement upon disposal of available-for-sales investments	**(1,047)**	-
Gain/(loss) on fair value changes of available-for-sale investments, net of tax	**95,256**	(11,777)
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	**(21,625)**	-
Exchange differences on translation of foreign operations	**77,269**	254,118
Other comprehensive income for the year, net of tax	**149,853**	242,341
Total comprehensive income for the year	**2,286,354**	1,752,520
Total comprehensive income attributable to :		
Owners of the Company	**2,279,277**	1,749,746
Non-controlling interests	**7,077**	2,774
	2,286,354	1,752,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current Assets			
Property, plant and equipment		**2,190,951**	1,870,033
Investment properties		**40,044**	41,063
Interests in infrastructure project investments		**915,049**	673,224
Trade and other receivables	11	**3,186,846**	919,473
Prepaid lease payments		**182,291**	184,978
Interests in jointly controlled entities		**2,735,493**	2,589,828
Interests in associates		**36,156**	29,237
Concession operating rights		**5,501,701**	4,926,465
Goodwill		**577,664**	-
Trademark, project backlogs and licences		**252,551**	9,950
Available-for-sale investments		**497,861**	490,842
Investment in convertible bonds		**296,827**	240,000
Amounts due from investee companies		**361,471**	356,085
		16,774,905	12,331,178
Current Assets			
Interests in infrastructure project investments		**8,506**	23,490
Inventories		**185,374**	149,559
Properties held for sale		**158,608**	158,608
Amounts due from customers for contract work		**5,458,682**	2,937,900
Trade and other receivables	11	**6,559,777**	4,736,191
Deposits and prepayments		**523,278**	234,679
Amount due from intermediate holding company		**-**	72,159
Amounts due from jointly controlled entities		**149,130**	185,237
Amounts due from fellow subsidiaries		**633,822**	423,284
Amount due from related companies		**26,939**	10,990
Tax recoverable		**15,054**	6,217
Pledged bank deposits		**1,291**	4,992
Deposits with financial institutions		**516**	848
Bank balances and cash		**6,716,913**	5,457,812
		20,437,890	14,401,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Current Liabilities			
Amounts due to customers for contract work		**1,219,729**	1,282,035
Trade payables, other payables and accruals	12	**6,498,270**	5,175,888
Deposits received and advance from customers		**1,138,919**	699,874
Amount due to immediate holding company		**16,019**	208,218
Amount due to an intermediate holding company		**132,692**	676,461
Amounts due to jointly controlled entities		**655,667**	501,666
Amounts due to fellow subsidiaries		**2,136,175**	1,398,076
Amount due to an associate		**33,495**	6,125
Amount due to a related company		**-**	16,851
Current tax payables		**594,570**	313,787
Borrowings	13	**48,780**	357,716
Obligations under finance leases		**1,158**	-
Loan from an intermediate holding company		**-**	940,151
		12,475,474	11,576,848
Net Current Assets		**7,962,416**	2,825,118
Total Assets less Current Liabilities		**24,737,321**	15,156,296
Capital and Reserves			
Share capital		**97,186**	89,668
Share premium and reserves		**13,412,638**	9,400,684
Equity attributable to owners of the Company		**13,509,824**	9,490,352
Non-controlling interests		**343,144**	6,724
		13,852,968	9,497,076
Non-current Liabilities			
Deferred income		**520,791**	421,938
Deferred tax liabilities		**362,265**	276,014
Borrowings	13	**9,996,359**	4,961,268
Obligations under finance leases		**4,938**	-
		10,884,353	5,659,220
		24,737,321	15,156,296

Notes:

1. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of China State Construction International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and investment in convertible bonds which are carried at fair value.

The accounting policies and methods of computation used in the consolidated financial information for the year ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. During the year ended 31 December 2012, the Group acquired Far East Global Group Limited ("FEG") and its subsidiaries (the "FEG Group") and intangible assets were recognised at the date of acquisition. The intangible assets acquired in a business combination are recognised at fair values on the acquisition date. The intangible assets having finite useful lives are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the costs of intangible assets over their useful lives of 3 to 20 years. Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable share of the net identifiable assets of the acquired subsidiary. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of testing for impairment.

2. Application of New and Revised HKFRS

(a) Adoption of amendment

The following amendment is relevant to the operations of the Group and effective for the accounting period of the Group beginning on 1 January 2012:

HKFRS 7 (amendment), 'Disclosures - Transfers of financial assets'

2. Application of New and Revised HKFRS *(continued)*

(a) Adoption of amendment *(continued)*

The amendment promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset. The adoption of the above amendment had no material financial impact on the consolidated financial statements of the Group.

(b) Standards and amendments which are not yet effective

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them:

	Applicable for accounting periods of the Group beginning on/after
HKAS 1 (amendment), 'Presentation of items of other comprehensive income'	1 January 2013
HKAS 19 (revised 2011), 'Employee benefits'	1 January 2013
HKAS 27 (revised 2011), 'Separate financial statements'	1 January 2013
HKAS 28 (revised 2011), 'Investments in associates and joint ventures'	1 January 2013
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 11, 'Joint arrangements'	1 January 2013
HKFRS 12, 'Disclosure of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013
Annual improvements 2009-2011 cycle	1 January 2013
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance'	1 January 2013
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'	1 January 2014

2. Application of New and Revised HKFRS *(continued)*

(b) Standards and amendments which are not yet effective *(continued)*

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to existing standards, except for HKFRS10, 'Consolidated financial statements' which management assessed having no impact to subsidiaries classification upon adoption, certain of which may be relevant to the operations of the Group and may give rise to changes in accounting policies, disclosures, classification and remeasurement of certain items in the financial statements.

3. Group Revenue

Group revenue represents the revenue arising from construction contracts, project consultancy services, revenue from supply of heat and electricity, revenue from provision of connection services, revenue from infrastructure project investments, toll revenue, revenue from the net sales of precast structures, building materials and asphalts, revenue from facade contracting business and revenue from machinery leasing and insurance contracts.

As part of the Group's performance evaluation, management also monitor the operating activities carried out by its jointly controlled entities. The analysis of the Group's share of revenue of jointly controlled entities and the share of results of jointly controlled entities are regularly provided to the management. As a result, management believe that additional disclosure of the Group's share of revenue of jointly controlled entities (in addition to the consolidated income statement and this note to the financial statements prepared under HKFRS), together with the share of results of jointly controlled entities, enable readers to better understand how management oversee the results and performance of the jointly controlled entities in the reportable segments.

3. Group Revenue *(continued)*

An analysis of the Group revenue is as follows:

	2012 **HK$'000**	2011 HK$'000
Revenue from construction contracts	**16,787,164**	14,431,313
Revenue from construction contracts under service concession arrangements	**685,934**	748,750
Revenue from project consultancy services	**263,556**	228,640
Revenue from supply of heat and electricity	**499,717**	439,070
Revenue from provision of connection services	**22,485**	15,866
Revenue from infrastructure project investments	**138,922**	132,734
Toll revenue	**127,186**	26,695
Sales of precast structures, building materials and asphalts	**108,541**	252,289
Revenue from facade contracting business	**1,053,430**	-
Revenue from machinery leasing, insurance contracts and others	**78,073**	103,954
Group revenue	**19,765,008**	16,379,311

4. Segment Information

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include the Group's share of revenue and results of jointly controlled entities and the geographical locations where the Group's subsidiaries operate, namely Hong Kong, regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates("UAE") and India) for the years ended 31 December 2011 and 2012.

4. Segment Information *(continued)*

In March 2012, the Group completed the acquisition of additional equity interests in FEG, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited. Since then, the FEG Group became subsidiaries of the Group. Since the FEG Group is currently managed by a separate business team, the chief operating decision maker regards FEG Group as a distinct reportable segment and assesses its performance based on its segment result.

Segment revenue and results for the years ended 31 December 2012 and 2011 are as follows:

	Segment revenue		Gross profit/(loss)		Segment result	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment						
Hong Kong	**9,311,412**	8,707,677	**765,336**	637,389	**637,009**	522,002
Regions in the PRC	**8,525,362**	7,547,348	**1,485,874**	1,209,908	**1,656,071**	1,124,244
Macau	**859,535**	243,086	**59,632**	71,188	**171,945**	224,480
Overseas (note)	**15,269**	(118,800)	**(13,594)**	(120,301)	**(2,205)**	(94,692)
FEG Group	**1,053,430**	-	**112,467**	-	**6,136**	-
	19,765,008	16,379,311	**2,409,715**	1,798,184	**2,468,956**	1,776,034
Share of revenue/ results of jointly controlled entities	**3,069,660**	2,202,768			**417,741**	379,947
Total	**22,834,668**	18,582,079			**2,886,697**	2,155,981
Unallocated corporate expenses					**(204,000)**	(167,285)
Acquisition related costs					**(20,013)**	-
Amortisation of trademark and project backlogs from acquisition of a subsidiary					**(10,010)**	-
Non-recurring investment income, other income and other gains, net					**33,560**	14,279
Share of profits of associates					**18,255**	13,702
Gain on fair value changes of investment in convertible bonds					**56,827**	20,314
Finance costs					**(239,375)**	(192,690)
Profit before tax					**2,521,941**	1,844,301

Note: The segment revenue of overseas segment includes the reversal of revenue from certain construction contracts recognised in prior year.

4. Segment Information *(continued)*

Measurement

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

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

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

Share of revenue of the Group's jointly controlled entities comprises mainly revenue from construction contracts, toll fee and infrastructure investment projects.

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

Reportable segments results represent the profit/(loss) earned or incurred by each segment excluding certain acquisition related costs, amortisation of trademark and project backlogs from acquisition of a subsidiary, non-recurring investment income, other income and other gains, net, finance costs, share of profits of associates, gain on fair value changes of investment in convertible bonds and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Segment Information *(continued)*

Other geographical information:

	Non-current assets		Additions to property, plant and equipment	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,190,103**	286,207	**288,466**	138,686
Regions in the PRC	**7,247,175**	6,579,686	**250,571**	295,125
Macau	**134,601**	136,074	**5,302**	88,296
Overseas	**173,323**	30,522	**74,055**	93
	8,745,202	7,032,489	**618,394**	522,200

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

The information of FEG Group was allocated to the Hong Kong, regions in the PRC and overseas sections (included North America) in accordance with the locations that FEG Group operated in.

Segment assets and liabilities

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

Major customers information

Revenue from three (2011: three) customers in Hong Kong and regions in the PRC reportable segments amounted to approximately HK$3,485,000,000, HK$2,211,000,000 and HK$2,058,000,000 (2011: HK$3,474,000,000, HK$2,529,000,000 and HK$2,121,000,000), which individually represent more than 10 per cent of the Group's total revenue.

5. Investment Income

	2012 HK$'000	2011 HK$'000
Interest income on:		
Bank deposits	**35,251**	54,277
Debt securities	**6,240**	5,154
Imputed interest on amounts due from investee companies	**6,861**	45,124
Loan receivables	**20,475**	24,975
Amounts due from customers for contract work and trade receivables	**284,589**	44,885
	353,416	174,415
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	**21,625**	-
Dividend income:		
Listed available-for-sale investments	**74**	1,754
Unlisted available-for-sale investments	**140,243**	139,660
Others	**8,100**	467
	523,458	316,296

6. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within five years	**162,494**	60,315
Interest on bank loans not wholly repayable within five years	**157,122**	123,440
Interest on other loans wholly repayable within five years	**388**	-
Interest on loans from an intermediate holding company	**14,581**	85,166
Finance leases charge	**58**	-
Others	**16,013**	8,935
Total finance costs	**350,656**	277,856
Less: Amounts capitalised in concession operating rights	**(40,075)**	(85,166)
Amounts capitalised in amounts due from customers for contract work	**(60,906)**	-
Amounts capitalised in construction in progress	**(10,300)**	-
	239,375	192,690

7. Income Tax Expense

	2012	2011
	HK$'000	HK$'000
Current tax:		
Hong Kong	**47,672**	41,165
Other jurisdictions	**353,905**	280,163
	401,577	321,328
(Over)/underprovision in prior years:		
Hong Kong	**(12,563)**	(32,946)
Other jurisdictions	**(20,466)**	5,512
	(33,029)	(27,434)
Deferred tax	**16,892**	40,228
Income tax expense for the year	**385,440**	334,122

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

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

8. Profit for the Year

	2012	2011
	HK$'000	HK$'000
Profit for the year has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	**225,519**	157,112
Less: Amounts capitalised in contracts in progress	**(114,613)**	(73,253)
	110,906	83,859
Gross rental income from investment properties	**(9,004)**	(9,241)
Less: Direct expenses from investment properties that generated rental income during the year	**1,203**	1,486
	(7,801)	(7,755)
Employee benefits expense including directors' emoluments:		
Staff costs	**1,602,914**	1,320,287
Contributions to retirement benefit plans	**55,339**	41,281
Less: Amounts capitalised in contracts in progress	**(1,057,105)**	(790,201)
	601,148	571,367
Depreciation of investment properties	**1,019**	1,058
Amortisation of concession operating rights (included in costs of sales)	**138,744**	90,267
Amortisation of trademark and project backlogs	**19,466**	-
Amortisation of prepaid lease payments	**3,851**	4,674

9. Dividends

	2012	2011
	HK$'000	HK$'000
Dividends recognised as distributions during the year:		
2011 Final, paid – HK7.00 cents (2011: 2010 Final HK6.00 cents) per share	**251,072**	215,177
2012 Interim, paid – HK7.00 cents (2011: 2011 Interim HK6.00 cents) per share	**272,121**	215,205
	523,193	430,382

The final dividend of HK9.00 cents (2011: HK7.00 cents) per share amounting to HK$349,870,000 (2011: HK$251,072,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. Earnings per share

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

	2012	2011
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,131,459**	1,507,405

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,718,288**	3,408,962
Effect of dilutive potential ordinary shares in respect of share options	**58,444**	60,047
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,776,732**	3,469,009

11. Trade and Other Receivables

The analysis of trade and other receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date or the terms of the related contracts, is as follows:

	2012 **HK$'000**	2011 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	**3,057,374**	2,834,776
31-90 days	**1,480,183**	456,701
Over 90 days	**3,144,168**	583,459
	7,681,725	3,874,936
Retention receivables	**1,631,834**	1,350,703
Other receivables	**433,064**	430,025
Trade and other receivables	**9,746,623**	5,655,664
Portion classified as current assets	**(6,559,777)**	(4,736,191)
Non-current portion	**3,186,846**	919,473

Note:

(a) Included in trade receivables as at year ended 31 December 2012 are receivables of HK$3,186,846,000 (2011: HK$919,473,000) arising from certain affordable housing projects in the PRC. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be fully received from 2014 to 2017, with HK$1,151,212,000 receiving in 2014, HK$1,427,396,000 in 2016 and HK$608,238,000 in 2017. As a result, they are classified as non-current item.

(b) Included in other receivables is a loan receivable of HK$189,961,000 (2011: HK$309,706,000) advanced in 2011 to a state owned enterprise. The balance was interest bearing at prevailing interest rate of the People's Bank of China plus 1% per annum and fully recovered in February 2013.

11. Trade and Other Receivables *(continued)*

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2011: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

12. Trade Payables, Other Payables and Accruals

An analysis of the trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2012 **HK$'000**	2011 HK$'000
Trade payables, aged:		
0-30 days	**2,926,735**	2,599,032
31-90 days	**1,131,480**	724,329
Over 90 days	**449,273**	214,643
	4,507,488	3,538,004
Retention payables	**1,450,127**	1,094,638
Other payables and accruals	**540,655**	543,246
	6,498,270	5,175,888

The average credit period on trade and construction cost payables is 60 days (2011: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

13. Borrowings

	2012 **HK$'000**	2011 HK$'000
Bank overdraft	**4,923**	-
Bank loans, secured	**3,837,497**	1,973,603
Bank loans, unsecured	**6,194,919**	3,345,381
Other loans	**7,800**	-
	10,045,139	5,318,984
Carrying amount repayable:		
Within one year	**48,780**	357,716
More than one year but not exceeding two years	**70,944**	24,670
More than two years but not more than five years	**6,607,704**	3,172,690
More than five years	**3,317,711**	1,763,908
	10,045,139	5,318,984
Less: Amount due within one year shown under current liabilities	**(48,780)**	(357,716)
Amount due after one year	**9,996,359**	4,961,268

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK9.00 cents (2011: HK7.00 cents) per share to the shareholders whose names appear on the register of members of the Company on 17 June 2013. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 6 June 2013, dividend warrants will be despatched on or about 5 July 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the annual general meeting, and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the annual general meeting:

Latest time to lodge transfer documents for registration	4:00 pm on 3 June 2013
Closure of register of members	4 June 2013 to 6 June 2013 (both days inclusive)
Record date	6 June 2013

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:00 pm on 13 June 2013
Closure of register of members	14 June 2013 to 17 June 2013 (both days inclusive)
Record date	17 June 2013

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than the aforementioned latest time.

REVIEW OF OPERATION

In 2012, the European sovereign debt crisis lingered continuously and the “fiscal cliff” issue of the United States raised market attention. As such, the developed economic regimes suffered continuous sluggish, while the emerging economies went down considerably, seriously dragging the pace of the recovery of the world’s economy. Following the implementation of a new round of quantitative easing measures and economic stimulating policies, inflation pressure pricked up and there were complicated uncertainties to the recovery of the global economy. Against such backdrop, the Group adhered to the principle of “Self-strengthening and Steady Operation” and exercised the strategy of “Emphasizing Construction Project Contracting, Monitoring Infrastructure Investments” to grasp opportunities in order to ensure sound development amid the changing situations. Thus it was able to achieve remarkable results in its dual-core businesses of infrastructure investment and construction.

Market Conditions

In 2012, the construction markets in Hong Kong and Macau remained buoyant. In the meantime, given the growing downside pressure faced by China’s economy, the central government made “stable economic growth” its first priority and successively launched series of economic stimulating measures in order to continue supporting the economic growth by driving the investment in infrastructure sector. In response to the sophisticated environment, the Group made timely adjustment to its business strategy to cope with the changes in external economic and market conditions, and managed to achieve sustainable and healthy development of its construction and investment businesses.

Hong Kong and Macau Regions

The construction industry in Hong Kong and Macau continued to boom, featuring increasing high-end and large-scaled contracting projects and intense market competitiveness. Conforming to the ever-changing market conditions, the Group prioritized the control of tender risk and adhered to its differentiated tender strategy, targeting to high-profile branded, mega-sized projects. Through its meticulous planning, the Group achieved breakthrough on its business development. In 2012, the Group won the construction project of Hong Kong — Zhuhai — Macao Bridge Hong Kong Link Road — Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, which is among the city's "Ten Mega Infrastructure Projects" and has a total contract value of HK$8.88 billion. It was the highest contract value ever among the solely-run projects in the Company's history. The total contract value of new construction projects awarded in Hong Kong and Macau hit the historical high, further reinforcing the Group's leading position in the Hong Kong and Macau markets and also its scale of economy.

The economic growth of Macau stood high. Spurred by the launch of public housing and mega casino projects, the construction sector continued to maintain its vigor. By proactively seizing market opportunities, fully capitalizing on the synergy between Hong Kong and Macau and aggressively participating in market rivals, the Group recorded satisfactory results in business development and won various projects including the Residential Development of Nova City Phase 4, Taipa.

Mainland China market

In 2012, the Group devoted much effort in the investment business in Mainland China. It adjusted investment focus in the Mainland China to the affordable housing BT ("Build-Transfer") projects and obtained satisfactory results. In 2012, the Group secured affordable housing projects in Zhangzhou, Tianjin, Wenzhou and Dalian, and developed numerous infrastructural BT projects in Wuhan.

In Mainland China, development of the investment projects were on schedule, risk control and cash flow management were improved and there was good progress in project repurchase. The repurchase considerations of Wuxian Highway Reconstruction and Shahu Passageway BT Project, the Tangshan Binhai Avenue BT Project, the Zhangzhou Ecological Park Relocation Housing and the Chongqing Hechuan Relocation Housing and Public Rental Housing were received in advance or as scheduled.

After more than one year upon its launch of operation, the Shanxi Yangquan Yangwu Expressway (Yangquan to Yuxian section) BOT project was progressing well. The daily average toll revenue has increased significantly after the commencement of operations of the coal quality inspection station which helps to enhance traffic flow.

Both traffic flow and toll revenue of the Nanjing No. 2 Yangtze River Bridge grew steadily, while Shenyang Huanggu Thermoelectricity Company Limited further expanded its heat supply area by strengthening internal administration and market expansion.

Overseas Market

The Group marched into curtain wall business in developed countries such as the United States and Canada through its Hong Kong-listed subsidiary Far East Global Group Limited (“FEG”). FEG recorded encouraging results in the business development in North America and successfully marked its foothold in British and Australian markets in 2012.

The real estate and construction market of the United Arab Emirates (“UAE”) experienced turnaround from bottom trough, yet recovery consumed time. The Group ceased to undertake new projects in the UAE market since 2008, and focuses on commercial management and project account settlement for the time being.

Completed Projects during the Year

In 2012, the Group completed 29 projects.

New Projects Awarded

The Group secured 29 new projects in 2012, with an aggregated attributable contract value of HK$36.80 billion, of which Hong Kong market accounted for 47.8%, Mainland China market accounted for 42.4%, Macau markets accounted for 2.4% and FEG accounted for 7.4%.

8 new contracts were awarded in the first two months of 2013, resulting to an aggregated contract value of approximately HK$10.78 billion.

Projects in Progress

As at 31 December 2012, the Group had a total of 74 projects in progress, amounting to an aggregated attributable contract value of HK$93.00 billion. The attributable contract value of incomplete projects was HK$57.69 billion. As at the end of February 2013, the Group had an aggregated contract value of HK$102.92 billion.

Corporate Governance

The Group strictly complies with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong. With effective monitoring by the Board of Directors, and enhanced communication with the investment community, relevant information was released timely to enhance investors' knowledge and understanding about the Company and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round mechanism involving corporate governance, internal control, risk management and crisis management to continuously improve corporate governance and achieve operation standardization. It also adjusted its strategic plan in a timely manner in order to cope with the sophisticated market conditions. The functions and roles of each dedicated decision-making team were realigned, business units were operating in a more regional-based model, and specialization of management capabilities was enhanced so as to improve management efficiency.

Risk Management

The dedicated management team continued to enhance and carry out full-scale monitoring and controlling of risks; persisted in centralisation of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the “Examination by Three Departments” mechanism. Emphasis was placed on the balance between control and efficiency in order to effectively build a connected mechanism on risk management between the Group, relevant operating units and projects. The Group holds regular quarterly meetings for every operating unit, fully implement the mechanism of centralised decision making in regular meetings of general managers and the “Three Centralisations” management models so as to enhance the headquarters’ management capability in terms of human resources, financial resources and material resources, as well as increasing the Group’s ability in risk management in respect of construction and investment projects.

Financial Management

The Group’s financial management, fund management and external financing have been centrally managed and controlled at the headquarters. In line with its principles of prudent financial management, as at 31 December 2012, the Group had bank balances of HK$6.72 billion, total borrowings of HK$10.05 billion and a net gearing ratio of 24.7%. In 2012, the Group achieved encouraging progress in seeking bank financing and had drawn bank loan of HK$5.03 billion. The Group had sufficient liquidity, and was in a sound financial position. The Group also had committed but unutilised borrowing facilities of HK$10.21 billion which is sufficient to meet the need of its business development.

By holding semi-annual economic activity analysis meetings and occasional financial seminars, the Group conducted regular modification and assessment on its overall strategic plans, operating status and systems establishment so as to ensure healthy expansion and operation of the Group’s different business segments. The Group fully utilized the regional platform of Hong Kong, Macau and Mainland China to raise and manage capital, enhanced the synergy between the headquarters and the subsidiaries in terms of investment and financing, and enhanced financial management by strengthening cost management, emphasizing financial planning and stressing on the time value of funds, effectively supporting the development of business operation.

Human Resources Management

The Group has launched a new performance appraisal system and staff ranking system, increased efforts in salary and benefits reform, improved the remuneration system and offered more market-oriented remuneration packages. It further implemented the accountability system for the site contracting and conducted a trial of the system on investment projects. Through campus recruitment and personnel nomination incentive scheme, the Group strived to further improve the internal training and promotion mechanism, enhanced the effort in introducing talents from the construction industry of Hong Kong to Mainland China for investment purpose and strengthened its ability to retain human resources.

Capital Operation

In the first half of 2012, the Group has interested its shareholdings in FEG, a company listed in Hong Kong from 9.3% to 74.1% for a consideration of about HK$1.27 billion. The acquisition will effectively diversify the relevant business of the Group, bring about synergy between both parties and facilitate the forming of an internationally standardized platform of the Group.

In July 2012, the Group raised fund of HK$2.23 billion by way of top-up share placement. Such fund-raising exercise optimized overall financial structure and broadened capital base which helped to provide development fund for the investment in the affordable housing and infrastructures in Mainland China.

In January 2013, the Company received investment grade ratings from credit rating agencies like Standard & Poor’s, Moody’s and Fitch. In order to generate new source of fund, the Group proposed bond issuance with proceeds to be used as general working capital.

Corporate Citizenship

The Group cared for the community, actively participated in charity, contributed to the society and raised funds to help people in need. With its innovative and effective safety management reward system, the Group possessed state-of-the-art technology among in the industry. The Group has extensively utilized energy saving, low carbon emission and environmental-friendly construction technologies to build up a harmonious living environment, thus playing a pioneer role and sets a good example for the industry. The Group also put high emphasis on the localisation of its regional companies in order to build a friendly and harmonious working environment for its staff members. The Group's outstanding performance in persistent fulfillment of social responsibility and enhancement of shareholders' value has been widely recognised and was selected as constituent of Hang Seng Corporate Sustainability Index and FTSE China Index during the year.

Key Awards

Leveraging on its prominent performance in terms of quality, safety, environmental protection and technology, the Group obtained various significant awards during 2012. Among which, Construction of Development at Ex-Cheung Sha Wan Police Quarters project and Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) project was awarded Gold Award in Building Sites (Public Sector) and Civil Engineering Sites Category respectively in the "Construction Industry Safety Award Scheme 2011-2012" organised by the Labour Department of Hong Kong. The Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 project was honored Gold Award in the "Considerate Contractors Site Award Scheme 2011" organised by the Development Bureau of Hong Kong; the Central-Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section) project and the Design, Build and Operate Pillar Point Sewage Treatment Works were awarded Gold Award in the Best Safe Working Cycle Site and the Best Safety Culture Site respectively in "The 13th Construction Safety Award" organised by the Hong Kong Occupational Safety and Health Council.

BUSINESS PROSPECTS

Looking ahead to 2013, the global economy is undergoing a post-crisis adjustment period. Temporary evading from the “fiscal cliff” crisis, the economy of the United States experiences slow recovery. The European sovereign debt crisis fluctuates as issues such as the financial conditions in Italy deteriorated, resulting to continuous weak Eurozone. Slack growth of the emerging economies, slump of the domestic demand and the continuous looseness of the currency policies further expose the world to the risk of liquidity. It takes time for the world to totally relief from the financial crisis, and the road leading to global recovery is devious. The Group will keep a close eye on the development trend of the macro economy of Mainland China, adjust strategic focus on a timely basis and seize market opportunities so as to maintain stable and healthy operation.

Market Conditions

The Chinese government insists the goal of “stable economic growth” for 2013, with infrastructure investment playing a dominant role to achieve this goal. With positive effect gradually brought by the loosened policies, a rebound of the economy of Mainland China is anticipated. Urbanization will be a new driver to the fast economic growth, while the development of the government-led infrastructural investment will be expedited. In respect of the affordable housing, numerous policies have been launched by the Central government to facilitate the construction of the affordable housing. To further enhance the construction of the affordable housing projects, the central government set up the construction start target of no less than 6.3 million units and basic completion target of no less than 4.7 million units in 2013. Albeit slight decrease from the previous two years in terms of the total number of units, the market volume in relocation housing and public rental housing, in which the Group mainly participates, remained the same as compared to that of 2012.

In 2013, Hong Kong government will continue to conduct the “Ten Mega Infrastructure Projects”, of which Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Central-Wan Chai Bypass Tunnel and the Hong Kong-Zhuhai-Macao Bridge have been gradually underway. More large-scaled projects involving MTR Shatin-Central Link, Kai Tak Development and West Kowloon Cultural District will also be implemented in the coming years. Besides, with Hong Kong government providing stable number of public housing, and the “My Home Purchase Plan” to be determined stage by stage, the government projects will be a main driving force of the construction industry for the coming three years.

Series of casino expansions, government infrastructure projects and private construction projects will bring the construction industry in Macau to a climax. The Group will fully capitalize on the synergy between Hong Kong and Macau and place its focus on certain mega casino and public housing projects. Meanwhile, the Group will continue to explore the opportunities for investment-driven contracting projects

Meanwhile, Hong Kong and Macau markets have the problem of labour shortage and insufficient subcontracting resources, while the recently launched projects are mainly large scale, with the quantity of which relatively decreased. The competition in the construction industry is thereby intensified.

In respect of the overseas business, having FEG as its critical platform, the Group aims to maintain the stable operations and balance risks. In addition to the prudent development of curtain wall business, the Group will also continue to explore the possibility of transforming its overseas business.

Operation Strategies

The Group will adhere to its vision of "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**" to actively act in response to the complicated international and domestic economic environment. Implementing the development strategy of "Strengthening Management, Innovative Investment", the Group will strive to grasp opportunities, mitigate risks, pursue an enhanced management and guarantee standard, and reinforce the dual-core businesses of infrastructure investment and construction. The Group will also effectively enhance its shareholders' value and market competitiveness.

With firm determination to maintain and enhance the development of its business in Hong Kong and Macau, the Group will fully capitalize on the synergy arising from the integration of both regions so as to maintain the existing market share and secure its position as one of the largest contractors in Hong Kong and Macau. By insisting on differentiated tender strategy, and enhancing the stability and persistency of the tender tactics, the Group will place its emphasis on the design and strategic deployment of mega-sized, high potential projects. It will also focus resources to raise the possibility of winning the tenders. The Group will maintain proper coordination with joint-venture partners and avoid any tendering and inflation exposure. In Macau, the Group will focus on projects including large scale building and government public housings, while improving its business diversification and cross-region operation and management, striving to achieve breakthrough in investment-driven contracting.

As a major platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group will continue to strengthen its investments in the infrastructure construction and affordable housing in Mainland China, endeavoring to expand and strengthen its investment scale, building infrastructure investment as one of its dual-core businesses, and securing larger room for the expansion of scale of economy. Closely observing the State's policies and capturing the opportunities arising from the government's focus on affordable housing projects, the Group will consider affordable housing as its keystone in the expansion of infrastructure investment business in Mainland China. Moderate development effort will be made on other infrastructure projects. The focus of investment and expansion will be leaned towards the affordable housing projects in provincial capital cities and economically-developed cities, as well as projects that feature high profit and quick turnaround in order to strive for better return in investment.

Operation Management

The Group has engaged in construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group puts great emphasis on the promotion of the "5+3" project management model (i.e. coordinated management over the five elements, namely safety, environmental protection, quality, progress and cost, and the three systems, namely flow guarantee system, procedure guarantee system and accountability guarantee system) to launch different projects with balance deployment and refine its project management. On top of this, the Group will continue to explore the regional management model and perfect the performance assessment system of the target-oriented accountability system. By upholding the principle of prudence, moderation, control and profitability, the Group insists to prioritize cash flow management. Also, it will further improve the human resources management system and strengthen the development of its information technology system.

COMPANY MISSION

In pursuit of its philosophy to "**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**", the Group will continue to fully leverage the advantages of its "**China State Construction**" brand and to focus on details and advocate a pragmatic approach to its work. The Group is committed to offering excellent products and services in excess of their values, actively performing its responsibilities as a corporate citizen, propping up competitiveness and shareholder's value, and striving to build an evergreen business regime.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the year, the Company complied with all code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 (collectively "Code Provisions") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except Code Provisions A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings) and E.1.2 (chairman of the board should attend the annual general meeting).

Mr. Kong Qingping, Chairman and Non-executive Director, and Mr. Li Jian, Non-executive Director, both due to other business engagement were unable to attend the annual general meeting of the Company which held on 28 May 2012 ("AGM"). Mr. Zhou Yong, Vice-chairman and Chief Executive Officer, chaired the AGM to ensure effective communication with shareholders of the Company at such meeting. Other non-executive director and all the independent non-executive directors attended the AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures on page 2 to page 19 in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2012. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ACKNOWLEDGEMENT

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

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

Hong Kong, 21 March 2013

As at the date of this announcement, the Board comprises Mr. Kong Qingping as Chairman and Non-executive Director; Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Zhang Yifeng, Mr. Pan Shujie and Mr. Hung Cheung Shew as Executive Directors; Mr. Li Jian as Non-executive Director; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.