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 2016,
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2016	2015 (restated)	Change %
RESULTS (HK$'000)			
Revenue	**46,207,508**	38,001,876	21.6
Gross profit	**5,982,878**	5,113,115	17.0
Gross profit margin	**12.9%**	13.5%	-4.4
Profit attributable to owners of the Company	**5,130,066**	4,524,126	13.4
FINANCIAL INFORMATION PER SHARE			
Earnings - basic (HK cents)	**119.80**	112.37	6.6
Proposed final and interim and special paid dividends for the year (HK cents)	**33.00**	33.00	0.0
Net assets (HK$)	**5.72**	5.74	-0.3

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK18.00 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 2016. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2016 was HK$5,130 million, representing an increase of 13.4% as compared to last year while basic earnings per share increased by 6.6% to HK119.80 cents.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2016	2015
	Notes	**HK$'000**	HK$'000
			(restated)
Revenue	3	**46,207,508**	38,001,876
Costs of sales		**(40,224,630)**	(32,888,761)
Gross profit		**5,982,878**	5,113,115
Investment income, other income and other gains, net	5	**1,260,120**	1,159,441
Administrative, selling and other operating expenses		**(1,106,084)**	(1,007,396)
Share of profits of			
Joint ventures		**420,295**	423,728
Associates		**142,670**	72,462
Finance costs	6	**(688,159)**	(629,105)
Profit before tax		**6,011,720**	5,132,245
Income tax expenses, net	7	**(1,004,504)**	(659,562)
Profit for the year	8	**5,007,216**	4,472,683
Profit/(loss) for the year attributable to:			
Owners of the Company		**5,130,066**	4,524,126
Non-controlling interests		**(122,850)**	(51,443)
		5,007,216	4,472,683
Earnings per share (HK cents)	10		
Basic		**119.80**	112.37
Diluted		**119.80**	111.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(restated)
Profit for the year	**5,007,216**	4,472,683
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments/reclassification to associate	**(1,123)**	(375,127)
Gain on fair value changes of available-for-sale investments, net of tax	**5,216**	362,652
Exchange differences on translation of the Company and its subsidiaries	**(1,832,912)**	(1,393,615)
Exchange differences on translation of joint ventures	**(277,346)**	(234,473)
Exchange differences on translation of associates	**(28,314)**	(16,587)
Other comprehensive loss for the year, net of tax	**(2,134,479)**	(1,657,150)
Total comprehensive income for the year, net of tax	**2,872,737**	2,815,533
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**2,999,079**	2,885,332
Non-controlling interests	**(126,342)**	(69,799)
	2,872,737	2,815,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000 (restated)	At 1 January 2015 HK$'000 (restated)
Non-current Assets				
Property, plant and equipment		**2,493,761**	2,786,916	2,844,595
Investment properties		**4,249,520**	3,050,468	2,726,676
Interests in infrastructure project investments		**1,495,041**	1,536,372	1,489,188
Prepaid lease payments		**315,097**	269,816	273,022
Interests in joint ventures		**4,949,241**	3,573,662	3,449,034
Interests in associates		**4,070,378**	3,800,193	2,104,943
Concession operating rights		**5,234,340**	6,044,202	6,530,992
Deferred tax assets		**225,006**	280,951	187,320
Trademark, project backlogs and licences		**175,190**	186,025	200,640
Goodwill		**577,664**	577,664	577,664
Available-for-sale investments		**228,370**	239,503	453,286
Amounts due from investee companies		**196,818**	281,858	411,838
Trade and other receivables	11	**21,820,299**	17,949,961	12,901,282
Deposit paid for an investment		**-**	108,043	-
Loan to a joint venture		**-**	-	804,918
		46,030,725	40,685,634	34,955,398
Current Assets				
Interests in infrastructure project investments		**37,041**	35,817	17,176
Inventories		**131,365**	108,835	160,289
Properties held for sale		**414,209**	418,915	66,544
Amounts due from customers for contract work		**6,485,536**	2,421,715	1,354,148
Trade and other receivables	11	**17,643,865**	18,173,525	12,544,378
Deposits and prepayments		**428,612**	523,673	458,905
Loans to joint ventures		**628,816**	1,104,082	-
Amounts due from joint ventures		**2,847,361**	1,564,404	1,342,025
Tax recoverable		**42,263**	41,271	11,559
Bank balances and cash		**11,484,652**	8,026,224	7,465,599
		40,143,720	32,418,461	23,420,623
Assets held for sale		**-**	-	10,921,766
		40,143,720	32,418,461	34,342,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000 (restated)	At 1 January 2015 HK$'000 (restated)
Current Liabilities				
Amounts due to customers for contract work		**5,304,671**	4,669,015	3,793,052
Trade payables, other payables and accruals	12	**29,000,144**	21,926,978	17,262,143
Deposits received and advances from customers		**827,167**	722,595	850,510
Amounts due to fellow subsidiaries		**-**	937,542	994,860
Amounts due to joint ventures		**735,030**	625,844	354,111
Amounts due to an associate		**-**	-	26,480
Current tax payables		**2,392,708**	2,015,547	930,971
Borrowings	13	**1,455,620**	808,197	587,269
Obligations under finance leases		**774**	951	998
		39,716,114	31,706,669	24,800,394
Liabilities directly associated with assets classified as held for sale		**-**	-	7,438,135
		39,716,114	31,706,669	32,238,529
Net Current Assets		**427,606**	711,792	2,103,860
Total Assets less Current Liabilities		**46,458,331**	41,397,426	37,059,258
Capital and Reserves				
Share capital		**112,203**	101,408	100,310
Share premium and reserves		**25,335,755**	23,083,146	21,389,427
Equity attributable to owners of the Company		**25,447,958**	23,184,554	21,489,737
Non-controlling interests		**222,360**	100,262	167,566
		25,670,318	23,284,816	21,657,303
Non-current Liabilities				
Borrowings	13	**15,849,056**	13,085,694	10,361,804
Guaranteed notes payables		**3,888,839**	3,879,322	3,869,804
Deferred income		**699,088**	738,610	735,808
Deferred tax liabilities		**348,891**	406,265	431,059
Obligations under finance leases		**2,139**	2,719	3,480
		20,788,013	18,112,610	15,401,955
		46,458,331	41,397,426	37,059,258

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) Acquisition of Precious Deluxe Global Limited ("Precious Deluxe")

During the year, Total Joy Global Limited ("Total Joy"), a wholly-owned subsidiary of the Company, completed the acquisition of Precious Deluxe, from China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company, including a shareholder's loan to Precious Deluxe for a total consideration of HK$4,825,055,512. Precious Deluxe and its subsidiaries are engaged in investment holding and property investment in Hong Kong.

The transfer of the entire interests in Precious Deluxe, together with its subsidiaries (together the "Precious Deluxe Group"), was considered as business combinations under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2016, together with the comparative figures, were prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if they had been combined from the date when the Precious Deluxe Group first came under the control of the controlling party of the Group and Precious Deluxe Group.

(ii) Changes of the measurement of investment properties

During the year, the Group changed its accounting policy with respect to the measurement of investment properties. The Group now applies the fair value model, under which investment properties were stated at fair value and recognises the fair value changes to the consolidated income statement in which they arise. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The Group believes the new policy is preferable as it is more suitable to reflect the value of the investment properties and will aid comparability. The change has been applied retrospectively and the comparative amounts have been restated accordingly.

1. BASIS OF PREPARATION *(continued)*

Effect of application of common control combination and change of measurements of investment properties

The effect of application of common control combination, in accordance with Accounting Guideline 5, and change of measurements of investment properties on the Group's results for the years ended 31 December 2016 and 2015 by line items presented in the consolidated income statement (extracts) are as follows:

	For the year ended 31 December 2016	Effect of acquisition of Precious Deluxe	Effect of changes of measurement of investment properties	For the year ended 31 December 2016 (as presented)
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	46,118,182	89,326	-	46,207,508
Costs of sales	(40,219,359)	(5,271)	-	(40,224,630)
Investment income, other income and other gains, net	57,001	1,192,082	11,037	1,260,120
Administrative, selling and other operating expenses	(1,113,021)	5,939	998	(1,106,084)
Finance costs	(676,361)	(11,798)	-	(688,159)
Income tax expenses, net	(991,305)	(13,115)	(84)	(1,004,504)
Earnings per share (HK cents)				
Basic	90.16	29.36	0.28	119.80
Diluted	90.16	29.36	0.28	119.80

1. BASIS OF PREPARATION *(continued)*

Effect of application of common control combination and changes of measurements of investment properties *(continued)*

	For the year ended 31 December 2015 (as previously presented) HK$'000	Effect of acquisition of Precious Deluxe HK$'000	Effect of changes of measurement of investment properties HK$'000	For the year ended 31 December 2015 (as restated) HK$'000
Revenue	37,913,159	88,717	-	38,001,876
Costs of sales	(32,883,385)	(5,376)	-	(32,888,761)
Investment income, other income and other gains, net	832,800	309,812	16,829	1,159,441
Administrative, selling and other operating expenses	(995,527)	(12,872)	1,003	(1,007,396)
Finance costs	(607,082)	(22,023)	-	(629,105)
Income tax expenses, net	(654,526)	(4,323)	(713)	(659,562)
Earnings per share (HK cents)				
Basic	103.16	8.78	0.43	112.37
Diluted	102.26	8.71	0.42	111.39

1. BASIS OF PREPARATION *(continued)*

Effect of application of common control combination and changes of measurements of investment properties *(continued)*

The effect of application of common control combination, in accordance with Accounting Guideline 5, and changes of measurements of investment properties on the consolidated statement of financial position of the Group (extracts) as at 31 December 2016 and 31 December 2015 by line items are as follows:

	At 31 December 2016	Effect of acquisition of Precious Deluxe	Effect of changes of measurement of investment properties	At 31 December 2016 (as presented)
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current Assets				
Property, plant and equipment	2,479,302	14,459	-	2,493,761
Investment properties	35,908	3,999,001	214,611	4,249,520
Total non-current assets	41,802,654	4,013,460	214,611	46,030,725
Current Assets				
Trade and other receivables	17,643,416	449	-	17,643,865
Deposits and prepayments	431,856	(3,244)	-	428,612
Bank balance and cash	11,416,339	68,313	-	11,484,652
Total current assets	40,078,202	65,518	-	40,143,720
Current Liabilities				
Trade payables, other payables and accruals	28,997,340	2,804	-	29,000,144
Deposits received and advances from customers	803,003	24,164	-	827,167
Current tax payable	2,386,053	6,655	-	2,392,708
Total current liabilities	39,682,491	33,623	-	39,716,114
Net Current Assets	395,711	31,895	-	427,606
Total Assets less Current Liabilities	42,198,365	4,045,355	214,611	46,458,331
Non-current Liabilities				
Deferred tax liabilities	309,014	27,374	12,503	348,891
Total non-current liabilities	20,748,136	27,374	12,503	20,788,013
Capital and Reserves				
Share premium and reserves	21,115,666	4,017,981	202,108	25,335,755
Total equity	21,450,229	4,017,981	202,108	25,670,318

1. BASIS OF PREPARATION *(continued)*

Effect of application of common control combination and changes of measurements of investment properties *(continued)*

	At 31 December 2015 (as previously presented)	Effect of acquisition of Precious Deluxe	Effect of changes of measurement of investment properties	At 31 December 2015 (as restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current Assets				
Property, plant and equipment	2,771,990	14,926	-	2,786,916
Investment properties	36,991	2,807,600	205,877	3,050,468
Total non-current assets	37,657,231	2,822,526	205,877	40,685,634
Current Assets				
Trade and other receivables	18,170,163	3,362	-	18,173,525
Deposits and prepayments	526,915	(3,242)	-	523,673
Bank balance and cash	8,015,187	11,037	-	8,026,224
Total current assets	32,407,304	11,157	-	32,418,461
Current Liabilities				
Trade payables, other payables and accruals	21,926,222	756	-	21,926,978
Deposits received and advances from customers	698,194	24,401	-	722,595
Amounts due to fellow subsidiaries	-	937,542	-	937,542
Total current liabilities	30,743,970	962,699	-	31,706,669
Net Current Assets/(Liabilities)	1,663,334	(951,542)	-	711,792
Total Assets less Current Liabilities	39,320,565	1,870,984	205,877	41,397,426
Non-current Liabilities				
Deferred tax liabilities	367,242	26,605	12,418	406,265
Total non-current liabilities	18,073,587	26,605	12,418	18,112,610
Capital and Reserves				
Share premium and reserves	21,045,308	1,844,379	193,459	23,083,146
Total equity	21,246,978	1,844,379	193,459	23,284,816

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND IMPROVEMENT TO EXISTING STANDARDS

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except for the changes of measurement of investment properties. The new and revised standards, amendments and improvements to existing standards, which are mandatory for the financial year beginning on or after 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(a) The adoption of new standard, amendments and improvements to existing standards

In the current year, the Group has applied the following new standard, amendments and improvements to existing Hong Kong Accounting Standards ("HKAS(s)"), HKFRS (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvement Project	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above new HKFRSs in the current year has had no material impact on the Group's results and financial position.

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND IMPROVEMENT TO EXISTING STANDARDS *(continued)*

(b) New standards and amendments to existing standards not yet effective

The Group has not early applied the following new standards and amendments to existing standards that have been issued but are not yet effective.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
Amendments to HKFRS 2	Share-based Payment[2]
Amendments to HKFRS 4	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS15, Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] To be determined

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

3. Revenue

Revenue represents the revenue arising from construction contracts, infrastructure investment projects, facade contracting business, infrastructure operation, project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

An analysis of the revenue is as follows:

	2016	2015
	HK$'000	HK$'000
		(restated)
Revenue from construction contracts	**26,271,940**	21,676,285
Revenue from infrastructure investment projects (note (a))	**16,939,096**	13,008,014
Revenue from facade contracting business	**1,641,583**	1,784,380
Revenue from infrastructure operation (note (b))	**836,842**	946,031
Others (note (c))	**518,047**	587,166
	46,207,508	38,001,876

Notes:

(a) Revenue from infrastructure investment projects mainly comprise of revenue generated from the provision of construction services under "Public-Private-Partnership" ("PPP") model, previously known as "Build-Transfer" model and the corresponding interest income.

(b) Revenue from infrastructure operation comprise of revenue from thermoelectricity business and toll road operation.

(c) Revenue from others mainly comprise of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

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 (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates and India) for the year ended 31 December 2016 and 2015.

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

Segment revenue and results for the years ended 31 December 2016 and 2015 are as follows:

	Segment revenue		Gross profit/(loss)		Segment results	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Reportable segment						
Mainland China	**18,264,588**	14,631,020	**4,027,989**	3,635,761	**3,721,635**	3,528,357
Hong Kong and Macau	**26,301,337**	21,586,476	**1,815,557**	1,309,506	**1,744,088**	1,635,750
Hong Kong	**17,585,358**	16,272,249	**894,137**	1,040,901	**814,091**	903,919
Macau	**8,715,979**	5,314,227	**921,420**	268,605	**929,997**	731,831
Overseas	**-**	-	**(19,110)**	(16,219)	**(35,228)**	(28,386)
FEG Group	**1,641,583**	1,784,380	**158,442**	184,067	**6,096**	19,003
	46,207,508	38,001,876	**5,982,878**	5,113,115	**5,436,591**	5,154,724
Share of revenue/results of joint ventures	**2,878,125**	1,169,129			**420,295**	423,728
Total	**49,085,633**	39,171,005			**5,856,886**	5,578,452
Unallocated corporate expenses					**(276,196)**	(229,280)
Unallocated corporate income					**976,519**	339,716
Share of profits of associates					**142,670**	72,462
Finance costs					**(688,159)**	(629,105)
Profit before tax					**6,011,720**	5,132,245

5. Investment Income, Other Income and Other Gains, net

	2016	2015
	HK$'000	HK$'000
		(restated)
Interest income on:		
Bank deposits	**69,140**	67,877
Debt securities	**5,541**	5,557
Imputed interest on amounts due from investee companies	**12,383**	15,514
Loans to joint ventures	**59,264**	112,647
Dividend income from:		
Unlisted available-for-sale investments	**38,928**	15,458
Gain on disposal of:		
Prepaid lease payments	**-**	90,569
Available-for-sale investments	**1,123**	-
Property, plant and equipment, net	**19,966**	1,341
Properties held for sale	**7,816**	75,682
Fair value gain on investment properties	**1,202,437**	326,628
Impairment loss on concession operating rights	**(225,917)**	-
Service income	**4,537**	26,832
Gain on reclassification from available-for-sale investment to associate	**-**	375,127
Others	**64,902**	46,209
	1,260,120	1,159,441

6. Finance Costs

	2016 HK$'000	2015 HK$'000 (restated)
Interest on bank loans	**501,110**	426,683
Interest on guaranteed notes payables	**131,393**	133,085
Interest on amounts due to fellow subsidiaries	**11,799**	22,023
Finance lease charges	**219**	257
Others	**47,760**	57,932
Total finance costs	**692,281**	639,980
Less: Amounts capitalised in construction in progress	**(4,122)**	(10,875)
	688,159	629,105

7. Income Tax Expenses, net

	2016 HK$'000	2015 HK$'000 (restated)
Current tax:		
Hong Kong	**123,193**	101,880
Other jurisdictions	**823,898**	667,686
PRC withholding tax	**70,232**	-
	1,017,323	769,566
(Over)/underprovision in prior years:		
Hong Kong	**(12,637)**	1,086
Other jurisdictions	**(1,107)**	7,845
	(13,744)	8,931
Deferred tax, net	**925**	(118,935)
Income tax expenses for the year, net	**1,004,504**	659,562

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

Income taxes arising in other jurisdictions, mainly Mainland China, are calculated at the rates prevailing in the relevant jurisdictions.

8. Profit for the Year

	2016 **HK$'000**	2015 HK$'000 (restated)
Profit for the year has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	**317,340**	334,189
Less: Amounts capitalised in contracts in progress	**(184,687)**	(192,710)
	132,653	141,479
Rental income from investment properties, net of direct outgoings	**(102,192)**	(97,758)
Employee benefits expense including directors' emoluments:		
Staff costs	**3,488,173**	3,256,717
Contributions to retirement benefit plans	**127,147**	123,117
Less: Amounts capitalised in contracts in progress	**(2,519,883)**	(2,508,371)
	1,095,437	871,463
Amortisation of concession operating rights (included in costs of sales)	**210,625**	180,863
Amortisation of trademark and project backlogs	**10,835**	14,615
Amortisation of prepaid lease payments	**7,240**	5,420
Operating lease rentals in respect of:		
Plant and machinery	**415,140**	409,444
Land and buildings	**50,586**	43,220
	465,726	452,664
Less: Amounts included in contracts in progress costs	**(426,735)**	(424,859)
	38,991	27,805
Exchange loss, net	**43,623**	20,126

9. Dividends

	2016	2015
	HK$'000	HK$'000
Dividends recognised as distributions during the year:		
2015 Final, paid – HK18.00 cents (2015: 2014 Final HK15.00 cents) per share	**730,137**	601,863
2016 Interim, paid – HK15.00 cents (2015: 2015 Interim HK13.00 cents) per share	**673,221**	527,321
2015 special, paid – HK2.00 cents per share	**-**	81,126
	1,403,358	1,210,310

The final dividend of HK18.00 cents (2015: HK18.00 cents) per share amounting to approximately HK$807,865,000 (2015: HK$730,137,000) 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 owners of the Company is based on the following data:

	2016	2015
	HK$'000	HK$'000
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**5,130,066**	4,524,126

	2016	2015
	'000	**'000**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,282,283**	4,026,027
Effect of dilutive potential ordinary shares in respect of share options	**-**	35,387
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,282,283**	4,061,414

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016 (2015: 35,387,000 shares).

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:

	2016 HK$'000	2015 HK$'000 (restated)
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	**7,575,653**	10,699,099
31-90 days	**2,946,561**	4,449,776
Over 90 days	**24,173,990**	17,230,944
	34,696,204	32,379,819
Retention receivables	**3,372,108**	2,577,509
Other receivables	**1,395,852**	1,166,158
Trade and other receivables	**39,464,164**	36,123,486
Portion classified as current assets	**(17,643,865)**	(18,173,525)
Non-current portion (Note (a))	**21,820,299**	17,949,961

Notes:

(a) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Most of the balances are secured by certain assets from employers as collateral and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2018 to 2022, with approximately HK$11,120,287,000 in 2018, HK$7,062,506,000 in 2019, HK$3,637,506,000 in 2020 to 2022. As a result, they are classified as non-current.

(b) Included in the receivables aged over 90 days were receivable attributable to the infrastructure investment projects amounted to HK$23,778,470,000 (2015: HK$16,704,856,000).

(c) Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2016, the amount of retention receivables expected to be recovered after more than one year was approximately HK$1,779,561,000 (2015: HK$1,305,526,000).

(d) Except for the receivable arising from construction contracts, including infrastructure investment projects trading under PPP model, which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2015: 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:

	2016 HK$'000	2015 HK$'000 (restated)
Trade payables, aged:		
0-30 days	**10,822,619**	8,073,021
31-90 days	**5,113,422**	2,056,945
Over 90 days	**3,467,700**	3,740,657
	19,403,741	13,870,623
Retention payables	**7,181,098**	5,986,535
Other payables and accruals	**2,415,305**	2,069,820
	29,000,144	21,926,978

The average credit period on trade and construction cost payables is 60 days (2015: 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

	2016 HK$'000	2015 HK$'000
Bank loans, secured	**2,062,425**	2,267,388
Bank loans, unsecured	**15,242,251**	11,626,503
	17,304,676	13,893,891
Carrying amount repayable:		
Within one year	**1,455,620**	808,197
More than one year but not exceeding two years	**3,943,354**	815,832
More than two years but not more than five years	**9,968,412**	10,663,147
More than five years	**1,937,290**	1,606,715
	17,304,676	13,893,891
Less: Amount due within one year shown under current liabilities	**(1,455,620)**	(808,197)
Amount due after one year	**15,849,056**	13,085,694

The Group's bank loans are mainly denominated in Hong Kong dollar and Renminbi, all of which are functional currencies of the respective Group entities. The Group's secured bank loans are secured by land and building and concession operating rights of the Group.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK18.00 cents per share (2015: HK18.00 cents per share) to shareholders whose names appear on the register of members of the Company on 9 June 2017. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 1 June 2017, dividend warrants will be despatched on or about 4 July 2017.

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 as set out below:

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

Latest time to lodge transfer documents for registration	4:30 pm on 25 May 2017
Closure of register of members	26 May 2017 to 1 June 2017 (both days inclusive)
Record date	1 June 2017

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 8 June 2017
Closure of register of members	9 June 2017
Record date	9 June 2017

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than the aforementioned latest time.

REVIEW OF OPERATION

In 2016, the global economic recovery was sluggish and unbalanced against a backdrop of increasing uncertainties, such as financial and political turmoil. The economic development of the US was rather buoyant and entered into the rate hike cycle while the Eurozone was dragged down by the high unemployment rate and huge debts. China embraced the new normal of economic trends through continuous optimisation of its economic structure.

During the year, the Group adopted an operating strategy of **"prudent and innovative operation to expand its markets and manage its brand"**. In the face of complicated market environment, the Group pursued its "Dual Core Driving Strategy of Construction Contracting and Infrastructure Investment", so as to consolidate its business scale and brand advantages in construction industry in Hong Kong and Macau. By grasping opportunities brought by the increasing number of Public-Private-Partnership ("PPP") projects in China, the Group was able to capitalise on its competitive strengths to innovate its development model, strengthen its brand management and enhance its project integrated control.

Market Conditions

Due to the economic downturn, the development of construction market in Hong Kong and Macau slowed down while the stress in industry resources was slightly alleviated. In China, the economic growth was steady and a new round of adjustments was launched in the real estate market. Infrastructure investments became an important driving force of investment and economic growth while the development of the PPP project investment market gathered momentum.

1. Hong Kong and Macau

Driven by infrastructure and livelihood-related projects launched by governments and increasing housing supply, the scale of construction market in Hong Kong and Macau remained stable. However, the competition within the industry was intensified. Its advantages in management, technology, resources and branding enabled the Group to explore new partnership and cooperation model. Efforts were made to deepen its internal synergy effects in close tandem with market trends and formulate accurate bidding strategies for enhancing overall bidding efficiency. New contracts in Hong Kong and Macau amounted to HK$22,080 million during the year. In particular, winning the bid of Tseung Kwan O – Lam Tin Tunnel, one of the most important infrastructure projects in Hong Kong in recent years, further consolidated its market share in Hong Kong and Macau. The Group actively implemented the optimised asset distribution strategy and deployed investment-driven contracting business which have been proven successful.

2. Mainland China

The infrastructure investment market in Mainland China remained buoyant. As the PPP model has become the major way for the government's infrastructure investment, market competition has been intensified. The Group optimised its business strategy in a timely manner and persistently innovated its development model by grasping opportunities brought by the market trend. Emphasis was placed on the launch of the"3+Models", namely "Construction Industrialisation +", "Industrial Park +" and "Government Platform +". The Group also promoted the "Four in One Unit" operation model which represents the cooperation among the business department, the construction department and the design department of the internal divisions of China State Construction. The "3+ Models" and the "Four in One Unit" operation model have expanded the infrastructure investment business of the Group, in terms of business coverage and regional market operation. As such, dual development of traditional infrastructure and emerging businesses was carried out to ensure business transactions during operations and expand business scale. During the year, new contracts amounted to HK$58,540 million, marking the success of its basic business expansion throughout China.

3. Curtain Wall

While the curtain wall market in Hong Kong and Macau remained stable and the market in North America was in recovery, the market in Mainland China was stagnant. Leveraging its long term business relationship with key customers, Far East Global Group Limited ("FEG") focused on the collaboration between different regions and capitalised on the global synergistic effects. With larger customer base and better operation results, new contracts of HK$3,140 million were secured during the year. Several quality projects with branding effects were also secured through bids, including the Hudson Street project(美國哈德遜大街項目) in the US and the Aurora Tower in Australia(澳洲極光之塔項目). The Group continued to enhance internal management built on its "one-stop" operating procedures and incentive system which resulted in better management efficiency.

Completed Projects during the Period

In 2016, the Group completed 23 projects.

New Projects Awarded

The Group secured 55 new projects in 2016, with an aggregate attributable contract value of HK$83,770 million, of which the Hong Kong market accounted for 19.5%, Mainland China market accounted for 69.9%, the Macau market accounted for 6.9% and FEG accounted for 3.7%.

10 new projects were awarded to the Group during the first two months in 2017, resulting in an aggregate contract value of HK$18,980 million.

Projects in Progress

As at 31 December 2016, the Group had a total of 108 projects in progress, amounting to an aggregate attributable contract value of HK$249,628 million. The attributable contract value of incomplete works was HK$153,885 million. At the end of February 2017, the Group had an attributable contract value of HK$266,955 million.

Corporate Governance

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced external communication, information is promptly released to enhance the transparency of operation, so as to improve the corporate governance standards. The Board is committed to maintaining a high standard of business ethics, a healthy corporate culture and good corporate governance practices. The Group established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also adjusted its strategies in line with market changes in a timely manner to better capitalise on the function and role of each dedicated decision making team. The Group also strengthened the regional and specialised management capabilities and efficiency of each business unit.

Risk Management

Based on its general operation target, the Group has established a sound risk management system. Through formulating a risk management strategy, it has basic risk management procedures in place for each operation management unit. With effective coordination among its information system, organisational function system and internal control system, the Group was able to nurture excellent risk management culture and implement comprehensive risk management.

The Group has further optimised its assets allocation. Efforts were made to increase the proportion of overseas assets pegged with US dollars. It further consolidated the financing platform in Mainland China and increased the proportion of Renminbi loans. Flexible measures were taken in line with the changes in exchange rates in order to ensure cross-border efficient capital allocation. The Group closely monitored the risks of its investment projects and adopted effective measures for cash collection.

Financial Management

Adhering to its prudent financial management principle, the Group accelerated the turnover rate of assets and efficiently arranged its financial resources to reduce its financing costs and strengthen its capital management effectiveness. The Mainland investment business of the Group enhanced cash collection, resulting in better-than-expected collection amount. The Group effectively maintained a stable cash flow by collecting HK$14,200 million (attributable amount to the Group). During the year, the Group secured new loans equivalent to HK$8,970 million in Mainland China, with drawdown of Renminbi loans equivalent to HK$2,607 million and repayment of loans equivalent to HK$594 million. Meanwhile, drawdown of loans in Hong Kong amounted to HK$2,750 million while repayment of loans amounted to HK$1,060 million.

As at 31 December 2016, the Group had bank deposits of HK$11,485 million and total borrowings of HK$21,194 million, and a net gearing ratio of 37.8%, and committed but unutilised credit facilities amounting to HK$26,532 million. Its available Renminbi loan amount was equivalent to HK$16,124 million.

Human Resources

The Group expanded the sources of talents according to different characteristics of each area and business segment. This effort provided a solid talent pool for its sustainable development. The Group took various initiatives to consolidate its human resources management system at headquarters level. These initiatives included deployment of organisation structure, review of operation procedures, adjustment to division of responsibilities and standardisation and streamlining of talent management system, resulting in a more efficient human resources system. With stronger human resources management efforts, the Group gave guidance to the human resources team of each region for better implementation of plans and more efficient team work in order to cater for the needs of rapid business development.

Capital Operation

In January 2016, the long-term credit rating and senior unsecured note rating of the Group have been raised by Fitch from “BBB” to “BBB+” with outlook of “stable”, reflecting the recognition from the capital market regarding the order growth and strong financial position of the Group amid the adverse environment.

In June 2016, the Group has successfully placed shares to the parent company with net proceeds raised of HK$4,810 million which has expanded its capital strength and optimised its capital structure for consolidating the financial resources of its infrastructure investments. In addition, the Group acquired China Overseas Building, an A-graded office building in Wan Chai, Hong Kong as its headquarters. The acquisition has further enhanced the brand reputation of the Group and brought stable investment returns.

During the year, the Group maintained close contacts with shareholders, banks, media and potential investors. In October and November 2016, the Group successfully conducted reverse road shows for international investors and arranged visits of Hong Kong media for projects in Mainland China. The visit and field study on businesses, such as construction industrialisation, PPP investment and affordable housing construction in Hefei, Anhui Province, are effective ways for the international investment community and mass media to better understand the operation of the Group.

Technology Innovation

The Group have been strengthening its advantages in the technology on construction industrialisation and establishing three principal production bases for construction industrialisation in Shenzhen, Anhui and Shandong to expand its market shares rapidly. The Group achieved remarkable technology innovation results for the year and was granted a total of 16 national patents, including 4 invention patents. The Construction Project of Cross Harbor Tunnel Railway of the Shatin to Central Link, Hong Kong is the first major immersed-tube tunnel construction undertaken by China State Construction. This project has allowed the Group to gain experiences and lay the foundation for undertaking similar projects in the future. The Group has successfully applied its research results from the "Critical Technology Research and Application of Micro Radius of Curvature Shield Tunnel in Complex Geological Conditions" (《複雜地質環境條件下超小曲率半徑盾構隧道關鍵施工技術研究與應用》) on the Construction of Shield Tunnel and Diaphragm Wall for Main Pumping Station at Stonecutters Island Sewage Treatment Works. The application has been economically and socially efficient and was awarded 2016 China State Construction Engineering Corporation Science and Technology (Province Level) Second Class Prize. In addition, four construction methods were approved as 2016 China State Construction Engineering Corporation (province level) construction methods and two professional academic research papers were awarded the first prize in the first China Construction Industry Outstanding Paper Award(全國建築業優秀論文). Five research papers were elected into the 2016 Publications of the Annual Academic Meeting (二零一六年學術年會論文集) of China Civil Engineering Society.

The Group has adopted the principle of "doing it right the first time and every time" in its quality management and has been in pursuit of production and management sophistication. The Group prepared the third revision of "The Quality Control Procedures of Key Construction Processes of Construction Projects" (《項目工程關鍵施工工序質量監控程序》第三版) in accordance with Quality Control Guideline No. 3323 (品質管制「3323」方針). The Group refined relevant contingency notification mechanism for quality incidents and updated "The Follow-up Procedures and Notification Process of Quality Incidents" (《質量事故跟進及通報工作程序》). Four booklets regarding the monitoring guidelines on quality control of housing projects were prepared. The Group was granted the ISO9001:2015 certification and received an award from the 2016 China State Construction Engineering Corporation Outstanding Construction Projects (二零一六年度中建總公司優秀項目獎).

The Group has set up a scientific and efficient management system for information safety, including the safety principles, requirements and audit methods, in order to enhance its abilities to cope with emergencies. The system was granted with the ISO27001:2013 certification for information safety management system in September 2016. Such certification has served as an important qualification for its future project tenders and construction with the aim to expand its business development. On this basis, the Group will strive to establish stronger and safer network environment to enhance its competiveness in informatisation.

Social Responsibility

The Group issues a corporate social responsibility report every year, striving to maintain “open and transparent” communication to enable stakeholders to fully understand the sustainable development of the Group. In pursuit of good corporate citizenship, the Group has been widely recognised and has been awarded the “Caring Company” logo by the Hong Kong Council of Social Service every year since 2008. Leveraging its outstanding performance in the participation in annual global environment related information disclosure in 2016 and its excellent environmental protection contribution at construction sites, the Group received the “Excellence in Responding to Climate Change Enterprise Award” (應對氣候變化企業優秀獎) from Carbon Disclosure Project (“CDP”), an organization committed to tackling climate change, and the merit award under the New Buildings Category from the Green Building Award 2016 jointly held by the Hong Kong Green Building Council and the Professional Green Building Council, respectively.

During the year, over 100 staffs of the Group and their family members joined the largest charity walk in Hong Kong “2015/16 Hong Kong and Kowloon Walk for Millions by the Community Chest” to raise funds for “Family and Child Welfare Services”, which demonstrated the Group’s spirit of actively fulfilling its social responsibilities.

In response to “World Environment Day”, the Group also organised the “Guide Tour to Mai Po Nature Reserve” and “Eco-tour at Yim Tin Tsai, Sai Kung” (西貢鹽田梓生態導賞) as an opportunity for its employees to experience the conservation work in the wetland and the making process of sea salt and observe birds in the nature reserve area. Such activities demonstrated contributions of the Group for the promotion of eco-cultural protection.

Key Awards

In January 2016, the construction sites of HOS flats at Sha Tsui Road, Tsuen Wan and Ching Hong Road, Tsing Yi first won gold awards in Good Housekeeping Competition (Construction Category) jointly organised by Occupational Safety and Health Council and Construction Industry Council.

Leveraging its excellent operating results, stable growth and sound corporate governance, the Group ranked 59th among “Top 100 HK” jointly organised by QQ.com and Finet in February 2016.

In March 2016, the Group won a bronze award in Building Sites (Public Sector), a merit award in Civil Engineering Sites, a gold award in Safety Teams and two merit awards in “Safety Teams in Construction Industry Safety Award Scheme 2015/2016” organised by the Labour Department of Hong Kong and other government authorities.

In April 2016, in Construction Safety Award Scheme organised by Labour Affairs Bureau of Macau, the Group won two silver awards in Best Occupational Health and Safety (no gold award was presented) (Building Site Category), a silver award in special construction projects, a silver award in Best Safety Management, a silver award in Safety Enhancement Program, two silver awards in Best Safety Management Personnel and a silver award in Outstanding Occupational Health and Safety Employee.

In May 2016, the Group won two bronze awards and one merit award in “Innovative Safety Initiative Award 2016” in Construction Safety Week organised by Development Bureau. The Group won one gold award and four merit awards in Considerate Contractor Award and two bronze awards and one merit award in Outstanding Environmental Management and Performance Award in the “22nd Considerate Contactors Site Award Scheme”.

In July 2016, in the annual poll of "The Best Listed Companies in Asia" organised by "Institutional Investor", the Group ranked top among six categories in the industrial sector and ranked first in "Most Honored Companies" and "Best CEO" in Asia for two consecutive years, which are indicatives of the international capital market's continual affirmation in respect of the Group's investor relations. The Group received a gold award of annual report "Vision Award" (types of construction industry) and received a silver award of ARC Award (types of construction industry: cover and content) for the first time from the League of American Communications Professionals, a world-renowned institution. In the same month, the Construction Project of Cross Harbor Tunnel Railway of the Shatin to Central Link, Hong Kong (Shek O Casting Yard) of the Group received a gold award of "Best Safety Culture Site" on the 17th Construction Safety and Health Promotional Campaign organised by the Occupational Safety and Health Council.

In December 2016, the Central – Wan Chai Bypass – Causeway Bay Typhoon Shelter section exclusively undertaken by the Group, which is characterised by its high technical difficulty and effective management, won the New Civil Engineer ("NCE") Tunnelling Award 2016 held by the Institution of Civil Engineers (UK) ("ICE"). In the same month, leveraging its outstanding construction safety environment and procedures at construction sites, the Group received a number of awards at the Good Housekeeping Forum and Award Presentation 2016-17 jointly held by the Occupational Safety and Health Council and the Construction Industry Council. One of the award-winning projects was the Proposed Logistics Centre Development at Tsing Yi Town Lot No. 181 which received the Good Housekeeping Gold Award in the construction category. Another award-winning project was the Upgrading Works at Stonecutters Island Sewage Treatment Works which received the Good Housekeeping Silver Award and the bronze award of the Good Housekeeping Best Performance Award.

REVIEW OF FINANCIAL PERFORMANCE

Despite the slowdown of global economy recovery and fierce competition in construction market, the Group's performance continued on a stable growth trend, recorded revenue of HK$46,208 million and a profit attributable to owners of the Company of HK$5,130 million, representing a year-on-year increase of 21.6% and 13.4% respectively. Particularly, the Group had enjoyed a recovery of revenue and core net profit growth in the second half of 2016, marking a significant improvement comparing with the first half of 2016. The Group recorded net operating cash inflow again following last year first time net operating cash inflow since its continuous increasing investment in Mainland China from 2011. With a proposed final dividend per share of HK18.00 cents, an interim dividend per share of HK15.00 cents per share paid in the year, the total dividends for the year amount to HK33.00 cents per share, representing an increase of 6.5% as compared to last year.

Revenue, Gross Profit and Result

1. Hong Kong and Macau

(a) Construction and related business–Hong Kong

Hong Kong segment is performing satisfactory in both overall result and winning new contracts, and continue to provide stable cash flow to the Group. Revenue amounted to HK$17,585 million, an increase of 8.1%. Gross profit and Segment result amounted to HK$894 million and HK$814 million respectively, compared with HK$1,041 million and HK$904 million for last year. The profitability of this segment has been affected by the volatility of input costs and competition landscape of the market.

(b) Construction and related business–Macau

With the contribution from several mega projects which were in full swing in current year, Macau segment reported a notable growth of revenue and gross profit to HK$8,716 million and HK$921 million, representing a growth of 64.0% and 243.0% year-on-year. The segment result increased by 27.1% to HK$930 million. With the effective management, Macau segment have provided strong contribution to the Group's operating cash flow.

2. Mainland China–infrastructure investment projects and construction related businesses

This year is a good harvest period in Mainland China, the receipts of buy-back payment is much more than expected, received HK$12,736 million for the year (including the attributable share of such payment received by our joint venture investments).

Following the first Public-Private-Partnership ("PPP") projects in Mainland China granted in last year, the group was successfully awarded several significant PPP projects during the year, and the revenue is increased as expected to HK$18,265 million (2015: HK$14,631 million). In the second half, the Group recorded a revenue growth of 48.7% on a year-on-year basis, indicating a significant improvement from the first half (first half of 2016: drop 2.8%). The segment gross profit and result were HK$4,028 million and HK$3,722 million respectively, compared with HK$3,636 million and HK$3,528 million for the year of 2015.

(a) Infrastructure investment projects
Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing, such as affordable housing, hospital and college. We participated in these infrastructure projects by way of PPP models.

The Group is actively involved in infrastructure investment under the government's strong investment in infrastructure, and have awarded a number of sizeable projects during the year, resulting in a substantially growth in revenue to HK$16,939 million, compared with HK$13,008 million of 2015, thanks to the accelerating execution of construction progress in the second half. Benefited from the Group's strong reputation and employer's satisfaction in Mainland China, which enable us to select project with higher return, the profitability of infrastructure investment projects remain good. Gross profit and result were up 21.8% and 19.1% over last year to HK$3,755 million and HK$3,571 million respectively.

(b) Operating infrastructure projects
The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, except one toll road in Shanxi have been block caused by the bad weather, resulting in a drop in overall performance. Excluding contribution from joint venture, this sector recorded revenue of HK$837 million, gross profit of HK$78 million and result of HK$33 million.

(c) Construction related business
Since the promotion of PPP projects by the government, the Group mainly focus on infrastructure investment projects, less resources was allocated to other construction related business, the revenue of this segment have decreased 27.8% to HK$489 million. But the decrease was mitigated by the growth from Anhui pre-cast structures production plant. Meanwhile, in order to meet the market demand for construction industrialisation products, two new plants in Shandong and Guangdong Province have been under construction.

3. Far East Global Group Limited
FEG Group focused on the facade contracting business, general contracting business and new business expansion. While the curtain wall market in Hong Kong and Macau remained stable and the market in North America was in recovery, the market in Mainland China was stagnant. With larger customer base and better operation results, new contracts of HK$3,140 million were secured during the year, including several quality projects with branding effects in the US and Australia.

Cash Flows Analysis

The Group recorded positive net operating cash flow for two continuous years. Although the expenditure used for the construction of infrastructure project increase continuously, significant buy-back payment received, the net expenditure for infrastructure project have been decreased from HK$1,396 million in 2015 to HK$31 million in 2016. Included the net expenditure for infrastructure project, the net cash generated from operating activities for the year was HK$2,867 million (2015: HK$298 million). The net cash outflow in investing activities was HK$5,691 million (2015: HK$935 million), and the net cash inflow from financing activities was HK$6,498 million (2015: HK$1,309 million).

BUSINESS PROSPECTS

In 2017, the complicated and ever-changing market environment will become the new trend of global political and economic development while the long-term positive economic fundamentals of China will remain unchanged. China continues to boast huge potential for industrialisation and urbanisation. The Group will precisely capture the trend of macro economy and industrial market and adjust the operation strategy in a timely manner to confront the external changes in operation environment.

Market Outlook

The construction market in Hong Kong will continue to be under pressure due to the macro political and economic environment while the gaming industry in Macau will remain stable which will favour the development of the construction and real estate sectors. Following the completion of the large-scale infrastructure projects in Hong Kong and the large-scale hotel projects in Macau, the shortage of industry resources will be gradually mitigated. Contractors will become aggressive in tender which will intensify the competition in the construction markets in both Hong Kong and Macau.

Economy in Mainland China will continue to strive for a positive momentum in a stable manner. With the support of national policies, the infrastructure investment market will develop rapidly, particularly in emerging sectors including utility tunnels, sponge cities and featured small towns. The PPP market will experience benign development as it continues to expand and becomes standardised, resulting in more opportunities for market investment.

Operation Strategies

The Group is committed to the operation strategy of "**Cost-effective Competition and High-quality Management**". Through the implementation of the operation policy of "improving its service quality and efficiency while facing different difficulties and challenges and casting its brand with synergy and innovation", the Group will retain its strategic advantages and cope with market risks. Both its development scale and development efficiency will be enhanced. The Group will rely on innovation of its business models, management and technology to consolidate its brand competitiveness and take the leading position in the market.

In respect of construction projects in Hong Kong and Macau, the Group will sustain and maximise its traditional strengths, and consolidate and enlarge its market share. Through the external synergy and the internal collaboration, it will grasp the tender opportunities of large-scale projects with the focuses on government-owned turnkey projects, the subsequent construction of the "Ten Mega Infrastructure" and the premium projects of private developers. Efforts will be made to strengthen brand awareness. The Group will also pursue significant breakthroughs in core technology of construction and attach great importance to fundamental works at all time. It will ensure construction quality by preventing progress, quality, safety and environmental risks. While strengthening its principal construction business, the Group will continue to grasp contracting opportunities arising from new investments.

In respect of the Mainland infrastructure investment business, the Group will keep on strengthening, improving and expanding its core business while extending its investment coverage. Closely following the guidance of national policies, the Group will actively innovate its investment and financing modes in response to the increasingly intensive market competition. By vigorously cultivating cooperation resources, the Group will actively promote the "3+ Models" in external markets while adhering to the "Four-in-One-Unit" model in its internal operation in order to reinforce cooperation with the high-end platforms of the local government and the internal divisions of China State Construction Engineering Corporation. Consolidating and expanding multiple businesses alongside the investment chain, the Group will formulate and develop measures for entry to the industry. It will also enhance its differentiated competitive advantages under the homogenised market to acquire more premium projects. Its projects control will be further strengthened to ensure the successful implementation of projects and to create model projects with brand effect.

FEG will steadily promote its internationalisation. While consolidating the traditional markets including Hong Kong, Macau and North America, it will proactively develop markets in Australia and the United Kingdom. In response to the changes of market environment, it will adjust the tendering strategy to secure the competitive projects while striving for breakthrough in its major projects and exploring pricing potential.

Management Model

In response to the demand for the horizontal management of business development in order to raise resources allocation efficiency, the Group will fully adjust the layout of the regional investment business and change its investment subsidiaries from urban companies to provincial companies as a platform to commence operation in provinces. The provincial companies will facilitate the secondary institutions management which helps lay a better foundation for the development of infrastructure investment business. In addition, the Group will optimise its management system with an emphasis on streamlining procedures and integrating management with the information technology in order to speed up the approval efficiency.

COMPANY MISSION

The Group is dedicated to its longstanding operation philosophy of "**Sustainable Growth for Mutual Success with Harmony**". The Group will proactively adhere to its core value of "**Good Quality and Value Creation**". Incorporating personal aspirations into its long-term corporate development, the Group will improve its service quality and efficiency while facing different difficulties and challenges. It will strive to achieve a "**win-win situation**" with the shareholders, cooperative partners, employees and society and become a new role model in the era. The Group will endeavour to develop into a "**leading corporation with competitive international complex construction and infrastructure investment**".

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 has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation as specified and explained below with considered reason for such deviation:

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

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 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures on page 2 to page 21 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 2016. 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
Zhou Yong
Chairman and Chief Executive Officer

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises Mr. Zhou Yong (Chairman and Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew and Mr. Wu Mingqing as Executive Directors; 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.