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 2010

FINANCIAL HIGHLIGHTS

	2010	2009 (restated)	Change %
RESULTS (HK$'000)			
Revenue			
- Group revenue	**11,982,871**	9,706,121	23.5
- Share of revenue of jointly controlled entities	**1,983,966**	2,966,949	-33.1
	13,966,837	12,673,070	10.2
Gross profit	**1,315,854**	749,542	75.6
Gross profit margin	**10.98%**	7.72%	42.2
Profit attributable to owners of the Company	**1,036,278**	674,066	53.7
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	**34.99**	24.92	40.4
Proposed final and interim paid dividends for the year (HK cents)	**11.00**	7.10	54.9
Net assets (HK$)	**1.55**	1.24	25.0

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK6.00 cents.

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 2010. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2010 was HK$1,036 million, representing an increase of 53.7% as compared to last year while basic earnings per share increased by 40.4% to HK34.99 cents.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Notes	**2010**	2009
		HK$'000	HK$'000
			(restated)
Group revenue		**11,982,871**	9,706,121
Share of revenue of jointly controlled entities		**1,983,966**	2,966,949
		13,966,837	12,673,070
Group revenue	3	**11,982,871**	9,706,121
Costs of sales		**(10,667,017)**	(8,956,579)
Gross profit		**1,315,854**	749,542
Investment income	5	**85,580**	42,790
Other income		**83,623**	88,478
Gain on fair value changes of investment in convertible bonds		**19,686**	-
Administrative expenses		**(466,766)**	(355,723)
Distribution and selling expenses		**(4,736)**	(9,843)
Other expenses		**(26,386)**	(22,319)
Share of profits of associates		**20,419**	11,592
Share of profits of jointly controlled entities		**321,745**	309,310
Finance costs	6	**(15,552)**	(12,956)
Profit before tax		**1,333,467**	800,871
Income tax expense	7	**(213,218)**	(72,390)
Profit for the year	8	**1,120,249**	728,481
Attributable to :			
Owners of the Company		**1,036,278**	674,066
Non-controlling interests		**83,971**	54,415
		1,120,249	728,481
			(restated)
Earnings per share (HK cents)	10		
Basic		**34.99**	24.92
Diluted		**34.06**	24.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	2010	2009
	HK$'000	HK$'000
		(restated)
Profit for the year	**1,120,249**	728,481
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**93,789**	(18,946)
(Loss) gain on fair value changes of available-for-sale investments	**(9,265)**	15,880
Reclassification adjustment on sale of available-for-sale investments	**-**	639
Other comprehensive income (expense) for the year	**84,524**	(2,427)
Total comprehensive income for the year	**1,204,773**	726,054
Total comprehensive income attributable to :		
Owners of the Company	**1,112,594**	671,639
Non-controlling interests	**92,179**	54,415
	1,204,773	726,054

CONSOLIDTED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Non-current Assets				
Property, plant and equipment		**1,454,445**	1,122,980	1,105,066
Investment properties		**42,038**	43,031	44,692
Investment in lands consolidation		**-**	-	49,814
Interests in infrastructure project investments		**673,575**	553,762	466,876
Prepaid lease payments		**172,258**	76,551	78,536
Interests in associates		**34,552**	35,175	41,258
Interests in jointly controlled entities		**2,350,893**	1,981,995	1,859,274
Intangible asset		**9,950**	9,950	-
Concession operating rights		**4,046,058**	1,058,730	32,698
Available-for-sale investments		**396,953**	116,179	98,169
Investment in convertible bonds		**219,686**	-	-
Amounts due from investee companies		**362,247**	250,142	181,940
		9,762,655	5,248,495	3,958,323
Current Assets				
Interests in infrastructure project investments		**19,244**	15,808	15,783
Prepaid lease payments		**4,236**	2,243	2,238
Inventories		**117,711**	43,784	53,967
Properties held for sales		**8,130**	7,859	9,310
Amounts due from customers for contract work		**194,281**	497,537	448,083
Trade and other receivables	11	**4,163,430**	3,065,264	3,274,038
Deposits and prepayments		**282,947**	377,020	311,041
Amounts due from jointly controlled entities		**220,567**	89,326	135,336
Amounts due from fellow subsidiaries		**148,096**	61,673	118,165
Amount due from immediate holding company		**-**	-	22,149
Amount due from intermediate holding company		**17,863**	25,364	122,565
Tax recoverable		**4,099**	4,411	2,412
Pledged bank deposits		**6,420**	14,905	16,689
Deposits with financial institutions		**1,639**	1,446	177
Bank balances and cash		**3,728,104**	5,857,851	2,383,921
		8,916,767	10,064,491	6,915,874

CONSOLIDTED STATEMENT OF FINANCIAL POSITION *(Con't)*

	Note	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Current Liabilities				
Amounts due to customers for contract work		**692,965**	476,241	243,426
Trade and other payables	12	**4,116,911**	3,150,047	3,252,561
Deposits received and receipt in advance		**688,845**	635,011	591,508
Amounts due to jointly controlled entities		**326,041**	540,699	583,029
Amounts due to fellow subsidiaries		**958,600**	2,095,389	2,147,494
Amount due to immediate holding company		**157,000**	-	-
Amount due to intermediate holding company		**1,130,294**	474,142	591,609
Amount due to an associate		**49,245**	25,211	10,139
Tax liabilities		**112,362**	89,593	75,049
Borrowings		**-**	249,100	377,303
		8,232,263	7,735,433	7,872,118
Net Current Assets (Liabilities)		**684,504**	2,329,058	(956,244)
Total Assets less Current Liabilities		**10,447,159**	7,577,553	3,002,079
Capital and Reserves				
Share capital		**74,486**	73,864	61,119
Share premium and reserves		**4,544,964**	3,435,962	1,604,757
Equity attributable to owners of the Company		**4,619,450**	3,509,826	1,665,876
Non-controlling interests		**3,950**	154,164	99,749
		4,623,400	3,663,990	1,765,625
Non-current Liabilities				
Deferred income		**244,047**	180,480	165,320
Deferred tax liabilities		**228,813**	93,219	71,134
Borrowings		**2,880,362**	1,936,286	1,000,000
Loans from intermediate holding company		**2,470,537**	1,703,578	-
		5,823,759	3,913,563	1,236,454
		10,447,159	7,577,553	3,002,079

Notes:

1. Basis of Preparation of Consolidated Financial Statements

On 7 May 2010, the Company had entered into a sale and purchase agreement with China State Construction Engineering Corporation Limited ("CSCECL"), whereby the Company shall acquire the entire issued capital and all the related shareholder's loan of 陽泉市陽五高速公路投資管理有限公司("陽五高速") for a cash consideration of RMB1,280,000,000 (equivalent to HK$1,471,264,000). 陽五高速 is engaged in the investment in and operation, repair and maintenance and construction of the Yangquan Yangwu Expressway and holds the concession operating rights related to Yangquan Yangwu Expressway.

On 30 September 2010, Ever Power Group Limited ("Ever Power"), an indirect wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement with China Overseas Road and Bridge Holdings Limited, an indirect wholly-owned subsidiary of China Overseas Land & Investment Ltd, a fellow subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited, whereby Ever Power shall acquire the entire issued share capital and the loan amount of China Overseas Technology Holdings Limited ("COTHL") at a cash consideration of HK$1,690,000,000. COTHL and its subsidiaries are engaged in consulting and investment business and also own 65% equity interest in a jointly controlled entity, Nanjing Changjiang Second Bridge Company Limited, which is principally engaged in the operation and management of a toll bridge at Nanjing in the PRC and investments in a jointly controlled entity.

All transfers were completed during the year ended 31 December 2010. The transfer of the entire interests in 陽五高速 and COTHL (the "Acquired Companies") as mentioned above were common control combinations. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2010 had been prepared using the principle of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the Acquired Companies had been combined from the date when the Acquired Companies first came under the control of the controlling party of the Group and Acquired Companies. The comparative figures of the consolidated financial statements have been restated. The application of Accounting Guideline 5 is consistent with the Group's previous common control combinations in previous financial years.

1. Basis of Preparation of Consolidated Financial Statements *(cont'd)*

Changes in accounting policies

In prior years, investments in jointly controlled entities were accounted for using the proportionate consolidation method in the consolidated financial statements prepared under Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA. In order to align with the accounting policies of its intermediate holding company, CSCECL, the Group has decided to adopt the equity method to account for its investments in jointly controlled entities in the consolidated financial statements.

The change in accounting policies has been adopted retrospectively but there is no effect on the opening net assets, retained profits nor the net profit or loss for the periods presented.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in those consolidated financial statements.

HKFRS 3 (as revised in 2008) "Business Combinations"

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies *(cond't)*

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. The Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The adoption of HKFRS 3 (as revised in 2008) has had no material impact on the reported results or financial position of the Group for the current accounting year.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies *(cond't)*

Amendments to HKAS 17 "Leases"

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *"Leases"* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases, and considered that the application of which has had no impact on the reported result or financial position of the Group for the current or prior accounting years.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5")

HK – Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK - Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int – 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int – 5, term loans with a repayment on demand clause are classified as current liabilities.

The Group reassessed the repayment clauses of outstanding term loans as at 1 January 2009, 31 December 2009, 31 December 2010 and concluded that the outstanding term loans are not subject to any repayment on demand clauses and accordingly, the application of HK Int-5 has had no impact on the reported results or financial position of the Group for the current or prior accounting years.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies *(cond't)*

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 [1]
	Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (as revised in 2009)	Related Party Disclosures [6]
HKAS 32 (Amendments)	Classification of Rights Issues [7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies *(cond't)*

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets.

The amendments to HKFRS 7 titled "Disclosures –Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 "Related Party Disclosures (as revised in 2009)" modifies the definition of a related party and simplifies disclosures for government-related entities.

2. Application of New and Revised Hong Kong Financial Reporting Standards /Changes in Accounting Policies *(cond't)*

A government-related entity as defined in HKAS 24 (Revised) is exempt from some of the detailed disclosure requirements in relation to certain transactions and outstanding balances (including commitments) between the entity and a government that has control, joint control or significant influence over the entity; and between the entity and another entity over which the same government has control, joint control or significant influence. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Group Revenue

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

During the year, the Group had new revenue sale of asphalts through acquisition of subsidiaries. The net amount received and receivable for sale of asphalts is grouped under sale of precast structures, building materials and asphalts.

In addition, the Group presents its proportionate share of revenue of jointly controlled entities. Revenue of associates is not included.

3. Group Revenue *(cond't)*

An analysis of the Group revenue and share of revenue of jointly controlled entities for the year is as follows:

	2010	2009
	HK$'000	HK$'000
		(restated)
Revenue from construction contracts	**8,262,808**	8,098,674
Revenue from construction contracts under service concession arrangements	**2,864,791**	882,097
Revenue from project management service income	**216,882**	170,683
Revenue from supply of heat and electricity	**383,521**	354,386
Revenue from provision of connection services	**9,866**	60,604
Revenue from infrastructure project investments	**93,325**	66,137
Sales of precast structures, building materials and asphalts	**122,512**	14,194
Others	**29,166**	59,346
Group revenue	**11,982,871**	9,706,121
Share of revenue of jointly controlled entities	**1,983,966**	2,966,949
	13,966,837	12,673,070

Others mainly comprises revenue from machinery leasing and insurance contracts.

4. Segment Information

The Group is currently organised into four divisions based on geographical location where the products are delivered, services are provided and the construction works are carried out - Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (including United Arab Emirates("UAE") and India). The information provided to the chief operating decision maker (i.e. the Company's Board of directors) are on the basis of these divisions. During the year ended 31 December 2009, UAE and India were treated as two operating segments as the chief operating decision maker separately assessed their segment performances, while both UAE and India are reviewed as a whole for segment performance and resources allocation during the year ended 31 December 2010. The segment results of UAE and India for the year ended 31 December 2009 were combined and restated for comparison purpose.

4. Segment Information *(cond't)*

Segment results for the years ended 31 December 2010 and 2009 are as follows:

	Revenue		Gross profit (loss)		Segment result	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Reportable segment						
Hong Kong	**6,236,555**	6,188,159	**395,184**	313,831	**292,524**	237,910
Regions in the PRC	**4,825,313**	2,134,479	**919,943**	364,767	**833,709**	303,535
Macau	**82,986**	404,169	**25,791**	89,967	**42,921**	78,353
Overseas	**838,017**	979,314	**(25,064)**	(19,023)	**(55,704)**	(65,673)
Consolidated total	**11,982,871**	9,706,121	**1,315,854**	749,542	**1,113,450**	554,125
Unallocated corporate expenses					**(163,328)**	(106,497)
Non-recurring investment income and other income					**37,047**	45,297
Share of profits of associates					**20,419**	11,592
Share of profits of jointly controlled Entities					**321,745**	309,310
Gain on fair value changes of investment in convertible bonds					**19,686**	-
Finance costs					**(15,552)**	(12,956)
Profit before tax					**1,333,467**	800,871

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.

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

Reportable segment result represents the profit (loss) earned or incurred by each segment excluding certain non-recurring investment income and other income, finance costs, share of profits of associates, share of profits of jointly controlled entities, gain on fair value changes of 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 *(cond't)*

Revenue from major business

The information on revenue from major business is disclosed in note 3.

Other geographical information

	Non-current assets		Addition to property, plant and equipment	
	2010	2009	**2010**	2009
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Hong Kong	**209,645**	63,275	**179,297**	33,693
Regions in the PRC	**5,425,120**	2,141,775	**308,134**	89,582
Macau	**51,198**	55,830	**2,899**	7
Overseas	**38,786**	50,362	**4,151**	10,093
	5,724,749	2,311,242	**494,481**	133,375

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

Segment assets and liabilities

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

Major customers information

Revenue from two (2009: two) customers in Hong Kong reportable segment amounted to approximately HK$3,040,000,000 and HK$1,224,000,000 (2009: HK$2,354,000,000 and HK$1,331,000,000), which individually represent more than 10 per cent of the Group's total revenue.

5. Investment Income

	2010	2009
	HK$'000	HK$'000
		(restated)
Interest income on:		
Bank deposits	**26,511**	13,422
Debt securities	**4,117**	4,270
Imputed interest on amounts due from investee companies	**10,115**	798
Loan receivables	**6,942**	-
	47,685	18,490
Capital return upon the deregistration of a subsidiary	**-**	11,764
Dividend income from listed available-for-sale investments	**1,654**	4
Dividend income from unlisted available-for-sale investments	**34,951**	5,971
Gain on disposal of listed available-for-sale investments	**-**	1,787
Others	**1,290**	4,774
	85,580	42,790

6. Finance Costs

	2010	2009
	HK$'000	HK$'000
		(restated)
Interest on bank loans wholly repayable within five years	**10,633**	46,044
Interest on bank loan not wholly repayable within five years	**95,753**	-
Interest on other loans wholly repayable within five years	**107**	221
Interest on loans from intermediate holding company	**99,995**	4,144
Other financial expenses	**3,220**	40
Total finance cost	**209,708**	50,449
Less: Amounts capitalised in concession operating rights	**(194,156)**	(37,493)
	15,552	12,956

7. Income Tax Expense

	2010 **HK$'000**	2009 HK$'000 (restated)
Current tax:		
Hong Kong	**32,499**	9,728
Other jurisdictions	**47,286**	57,996
	79,785	67,724
Overprovision in prior years:		
Hong Kong	**(2,830)**	(7,243)
Other jurisdictions	**(4,550)**	(10,135)
	(7,380)	(17,378)
Deferred tax:		
Current year	**140,813**	22,044
Income tax expense for the year	**213,218**	72,390

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the tax rate is 22% (2009: 20%) and progressively increasing to 25% over five years as grandfathering provision.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax and which is withheld by the PRC entity. Deferred tax of HK$17,004,000 (2009: HK$17,577,000) on the undistributed earnings has been charged to the consolidated income statement for the year.

8. Profit for the Year

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**133,176**	112,521
Less: Amounts included in contracts in progress costs	**(56,517)**	(27,767)
	76,659	84,754
Gross rental income from investment properties	**(14,610)**	(6,609)
Less: Direct expenses from investment properties that generated rental income during the year	**1,177**	4,573
	(13,433)	(2,036)
Employee benefits expense:		
Staff costs, including directors' emoluments	**1,050,726**	938,319
Contributions to retirement benefit plans	**32,506**	24,232
Equity-settled share-based payments	**319**	826
Less: Amounts included in contracts in progress costs	**(625,470)**	(674,868)
	458,081	288,509
Depreciation of investment properties	**1,052**	1,665
Amortisation of prepaid lease payments	**3,516**	2,091

9. Dividends

	2010 HK$'000	2009 HK$'000
Dividends recognised as distributions during the year:		
2009 Final, paid – HK3.50 cents (2009: 2008 final HK3.30 cents) per share	**103,570**	80,782
2010 Interim, paid – HK5.00 cents (2009: 2009 Interim HK3.60 cents) per share	**147,991**	105,810
	251,561	186,592

The final dividend of HK6.00 cents (2009: HK3.50 cents) per share amounting to HK$178,768,000 (2009: HK$103,570,000) 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:

Earnings

	2010 HK$'000	2009 HK$'000 (restated)
Earnings for the purposes of basic and diluted earnings per share	**1,036,278**	**674,066**

Number of shares

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,962,037**	**2,704,521**
Effect of dilutive potential ordinary shares in respect of share options	**80,259**	**97,361**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,042,296**	**2,801,882**

The following table summarises the impact on both basic and diluted earnings per share of 2009 as a result of combination of the Acquired Companies:

	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents
Figures before combination	**22.65**	**21.86**
Adjustments arising from transfer of controlling interests in Acquired Companies	**2.27**	**2.20**
Restated figures after combination	**24.92**	**24.06**

11. Trade and Other Receivables

The following is an aged analysis of trade and other receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Trade receivables, aged:			
0-30 days	**1,893,809**	1,450,573	1,155,940
31-90 days	**312,869**	450,644	918,926
Over 90 days	**454,551**	166,692	158,809
	2,661,229	2,067,909	2,233,675
Retention receivables	**1,014,650**	947,257	982,087
Other receivables	**487,551**	50,098	58,276
	4,163,430	3,065,264	3,274,038

Except for the receivable arising from construction contracts which are payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2009: 90 days) to its trade customers and the retention receivables are repayable approximately one year after the defect liability period of construction projects.

12. Trade and Other Payables

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Trade and other payables, aged:			
0-30 days	**1,834,841**	1,634,684	1,533,786
31-90 days	**994,004**	454,875	824,953
Over 90 days	**427,148**	254,639	197,414
	3,255,993	2,344,198	2,556,153
Retention payables	**860,918**	805,849	696,408
	4,116,911	3,150,047	3,252,561

The average credit period on trade and construction cost payables is 60 days (2009: 60 days). The Group has financial risk management polices in place to ensure that all payables are paid within the credit time-frame.

13. Event after the Reporting Period

On 18 January 2011, The Group and CSCEL entered into a joint venture agreement, pursuant to which both parties agreed to form a joint venture company on a 40:60 basis for carrying out financing and construction of the build-transfer ("BT") infrastructure project in respect of the ancillary facilities and infrastructure of Taiyuan South Station West Front Square in Taiyuan city, Shanxi Province, the PRC. The construction work is expected to be completed in two years and will be repurchased by the developer within four years from the date of completion of the construction work.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK6.00 cents (2009: HK3.50 cents) per share to the shareholders whose names appear on the register of members of the Company on 7 June 2011. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 7 June 2011, dividend warrants will be dispatched on or about 15 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered from 3 June 2011 (Friday) to 7 June 2011 (Tuesday), both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend and attendance and voting at the forthcoming annual general meeting.

In order to qualify for the proposed final dividend and be entitled to attend and vote at the forthcoming annual general meeting, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 2 June 2011 (Thursday).

REVIEW OF OPERATION

In 2010, major economies around the globe adopted proactive fiscal policies and easing monetary policies, gaining a substantial progress in economic recovery, though there was still imbalance in the development of different economies. Following the strategic principle of **"Cool response together with steady operation"** as set out at the beginning of the year, the Group reacted in a timely manner to seize opportunities for sound development, actively devoted itself to a dual-core business in infrastructure investment and construction. The Group has gained remarkable results by leveraging upon complementary strengths and optimizing resources.

Market Conditions

Hong Kong's construction market maintained an upward trend through the continuous launching of major projects including the "Ten Mega Infrastructure Projects". Construction of infrastructure projects in Mainland China also maintained strong growth. At the same time, as encouraged by the country's policies, efforts have been stepped up in building more affordable housings, creating great opportunities for the market. The Group has been paying close attention to the economy and market trend, seizing opportunities, pushing forward strategic transformation in the infrastructure investment business while maintaining the healthy development of construction business.

The "Ten Mega Infrastructure Projects" and other major construction projects from the government have been in full swing since 2010. According to recent HKSAR government's budget, the SAR government will be spending at least HK$60 billion annually on the construction of infrastructure in the coming few years, which increased by several times compared to that in the past. Such a measure will provide the construction market of Hong Kong with another golden decade. The Group grasped different opportunities in Hong Kong market, maintained its status as one of the largest contractors while making a breakthrough in the sum of amount in newly signed contracts. In 2010, the Group's newly awarded contracts in Hong Kong and Macau amounted to HK$17.16 billion, effectively achieved the strategic target of being one of the largest contractor in Hong Kong and Macau areas.

The Macau Subsidiary had been paying close attention to the market trend, utilizing the synergy effect between Hong Kong and Macau and developed its business with great success.

As for construction business in Mainland China, the Group targeted at foreign developers, and focused in Pearl River Delta, Pan Bohai Rim and Southwestern China, selectively participated in market competition and actively explored different management modes in construction contracting business. The Group's project consultancy business in the Mainland continued to implement a strategic policy of "Big Market, Big Client, Big Project", enhancing the quality in bidding for site supervision contracts, under which different projects were propelling moderately.

To ensure sustainability in the Group's development and drive the transformation to investment business strategy, the Group established corresponding investment and financing platform for use in the infrastructure construction and affordable housing projects in the Mainland. In 2010, the Group secured the 天津軍糧城及金鐘街保障性住房 (affordable housing projects in Jun Liang Cheng and Jin Zhong Jie in Tianjin) and BT project in Wuchang and Hanyang Section of 2nd Circle Line in Wuhan City. During the year, the Group acquired from its intermediate holding company and sister company 100% interests of the build-operate-transfer ("BOT") project of Shanxi Yangquan Yangwu Expressway (Yangquan to Yu Xian Section) and 65% interests of Nanjing No. 2 Yangtze River Bridge, in order to enlarge the Group's long-term and stable infrastructure investment portfolio in Mainland China. As Tangshan Binhai Avenue Project and Shanxi Yangquan Yangwu Expressway (Yangquan to Yu Xian Section) became operational at the end of 2010, the Group entered a new phase combining investment business and operating business. Moreover, in order to facilitate expansion in the business of supplying thermoelectricity, the Group started the extension project of Shenyang Huanggu Thermal Power Factory Phase 5 during the year.

In 2010, under the impact of global financial crisis and Dubai debt crisis, the UAE did not show any sign of substantial recovery in its economy. The Group adhered to the strategy of prudent operation and had not undertaken any new projects in Dubai for three consecutive years. Instead, it continued to concentrate on payment settlement and commercial management of the projects in progress and effectively controlled the risks.

India's self-contained and domestic-demand-oriented economic structure has, to a large extent, cushioned the impact of the global financial crisis, providing an assurance for its rapid economic development. In its search for sound joint-venture partners, the Group emphasized positioning itself to guard against risks and enhancing the profitability of its projects.

Completed Projects during the Year

During the year, the Group completed 30 projects, which mainly included:

Hong Kong: Tai Wai Maintenance Centre, Superstructure Main Contract (Phase 1), Construction of Siu Sai Wan Complex, Proposed Residential Development at No. 12 Broadwood Road, Hong Kong, Proposed Residential Development at No. 1-1A Oxford Road Kowloon Tong – Main Contract and Landslide Preventive Works at Po Shan Road, Mid-levels etc.; Macau: Encore at Wynn Macau and Residential Development at Pacifica Garden; and Mainland China: 成都西錦城項目(Splendid City Project in Chengdu), 成都中匯廣場二期 (Central Point Phase 2 in Chengdu) and 大連天地軟件園 (Dalian Tiandi Software Hub).

New Projects Awarded During the Year

The Group secured 35 new projects in the year, with an aggregated attributable contract value of HK$24.93 billion of which the Hong Kong market accounted for 66.2%, Mainland China market accounted for 31.2% and markets in other areas accounted for 2.6%.

New Contracts Awarded Mainly Included:

Hong Kong: Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2, Proposed Residential Development at Fan Kam Road, Kwu Tung South, N.T., Superstructure Works for Proposed Composite Development at 3 Chun Yan Street, Wong Tai Sin, Central - Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section), Express Rail Link Contract 823A-Tai Kong Po to Tse Uk Tsuen Tunnels, Express Rail Link Contract 823B – Shek Kong Stabling Sidings and Emergency Rescue Siding etc. Macau: Residential Development at Richlink 188 Noble Court and Mainland China: Management Contract Project at Pazhou PZB1401, Guangzhou City, Shanxi Yangquan Yangwu Expressway (Yangquan to Yu Xian section), the 天津軍糧城及金鐘街保障性住房 (affordable housings housing projects in Jun Liang Cheng and Jin Zhong Jie in Tianjin) and Wuchang and Hanyang Section of No.2 Circle Line in Wuhan City.

11 new contracts were awarded after the balance sheet date with a total contract value of about HK$ 6.47 billion.

Projects in Progress

At 31 December 2010, the Group had a total of 78 projects in progress, with an aggregated attributable contract value of HK$56.95 billion. The attributable contract value of incomplete projects was HK$35.48 billion. Projects had been undertaken in accordance with the laws of the local government and contractual requirements, offering clients services of high quality.

Corporate Governance

The Group strictly complies with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong Limited. 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 Group and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round corporate governance structure, internal control, risk management and crisis management mechanisms. It also enhanced its regional operation by adjusting its strategic planning in a timely manner, in order to cope with the challenge in the market existing after the financial tsunami. It has also fully leveraged the role of the Group's cross-region Decision Committee to ensure that the Group operated in highly effective manner.

Risk Management

The special management team continued to enhance and carry out full-scale monitoring and controlling of risks; persistent in centralization of financial and capital management; continued to centralize management of the bulk purchase and deployment of materials and equipment for construction projects and to adopt "Examination by three departments" mechanism, in order to minimize costs and avoid risks to the full extent. Effectively building a linkage mechanism on risk management between the Group, relevant operating units and projects, the Group created a risk managing system to deal with procedures such as risk identification, alert, prevention and disposition. By holding regular quarterly meetings for every operating unit, the Group solved promptly the problems and potential risks existing in operation. The Group fully implement the mechanism of centralized decision making in regular meetings of general managers and the "Three Centralization" management models, enhancing the headquarters' management function in human resources, financial resources and material resources, ensuring high efficiency in business operation, symmetry in internal information and effectiveness in risk management mechanism, avoiding vacuity in management and increasing the Group's ability in risk management on construction and investment projects. As for foreign market, the Group had been keeping itself abreast of the market trend, focusing on avoiding market risk as well as currency exchange risk and interest rate risk.

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 finance, as at 31 December 2010, the Group had bank balances of HK$3.73 billion and total borrowings of HK$5.35 billion, and a net gearing ratio of 35%. The Group had sufficient liquidity, and was in a sound financial position. A credit line in the amount of RMB1.19 billion for a period of three years was signed by the Group with China Construction Bank Shenzhen Branch in May 2010 and a syndicated credit line in the amount of HK$3 billion for a period of five years was also signed by the Group with eight famous banks including Bank of China (Hong Kong) Limited in June 2010, which can provide a strong assurance of capital as the Group engages in investment business in Mainland China. The Group also had sufficient committed but unutilized facilities of HK$4.4 billion to meet the need of the Group's business development.

By holding quarterly economic activity analysis meetings and thematic sessions on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are in place to ensure healthy expansion and operation of the Group's various business segments. The Group fully utilized the regional platform of Hong Kong, Macau and Mainland China to raise capital and to operate, effectively supporting the development of business operation.

Human Resources Management

The Group had launched new performance appraisal system and staff ranking system, which is a 5-level scientific ranking system. The Group kept on reviewing employees' salary, looking into and streamlining the welfare system and creating a more market-based remuneration system. In respect of assessment and provision of incentives, the Group had made amendments to the construction site contract responsibility system, forming a team-based assessment system whereby a site manager would take the lead and the site's management team would be participating and be rewarded collectively. The Group further promoted the idea of target management to projects of investment business, reviewing investment project contract responsibility system and putting it in practice gradually, motivating the project management team.

Capital Operation

Grasping firmly the opportunity brought by the PRC's 4 trillion stimulus plan and the stepped up efforts in the construction of affordable housings, the Group adjusted its expansion strategy in respect of its investment business, pushing forward investment in infrastructure and affordable housings. Those projects commenced and achieved a breakthrough. The Group acquired respectively from the intermediate holding company and sister company 100% equity interests in Shanxi Yangquan Yangwu Expressway (Yangquan to Yu Xian section) and 65% equity interests in Nanjing No. 2 Yangtze River Bridge at a consideration of HK$1.47 billion and HK$1.69 billion respectively. Such acquisitions were completed in the year, adequately exemplifying the great support from the parent company and its determination to establish the Group as an infrastructure investment platform.

Corporate Citizenship

In addition to the pursuit of profits for its shareholders, the Group attached great emphasis to social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship. The Group cared for the community, actively participated in community affairs and charitable deeds, contributed to the society and raised funds to help people in need. The Group had active participation in the charitable "Walks for Millions" in Hong Kong. As always, the Group places high value on construction quality, safety and environmental issues in its projects. With all and every of its effort, the accident incident rate dropped to a new low, making the Group a leader in the industry and highly commended by its clients and stakeholders. The Group has extensively utilized energy saving, low carbon emission and environmental-friendly construction technologies, building a harmonious living environment, playing a leading role and setting a good example for the industry. In the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4, Central – Wan Chai Bypass Tunnel (Causeway Bay Typhoon Shelter Section), and Demolition, Road and Foundation Works for Redevelopment of Lower Ngau Tau Kok Estate Phase 2, 3 & 5, the Group applied BIM technology and energy saving and environmentally friendly technologies which were highly regarded by the Hong Kong government and the society. In the Construction of Public Rental Housing Development at Kai Tak Site 1A Phases 1 and 2, the latest technology for designing, pre-fabricating and installing volumetric precast bathrooms, volumetric precast kitchens, external facades as well as semi-precast slabs were used, which represented a cutting edge development in the construction of residential buildings. The Group also put high emphasis on localization of its regional companies, in order to build a friendly and harmonious working environment for its staff members. On 8 July 2010, the Group held a ceremony for celebrating its fifth anniversary as a listed company on the stock exchange market of Hong Kong, which promoted the brand value of the Group and further enhanced the corporate cohesiveness.

Key Awards

The Group was conferred "Overall Presentation Gold Award" and "Annual Report Cover Design Silver Award" in the 24th《Mercury Awards》in respect of the Group's Annual Report 2009. The Hong Kong Council of Social Service conferred upon the Group the "Caring Company Logo 2009/10" in recognition of its commitment to corporate citizenship during the previous year.

The Group had been admitted to Premier League of Contractors (Building) of the Hong Kong Housing Authority. With outstanding performance in quality, safety, environmental protection and technology, the Group won a number of awards in 2010, including more than 20 key rewards: six "Considerate Construction Site Awards" conferred by the Hong Kong Government, a "Gold Award in Hong Kong Housing Authority's New Works Category – Outstanding Contractor Award (Building)", four awards in the "Hong Kong Construction Industry Safety Award Scheme", five "Hong Kong Safety Promotion Awards", two "Hong Kong Outstanding Environmental Performance Awards" and two "Provincial and Ministerial Technology Awards". Among these awards, Reconstruction and Improvement of Tuen Mun Road – Tai Lam Section was honoured with "Golden Award in Civil Engineering Sites Category", Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 was honoured with "Gold Award in The Best Safe Working Cycle Competition", and Development at Anderson Road –Site Formation and Associated Infrastructure Works was honoured with "Silver Award in Considerate Contractor Site Award Scheme". The Group's "Site Safety Award Stamps Redemption Scheme" was awarded "Silver Award in the Safety Promotion Award" and "Research and Application on Key Technology used in Landslip Preventive Works at Po Shan Road, Mid-levels" was awarded Second Class in "China State Construction Engineering Corporation Scientific Technology Award". All these awards further promoted to the Group's corporate image and brand building.

BUSINESS PROSPECTS

Europe and the US are currently in a stage of economic recovery which is considered the weakest compared to all previous economic cycles since WWII. Although GDP is expected to resume to a pre-crisis level in 2011, economic growth is still slow and the momentum of growth varies among different countries. Recovery in developing countries, especially those emerging economies, is much faster than developed countries. China, India and developing countries in Asia become the engine for the world's economic growth. Greek's debt crisis and financial position of Eurozone countries brought up great market concerns in 2010. As the threat of double-dip recession faded away, market sentiment has taken a rapid and favourable turn. As the US rolled out the second round of quantitative easing measures, developing countries must be facing asset bubble and inflation problems brought by the influx of hot money.

In 2011, the effect of macroeconomic austerity measures, together with slow recovery of major developed countries may haul the growth of the two major new economic systems, namely China and India. Viewing China from a macro perspective, underlying inflation problems exist despite the projected accelerated rate of economic recovery. And hot money from around the world will enter China's market via different channels in anticipation of the appreciation of Renminbi, worsening Mainland China's threat of financial bubbles. The Group will pay close attention to the trend of China's macroeconomic development and take precautions for tackling any alternation in the trend.

Market Conditions

Mainland China will maintain its rapid economic growth in 2011. However, full recovery of export and consumption takes time, whilst structural problems in the economy will be more and more notable. Worries of asset bubbles brought by easing monetary policy, financial system risks and reoccurrence of high inflation, the Chinese government has taken new macroeconomic austerity measures focusing on tightening credit limit, and more measures might be taken in the near future. Therefore, 2011 will be a year full of challenges. However, rapid urbanization in Mainland China will promote relevant construction in civil constructions, housing and transportation, and market demand will grow steadily. Increasing supply in affordable housings in Mainland China, together with the government's investment in building infrastructure, will provide the Group with sound opportunities for development.

Economic development in Mainland China provides strong momentum for Hong Kong's economic recovery. The twelfth five year plan of China advocates the overall uplifting of household income, and the launch of relevant policies will also stimulate consumption growth in the Mainland. In addition, the anticipated appreciation of the Renminbi is favourable to increasing demand from Mainland China for Hong Kong's service industry. The launch of Hong Kong's "Ten Mega Infrastructure Projects" and other major government construction projects will also provide the construction industry with ample room for development.

Macau's GDP in 2011 is expected to increase by 15-18%. Benefiting from the gradual improvement of the global economy, large-scale gambling-related projects, as well as some government projects and private-investment projects, may commence or resume, thereby driving growth in the sector of private investment in the territory. The Group explored actively the investment business brought by construction contract. Meanwhile, with the Central Government's approval of the development proposal of Hengqin, Zhuhai, together with the staged commencement of the Hong Kong-Zhuhai-Macau Bridge, it is expected that these will bring more opportunities to the Group's construction business in Macau.

With the bubble burst in Dubai's property market, together with the outbreak of the Dubai World incident as well as the impacts that followed, a recovery of its construction and property markets is expected to take even longer.

India is expected to have its GNP growing at a rate of more than 8% in 2011 and is poised to become one of the major economies that will drive the recovery of Asian economies. In the eleventh five-year plan of India, the investment amount for construction business is in excess of USD1 trillion, among which 65% will be on infrastructure investment.

Operation Strategies

The Group will adhere to its development strategy of **"Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success"** to actively act in response to the complicated economic development from both domestic and international prospective. It will work hard towards its pre-determined goal, grasp opportunities and mitigate uncertain risks in pursuit of an enhanced management and protection standard, give every effort to make the Group a dual-core business in infrastructure investment and construction. The Group will also effectively increase its enterprise value and market competitiveness to ensure sustainability and healthy development of its overall operations.

With firm determination to maintain and enhance the development of the scale of its business in Hong Kong and Macau, the Group will take full leverage on the synergy of the integration of both regions. In Hong Kong, the Group will strive to maintain and reinforce its current market share, in particular to grasp the golden opportunity in the infrastructure market, to ensure its position as one of the largest construction contractors in Hong Kong, to take precautions on inflation risk and to further boost its profitability. In Macau, it will continue to explore the opportunity for expanding into a diversified range of construction related businesses.

In Mainland China, the Group will continue with its sound development momentum to bring its management capability and advantage in full play. As a major platform of China State Construction Engineering Corporation Limited for the BOT and operational investment in Mainland China, the Group will focus on its investments in Mainland China's infrastructure construction, namely the BT and BOT projects, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth in the Group's operating results. Meanwhile, the Group will continue to actively explore the feasibility of further acquisition of infrastructure projects located in Mainland China from its parent company, in search of new engines for the Group's profit growth. It will grasp firmly the great opportunity brought by the country's plan of building 10 million units of affordable housing and of spending RMB 1.4 trillion as supporting funds, in order to further strengthen its investment business in affordable housing.

For its overseas business, the Group will be profit-orientated and seek to progress in a prudent manner. The Group will also investigate and explore the feasibility of infrastructure investments in other international markets including India.

Operation Management

The Group has been engaged in the construction business for more than 30 years, and has developed unique strengths and core competitiveness with high regard on the promotion of the "5+3" project management model to actively launch different projects with balance and refine its management of projects. The Group will replicate its proven "5+3" project management model from Hong Kong market to other regions, making adjustments to accord with local requirements, with a view to effectively increase the Group's overall profitability and risk-guarding capability.

The Group will enhance its management innovation and emphasize scientific management to boost effectiveness in management. Further refinement will be made to the structure of its corporate governance to establish a healthy management mechanism to boost its management performance. Exploration will continue to enhance the approach to its regional management. Through the reasonable adjustment of the functions and workflows among the headquarter and regional offices, efficiency will be enhanced whilst avoiding risks. Improvement and enhancement will be made to the existing performance appraisal system which is based on the system of responsibility in respect of targeted operations.

The Group will actively foster the development of its information computerization with due regard to its strategic development plan. The Group will further strengthen the application of its Customer Relations Management (CRM) System, as an effective mechanism to communicate and coordinate with customers, so as to upgrade the quality of its service delivery. The Group will also foster the implementation of the refinement and upgrading of its Cost Dynamic Management System (CDMS). Implementation of the Group's NC system and ERP system will also continue to enhance the Company's management standard.

Risk Management

The Group will continue to step up its efforts in risk management and control as well as avail itself to a comprehensive inspection and audit, enhancing risk prevention and being conscious of risk alerts, to reasonably guard itself against any risks. On the principles of stability, sustainability, high efficiency and low risk in the Group's business expansion and operation, a balance will be achieved among risks, resources and business exploration to ensure smooth operation of each segment.

The Group will advance to further optimize the risk management and control structure for its overseas businesses. The Group will also conduct preliminary analysis on the local market risk, legal risk, contractual risk and status of property developers in light of local market conditions to improve its risk-alert ability and enhance the overall risk-guarding capability of the Company.

As regards investment business, the Group will clarify its investment strategy and make timely move to establish its Mainland China's investment and financing platform to further strengthen the establishment of its investment team, and to refine its investment decision making system and investment management system. A system and workflow procedure in respect of its investment project selection, assessment, establishment, operational management, exiting, capital operations will be set up to guard the Group against investment risks to the fullest extent.

Financial Management

Financial management is continuously strengthened to further improve the capability in protecting the Group's financial resources, strengthen the Group's management and supervision of its cash flow, and actively promote efforts to raise funds for effectively supporting the business expansion. Rolling evaluation on the Group's overall operations will be made via ongoing quarterly operation analysis meetings and thematic sessions on finance, to ensure the steady growth of business. Efforts will be stepped up to cut costs and explore other income sources, in order to reduce fixed costs by various means and optimize the deployment of financial resources. At the same time, the Group will focus on time value of capital, and cash inflow will be accelerated to secure the safety of capital fund for the Group. Active efforts will also be made continuously to enhance its BI system aimed at strengthening the flow of project and operating information and actively controlling cost, and optimizing cash flow, so as to improve the Group's overall operation efficiency and risk management capability. In line with the continuous expansion of its business scale and financial need in Mainland China, the Group will put efforts in building a fund management platform, improving its model of financial management and control in the Mainland.

Human Resources Management

The Group firmly believes that human capital is its most important asset and that human resources are an important assurance to maintain its core competitiveness. The Group has long been regarding "Forge a pool of talents with fine strengths and high efficiency under a clear and well-established management structure" as an important element for securing the sustainable development of its business. Under the new situation, the Group will develop its human resources policy and channel its human resource towards its investment in infrastructure business and affordable housing in Mainland China. The Group will further improve and optimize its advanced human resources management structure, and build up a team of talents which practically suits the trend of its business development, so as to secure a pool of human resources to support the Group's expansion of its business operations. Further enhancement will be made to the incentive system that is based on departmental operation management target responsibility system and construction site contracting responsibility system. Corporate culture will be further implemented, rooting it to every aspect of the Group, elaborating a spirit of pragmatism, refinement, integrity and innovation, and building a harmonious and democratic team. With an assertion on using talents well and further enhancing the standard of corporate governance, the Group continues to make innovations and reinforce its core competitiveness to achieve a harmonious and win-win operating environment for its products, customers, shareholders and staff.

COMPANY MISSION

In pursuit of its philosophy of **"Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success"** and the continual formulation of the brand's advantage of **"China State Construction"**, the Group will continue to focus on details and advocate pragmatic approach to its work. Consistently pursuing the professionalism of **"Achieving superb quality in each process thus making each project of superb quality"**, the Group is committed to offering excellent products and services in excess of their own values, actively performing its responsibilities as a corporate citizen, improving 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

The Company has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except code provision E.1.2.

Code Provision E.1.2 – This Code Provision stipulates that chairman of the board should attend the annual general meeting and arrange for the chairmen/members (in the absence of chairmen) of the audit, remuneration and nomination committees to be available to answer questions at the annual general meeting.

Mr. Kong Qingping, the Chairman and Non-executive Director of the Company, could not attend the annual general meeting of the Company held on 9 June 2010 ("2010 AGM") due to other business engagement. Mr. Zhou Yong, Vice-chairman and Chief Executive Officer of the Company, chaired the 2010 AGM to ensure effective communication with shareholders of the Company at such Meeting. Members of the audit, remuneration and nomination committees were available at the 2010 AGM to answer question from shareholders of the Company.

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 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2010 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary 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, 18 March 2011

As at the date of this announcement, the Board comprises Mr. Kong Qingping (Chairman) as Non-executive Director; Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam, Mr. Zhang Yifeng, Mr. Cheong Chit Sun, Mr. Zhou Hancheng and Mr. Tian Shuchen as 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 Director.