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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 2013,
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2013	2012 (restated)	Change %
RESULTS (HK\$'000)			
Revenue	27,191,939	21,910,660	24.1
Gross profit	3,735,100	2,718,217	37.4
Gross profit margin	13.7%	12.4%	10.5
Profit attributable to owners of the Company	2,772,145	2,131,459	30.1
FINANCIAL INFORMATION PER SHARE			
Earnings - basic (HK cents)	71.29	57.32	24.4
Proposed final and interim paid dividends for the year (HK cents)	21.00	16.00	31.3
Net assets (HK\$)	4.16	3.48	19.5

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK12.00 cents per share.

China State Construction International Holdings Limited

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 2013. The Group’s audited profit attributable to the owners of the Company for the year ended 31 December 2013 was HK\$2,772 million, representing an increase of 30.1% as compared to last year while basic earnings per share increased by 24.4% to HK71.29 cents.

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 December	
		2013 HK\$’000	2012 HK\$’000 (restated)
Revenue	3	27,191,939	21,910,660
Costs of sales		(23,456,839)	(19,192,443)
Gross profit		3,735,100	2,718,217
Investment income	5	221,431	238,869
Other income and other gains, net		209,879	132,221
Administrative expenses		(933,643)	(704,139)
Distribution, selling and other operating expenses		(82,946)	(35,935)
Share of profits of			
Joint ventures		430,228	413,284
Associates		21,941	18,255
Finance costs	6	(409,330)	(239,375)
Profit before tax		3,192,660	2,541,397
Income tax expense, net	7	(499,379)	(404,896)
Profit for the year	8	2,693,281	2,136,501
Profit/(loss) for the year attributable to:			
Owners of the Company		2,772,145	2,131,459
Non-controlling interests		(78,864)	5,042
		2,693,281	2,136,501
Earnings per share (HK cents)	10		
Basic		71.29	57.32
Diluted		70.25	56.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Profit for the year	2,693,281	<u>2,136,501</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit and loss</i>		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	(1,114)	(1,047)
Gain on fair value changes of available-for-sale investments, net of tax	9,041	95,256
Release of investment revaluation reserve to income statement upon acquisition of a subsidiary	-	(21,625)
Exchange differences on translation of foreign operations	582,363	77,269
Other comprehensive income for the year, net of tax	590,290	<u>149,853</u>
Total comprehensive income for the year, net of tax	3,283,571	<u>2,286,354</u>
Total comprehensive income/(loss) attributable to :		
Owners of the Company	3,370,682	2,279,277
Non-controlling interests	(87,111)	7,077
	3,283,571	<u>2,286,354</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December		As at 1
	Notes	2013 HK\$'000	2012 HK\$'000 (restated)	January 2012 HK\$'000 (restated)
Non-current Assets				
Property, plant and equipment		2,342,163	2,190,951	1,870,033
Investment properties		39,085	40,044	41,063
Interests in infrastructure project investments		1,186,012	915,049	673,224
Prepaid lease payments		183,987	182,291	184,978
Interests in joint ventures		2,149,893	2,630,927	2,506,098
Interests in associates		48,757	36,156	29,237
Concession operating rights		6,353,833	5,501,701	4,926,465
Deferred tax assets		151,027	-	-
Trademark, project backlogs and licences		226,596	252,551	9,950
Goodwill		577,664	577,664	-
Available-for-sale investments		543,642	497,861	490,842
Investment in convertible bonds		-	296,827	240,000
Amounts due from investee companies		399,645	361,471	356,085
Trade and other receivables	11	8,141,167	3,186,846	919,473
Deposit paid for an investment		500,000	-	-
Loan to a joint venture		127,550	-	-
		22,971,021	16,670,339	12,247,448
Current Assets				
Interests in infrastructure project investments		10,566	8,506	23,490
Inventories		163,427	185,374	149,559
Properties held for sale		152,905	158,608	158,608
Amounts due from customers for contract work		1,075,267	5,621,095	2,944,066
Trade and other receivables	11	8,654,467	7,109,275	5,029,080
Deposits and prepayments		228,295	523,278	234,679
Amount due from immediate holding company		4,833	-	-
Amount due from an intermediate holding company		-	-	72,159
Amounts due from joint ventures		7,154	5,461	5,520
Amounts due from fellow subsidiaries		264,025	633,822	423,284
Amounts due from related companies		-	26,939	10,990
Amount due from an associate		388	-	-
Tax recoverable		18,697	15,054	6,217
Pledged bank deposits		291	1,291	4,992
Deposits with financial institutions		162	516	848
Bank balances and cash		8,115,820	6,875,018	5,594,248
		18,696,297	21,164,237	14,657,740
Assets held for sale	12	9,169,319	-	-
		27,865,616	21,164,237	14,657,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 31 December		As at 1
	Notes	2013	2012	January
		HK\$'000	HK\$'000	HK\$'000
			(restated)	(restated)
Current Liabilities				
Amounts due to customers for contract work		1,903,378	1,503,088	1,613,316
Trade payables, other payables and accruals	13	8,564,715	7,152,461	5,307,046
Deposits received and advances from customers		1,755,670	1,138,919	699,874
Amount due to immediate holding company		-	16,019	208,218
Amount due to an intermediate holding company		548,536	132,692	676,461
Amounts due to joint ventures		-	339,898	211,271
Amounts due to fellow subsidiaries		2,598,036	2,136,175	1,398,076
Amount due to an associate		27,505	33,495	6,125
Amount due to a related company		-	-	16,851
Current tax payables		606,061	594,570	313,787
Borrowings	14	236,449	48,780	357,716
Loans from an intermediate holding company		-	-	940,151
Obligations under finance leases		1,087	1,158	-
		16,241,437	13,097,255	11,748,892
Liabilities directly associated with assets classified as held for sale	12	4,723,121	-	-
		20,964,558	13,097,255	11,748,892
Net Current Assets		6,901,058	8,066,982	2,908,848
Total Assets less Current Liabilities		29,872,079	24,737,321	15,156,296
Capital and Reserves				
Share capital		97,219	97,186	89,668
Share premium and reserves		16,083,606	13,412,638	9,400,684
Equity attributable to owners of the Company		16,180,825	13,509,824	9,490,352
Non-controlling interests		253,237	343,144	6,724
		16,434,062	13,852,968	9,497,076
Non-current Liabilities				
Borrowings	14	8,539,842	9,996,359	4,961,268
Guaranteed notes payables	15	3,860,286	-	-
Deferred income		638,802	520,791	421,938
Deferred tax liabilities		394,807	362,265	276,014
Obligations under finance leases		4,280	4,938	-
		13,438,017	10,884,353	5,659,220
		29,872,079	24,737,321	15,156,296

Notes:

1. Basis of Preparation of Consolidated Financial Statements

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

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

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

Analysis of the assets and liabilities of the assets and liabilities held for sale is presented in note 12.

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS(s)”), Hong Kong Financial Reporting Standards (“HKFRS(s)”), amendments and interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the HKICPA.

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

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

Retrospective application of HKFRS 11 “Joint Arrangements”

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards (continued)

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

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

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

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards (continued)

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

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards (continued)

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards (continued)

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

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

2. Application of new and revised standards, amendments, interpretation and improvements to existing standards (*continued*)

(b) New and revised standards, amendments or interpretation 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.

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

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

³ Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

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

3. Revenue

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

An analysis of the revenue is as follows:

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

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 geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ("UAE") and India).

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

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

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

4. Segment Information (continued)

Amounts included in the measure of segment profit or loss:

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

Measurement

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

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

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

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

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

4. Segment Information (continued)

Measurement (continued)

An analysis of the Group's financial position by segments is as follows:

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

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

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

Segment assets and liabilities

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

Major customers information

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

5. Investment Income

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

6. Finance Costs

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

China State Construction International Holdings Limited

7. Income Tax Expense, net

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

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

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

8. Profit for the Year

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

9. Dividends

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

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

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:

	2013	2012
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	2,772,145	2,131,459
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,888,294	3,718,288
Effect of dilutive potential ordinary shares in respect of share options	57,760	58,444
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,946,054	3,776,732

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:

	2013	2012
	HK\$'000	HK\$'000
		(restated)
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	4,273,284	3,409,538
31-90 days	3,205,488	1,517,763
Over 90 days	7,247,375	3,144,168
	14,726,147	8,071,469
Retention receivables	1,741,197	1,791,588
Other receivables	328,290	433,064
Trade and other receivables	16,795,634	10,296,121
Portion classified as current assets	(8,654,467)	(7,109,275)
Non-current portion	8,141,167	3,186,846

Notes:

- (a) The balances of non-current portion were mainly attributable to certain affordable housing projects (trading under BT model) in Mainland China. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The total amount of the receivables for affordable housing is expected to be fully recovered from 2015 to 2018, with approximately HK\$1,510,230,000 in 2015, HK\$2,901,052,000 in 2016, HK\$3,729,885,000 from 2017 to 2018. As a result, they are classified as non-current.
- (b) Amounts of HK\$6,443,102,000 (31 December 2012: HK\$2,635,616,000) were included in the receivables aged over 90 days, which were mainly attributable to the affordable housing projects and were not due in accordance with the contract.
- (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 2013, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$1,313,151,000 (31 December 2012: HK\$1,152,012,000).
- (d) Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2012: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

12. Assets Held for Sale

The assets and liabilities related to a wholly owned subsidiary of the Group, have been presented as held for sale since following the completion of a BT construction contract in Mainland China that the Group has committed to transfer its entire interest in the subsidiary to an independent third party. The transaction is expected to complete in 2014. No gain or loss is recognised arising from this reclassification.

(a) Assets held for sale

	2013 HK\$'000	2012 HK\$'000
Amounts due from customers for contract works	8,476,861	4,644,957
Trade and other receivables	521,877	126,403
Bank balances and cash	35,520	567,852
Other assets	135,061	54,445
Total assets	<u>9,169,319</u>	<u>5,393,657</u>

(b) Liabilities directly associated with assets held for sale

	2013 HK\$'000	2012 HK\$'000
Trade payables, other payables and accruals	903,766	125,341
Bank loan	3,307,047	1,344,351
Current tax payables	512,308	279,364
Total liabilities	<u>4,723,121</u>	<u>1,749,056</u>

(c) Cumulative income recognised in other comprehensive income relating to assets classified as held for sale

	2013 HK\$'000	2012 HK\$'000
Foreign exchange translation adjustment	<u>115,294</u>	<u>11,209</u>

13. 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:

	2013	2012
	HK\$'000	HK\$'000
		(restated)
Trade payables, aged:		
0-30 days	4,411,689	3,392,184
31-90 days	969,107	1,211,889
Over 90 days	519,415	465,613
	5,900,211	5,069,686
Retention payables	1,928,100	1,542,120
Other payables and accruals	736,404	540,655
	8,564,715	7,152,461

The average credit period on trade and construction cost payables is 60 days (2012: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

14. Borrowings

	2013	2012
	HK\$'000	HK\$'000
Bank overdraft	-	4,923
Bank loans, secured	2,524,063	3,837,497
Bank loans, unsecured	6,244,428	6,194,919
Other loans	7,800	7,800
	8,776,291	10,045,139
Carrying amount repayable:		
Within one year	236,449	48,780
More than one year but not exceeding two years	3,735,751	70,944
More than two years but not more than five years	2,756,266	6,607,704
More than five years	2,047,825	3,317,711
	8,776,291	10,045,139
Less: Amount due within one year shown under current liabilities	(236,449)	(48,780)
Amount due after one year	8,539,842	9,996,359

The Group's bank loans are mainly denominated in Hong Kong Dollars and Renminbi, all of which are functional currencies of the respective Group entities. The Group's secured bank loans, including a bank loan of HK\$3,307,047,000 which was reclassified to liabilities directly associated with assets held for sale as at 31 December 2013, are secured by land and building and concession operating rights of the Group and an asset provided by a customer.

15. Guaranteed Notes Payables

In April 2013, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$500 million (equivalent to approximately HK\$3,860 million) (the “Notes”) at the issue price of 99.542%. The Notes, which bear fixed interest at the rate of 3.125% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 2 April 2018 at the principal amount. The fair value of the Notes at 31 December 2013 was estimated at approximately HK\$3,751 million, which was determined based on the closing market price of the Notes at that date.

16. Event After Balance Sheet date

On 29 August 2013, City Universe Limited (“City Universe”), an indirect wholly-owned subsidiary of the Company entered into a subscription agreement (the “Subscription Agreement”), among others, with Fast Shift Investment Limited (“Fast Shift”) and Ace Wonder Limited (“ACE”), the holding company of Fast Shift. Fast Shift has a 29% interest in a mixed-use property development located in the northern shore of Taipa Island, Macau (the “Project”). Pursuant to the Subscription Agreement, City Universe agreed to subscribe 100% of the issued class B share of Fast Shift, which entitled the holder to 29% of the economic benefits in or losses arising from the residential portion of the Project (“Sale Share”) and to acquire the relevant portion of shareholder loan (the “Sale Loan”) (both the subscription of Sale Share and the acquisition of the Sale Loan are referred as the “Transaction”). The total consideration for the Sale Share and the Sale Loan are approximately HK\$2,066 million of which HK\$500 million was paid as deposit in 2013. The Transaction was completed with the remaining balance of consideration fully settled in January 2014.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK12.00 cents per share (2012: HK9.00 cents per share) to shareholders whose names appear on the register of members of the Company on 10 June 2014. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 30 May 2014, dividend warrants will be despatched on or about 3 July 2014.

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	4:00 pm on 27 May 2014
Closure of register of members	28 May 2014 to 30 May 2014 (both days inclusive)
Record date	30 May 2014

- (ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:00 pm on 6 June 2014
Closure of register of members	9 June 2014 to 10 June 2014 (both days inclusive)
Record date	10 June 2014

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), not later than the aforementioned latest time.

REVIEW OF OPERATION

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

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

Market Conditions

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

1. Hong Kong and Macau – Further Consolidating Market Position

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

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

2. Mainland China - Strengthening the Operation Foundation of Infrastructure Investment

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

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

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

3. Overseas Market– Ensuring Solid Progress in Overseas Operation

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

Completed Projects during the Year

In 2013, the Group completed 28 projects.

New Projects Awarded

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

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

Projects in Progress

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

Corporate Governance

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

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

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

Risk Management

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

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

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

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

Financial Management

The Group has put great efforts in strengthening its financial resources and optimising its debt structure. The systems and measures relating to financial management have been formulated and controlled by the headquarters. As at 31 December 2013, the Group had bank and deposits balances of HK\$8,116 million and total borrowings of HK\$12,637 million, and a net gearing ratio of 27.5%, reflecting its healthy financial conditions. Net drawdown of bank loans for the year amounted to HK\$1,883 million, the Group also successfully issued five-year guaranteed notes for HK\$3,853 million. At the same time, the Group has committed but unutilised credit facilities and other facilities like construction performance bond facility of HK\$20,403 million in aggregate to meet the need of its future business development.

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

Human Resources Management

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

Capital Operation

In the first half of 2013, the Group received investment grade ratings from Standard & Poor's "BBB-", Moody's "Baa3" and Fitch "BBB-". The Group issued five-year guaranteed notes of US\$500 million, which was the first debt financing of the Group since its listing. As such, the financing channel of the Group was expanded. On 10 December 2013, Standard & Poor's raised the investment grade rating of "BBB-" to "BBB" and also raised the rating for the senior nonguaranteed notes issued by the Group from "BBB-" to "BBB". On 8 January 2014, Fitch raised the investment grade rating from "BBB-" to "BBB". The financial strength of the Company was well recognised in the market.

In May 2013, the Group entered into agreements with relevant partners for the early redemption of convertible bonds of HK\$200 million acquired in 2010 with the total redemption amount of HK\$300 million.

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

Social Responsibility

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

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

Key Awards

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

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

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

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

REVIEW OF FINANCIAL PERFORMANCE

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

Revenue and Gross Profit

1. Hong Kong, Macau and Overseas

(a) Construction – Hong Kong

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

(b) Construction – Macau

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

(c) Construction – Overseas

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

2. Mainland China

Our businesses in Mainland China continued to be the key revenue and profit drivers of the Group. Riding on the favorable government policy, the Group continued to expand its presence of affordable housing and infrastructure investment businesses in new geographical locations in Mainland China. Under rapid development, this segment has delivered substantial growth in revenue and gross profit of approximately 57.4% and 57.1% respectively for the year under review.

(a) Investment and Construction of Affordable Housing Projects

On top of those projects already in progress in last year, the Group has commenced the construction works of new projects in Wenzhou and Zhenjiang during the year under review. As a result, construction revenue from this sector reported a tremendous rise of approximately 66.4% to HK\$6,157 million (2012: HK\$3,701 million). Because of demand for higher expertise and investment commitment in these large scale projects, the Group was also able to command gross margin on average higher than that from traditional construction projects. Furthermore, the interest such earned for the year has increased to HK\$394 million (2012: HK\$172 million) which was counted into revenue and gross profit from this segment.

(b) Construction and Operation of Infrastructure Projects

As a major infrastructure investment and operation platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group continued participating in investments in its infrastructure business portfolio including the BT, BOT and “transfer, operate and transfer” (“TOT”) arrangements of various transport infrastructure facilities and direct ownership and operation of a thermoelectric plant. In 2013, the investment portfolio in this segment has recorded a steady growth in revenue to HK\$6,174 million (2012: HK\$3,645 million).

(c) Construction – Cash contract and related business

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

3. Far East Global Group – Facade Contracting

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

Cash Flows Analysis

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

BUSINESS PROSPECTS

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

Market Expectation

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

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

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

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

Operation Strategies

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

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

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

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

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

Management Model

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

COMPANY MISSION

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

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 certain deviations as specified and explained below with considered reasons for such deviations:-

- Under code provisions A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings) and E.1.2 (chairman of the board should attend the annual general meeting). Mr. Kong Qingping, the then Chairman and Non-executive Director; and Mr. Li Jian, Non-executive Director, both due to other business engagement were unable to attend the annual general meeting of the Company which held on 6 June 2013 (“2013 AGM”). Mr. Zhou Yong, the then Vice-chairman and Chief Executive Officer, chaired the 2013 AGM to ensure effective communication with shareholders of the Company at such meeting. All the independent non-executive directors attended the 2013 AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.
- Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Kong Qingping resigned as Non-executive Director and ceased to be Chairman of the Company on 15 August 2013. Mr. Zhou Yong acts as Executive Director, Chairman and Chief Executive Officer of the Company with effective from 15 August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group’s business. If the positions occupied by unqualified persons, the Group’s performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

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 2013.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures on page 2 to page 24 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 2013. 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, 17 March 2014

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 and Mr. Hung Cheung Shew as Executive Directors; Mr. Li Jian as Non-executive Director; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.